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9 **Southside Economic Development Committee**

10 Wednesday, October 26, 2005

11 1:00 p.m.

12
13 Riverstone Technology Park
14 Halifax County, Virginia
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17 **APPEARANCES:**

18 Mr. Thomas W. Arthur, Chairman
19 The Honorable Frank M. Ruff, Vice Chairman
20 Mr. Clarence D. Bryant, III
21 The Honorable Kathy J. Byron
22 The Honorable Bernie K. Day
23 Mr. Scott M. Harwood, Sr.
24 Mr. L. Jackson Hite
25 Delegate Clarke N. Hogan
26 The Honorable Harrison A. Moody
27 The Honorable Edward Owens
28 The Honorable Thomas C. Wright, Jr.
29 The Honorable John Sternlicht, Deputy Secretary of Commerce and Trade
30

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32 **COMMISSION STAFF:**

33 Mr. Ned Stephenson, Acting Executive Director
34 Mr. Timothy Pfohl, Grants Program Administration Manager
35 Ms. Britt Nelson, Grants Coordinator, Southside Virginia
36 Ms. Stephanie Wass, Director of Finance
37

38 **OFFICE OF THE ATTORNEY GENERAL**

39 Anne Marie Cushmac, Senior Assistant Attorney General, Counsel for the
40 Commission
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42 MR. ARTHUR: I'll call this meeting to order, thank you all
43 for coming to the Southside Economic Development Committee of the Tobacco
44 Commission, and I thank everyone for being here today. We've got a long meeting

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1 representing a lot of money, and so we need to do our due diligence and do what is right
2 for the State of Virginia and for Southside Virginia.
3 Ned, would you call the roll?
4 MR. STEPHENSON: Mr. Bryant?
5 MR. BRYANT: Here.
6 MR. STEPHENSON: Delegate Byron?
7 DELEGATE BYRON: Here.
8 MR. STEPHENSON: Mr. Day?
9 MR. DAY: Here.
10 MR. STEPHENSON: Mr. Harwood?
11 MR. HARWOOD: Here.
12 MR. STEPHENSON: Mr. Hite?
13 MR. HITE: Here.
14 MR. STEPHENSON: Delegate Hogan?
15 DELEGATE HOGAN: Here.
16 MR. STEPHENSON: Mr. Moody?
17 MR. MOODY: Here.
18 MR. STEPHENSON: Mr. Owens?
19 MR. OWENS: Here.
20 MR. STEPHENSON: Secretary Schewel or his designee,
21 John Sternlicht?
22 MR. STERNLICHT: Here.
23 MR. STEPHENSON: Delegate Wright?
24 DELEGATE WRIGHT: Here.
25 MR. STEPHENSON: Vice Chairman Ruff?
26 SENATOR RUFF: Here.
27 MR. STEPHENSON: Chairman Arthur?
28 MR. ARTHUR: Here.
29 MR. STEPHENSON: You have a quorum, Mr. Chairman.
30 MR. ARTHUR: Thank you, very much. Do I have a
31 motion to approve the Minutes of the last meeting?
32 MR. BRYANT: So move.
33 MR. ARTHUR: It's been moved and seconded that we
34 approve the Minutes of the last meeting. All those in favor, signify by saying aye?
35 (Ayes.) Opposed, like sign? (No response.) Thank you.
36 We have some new members on the Commission, also this Committee.
37 Ned, would you like to introduce them?
38 MR. STEPHENSON: Yes, I would, Mr. Chairman. We
39 have with us today new members of the Commission and to the Committee, Scott
40 Harwood from Farmville. We spent about an hour with Scott this morning in the way of
41 an orientation to the Commission. He's up to speed and ready to go, after one hour.
42 We also have with us today in the audience, is Bryant here, and Minnie
43 Lane? They both had to leave. They're members of the Commission
44 and serve on other Committees, but they too, along with Scott, were in an

1 orientation meeting this morning for about an hour. We welcome you, Scott.

2 MR. ARTHUR: Good to have you, Scott.

3 You all will remember Bryant Stith played basketball for UVA, but I won't
4 hold that against him.

5 We're going to start right in with the discussion about the Southside
6 Economic Development grants. This is going to be a long ordeal, and Staff will make
7 their presentations. All of you should have gotten these via e-mail or in the mail prior to
8 the meeting. I hope everyone has had time to become familiar with what they're all about
9 and has thought about each request.

10 We'll start with Amelia County, anyone from Amelia County here? All
11 right, just be prepared to defend this.

12 MR. PFOHL: Mr. Chairman, can I make a couple of
13 comments just to set the process?

14 MR. ARTHUR: Yes, please.

15 MR. PFOHL: To clarify the funds we're talking about here
16 today, these are actually FY05 Southside Economic Development funds for last year's
17 budget. This process was delayed because of the securitization that occurred, so these are
18 actually from FY05 allocations to the Southside counties and will be awarded in FY06.
19 For naming purposes we'll call them FY06 awards. They're based on Economic
20 Development applications, materials and guidelines that are available on our website.

21 Staff did an application workshop in South Boston in early August. The
22 applications you have in front of you are based on the allocation formula that has been in
23 place for a number of years. The one distinction should be that at the Committee's
24 direction this year, the five counties that had the lowest amount of allocation are now
25 grouped into one pot, and there is roughly \$250,000 available for those five counties and
26 projects within those counties.

27 Two of the counties chose not to apply for the funds this time around, so
28 we have three projects, and that's Bedford, Cumberland and Buckingham, that are
29 seeking that \$250,000.

30 Lastly, Mr. Chairman, I would suggest that the Danville-Pittsylvania
31 projects could be addressed as one, since they all involve the Cane Creek Center, the
32 regional industrial park. If you consider all of those, we can look at the big picture of
33 what the Commission is being asked to fund from the Cane Creek item.

34 MR. ARTHUR: Thank you.

35 DELEGATE WRIGHT: Mr. Chairman, may I speak to the
36 Amelia project, sir? I've been reading the Staff comments, and in listening to the Staff
37 comments, I think that says a lot. The park is fulfilling expectations, and the project is
38 consistent with the Tobacco Commission's mission and Long Range Plan.

39 If you look, Mr. Chairman, this request is for \$150,667, and total project
40 cost is 1.2 million, and it's a continuation of the development of this property the Tobacco
41 Commission has helped in the past, and if it's appropriate at this time, I move that we
42 accept this proposal.

43 MR. OWENS: Second.

1 MR. ARTHUR: A motion is made and seconded that we
2 approve the Amelia project as recommended by the Staff for the full amount of \$150,667.
3 All those in favor say aye? (Ayes.) Opposed, like sign? (No response.)

4 MR. PFOHL: Mr. Chairman, just to clarify, it's \$150,657.

5 MR. ARTHUR: All right.

6 The next group is the counties that were grouped together to get a larger
7 part of the money in order to do something that is worthwhile. We had three projects that
8 were submitted, and Staff has evaluated those and recommended for approval the
9 Bedford County project, and that falls into our Long Range Plan and guidelines for
10 \$250,550.

11 The other two, Buckingham and Cumberland, were not approved. I'd like
12 to add that if we start cutting up this pie we're right back to where we were, and nobody
13 gets enough money to do anything with.

14 Any discussion?

15 SENATOR RUFF: I don't know if anybody is here from
16 Buckingham. I would think they certainly deserve an opportunity to speak.

17 MR. ARTHUR: Is there anyone here from Buckingham?
18 All right. Would you like to say something or tell us why the water treatment plant
19 should be funded?

20 REBECCA CARTER: Yes, the Buckingham Water
21 Treatment Plant is about 25 years old. We have found that in order to come into
22 compliance with the regulations we go out of compliance with some EPA regulations.
23 We have about 5,300 and some users, I believe.

24 We have anticipated this project would cost about six million
25 dollars, now we have an estimate that it will cost about ten million. That's going to put a
26 hardship on our water users. We're looking with the Virginia Resource Authority for
27 other funding. We brought our public utility director with us, if there is any question you
28 might have with him.

29 We already have a preliminary engineering report, and we're looking for
30 some help on this project. The Tobacco Commission has graciously in the past funded
31 \$120,000 to \$130,000 on another project that we did. That was a regional project for the
32 Town of Dillwyn. We were allowed to expand and upgrade our water and sewer plant
33 through our lines and expand our water plant. With that project the County of
34 Buckingham actually took over ownership and purchased the sewer systems from the
35 Town, and that allowed us to have sewer for economic development.

36 This water upgrade will also provide for us water capacity for more
37 prospective businesses and economic development. We do have a 197-acre industrial
38 park there, but we don't have sufficient water now, as it is. We just don't have enough
39 water to market that park. This new water system will give us additional water capacity.

40 We also have two correctional centers on the water system that we have a
41 contract with, and we're responsible for providing that water. We have negotiated with
42 the Department of Corrections for a rate increase; however, that was based on a six
43 million-dollar project.

44 We graciously would appreciate your reconsideration to our application.

1 SENATOR RUFF: Mr. Chairman, what is the time frame
2 you are working on?

3 MS. CARTER: We're working on a start date, I think, of --
4 the engineers are working in the preliminaries, probably eight months to a year before we
5 get into construction.

6 SENATOR RUFF: According to the Staff's comments, the
7 financing from other sources is very unclear.

8 MS. CARTER: We're in the process of those applications,
9 and we've met with the two funding sources, and we feel confident that is where we
10 would go, but we are looking for any grant money that we can. We've lined up those
11 sources to go to also.

12 The other projects you funded, which were funded through the
13 Commission, it was done with the same stipulations that we would come up with the
14 other funding. We didn't have the funding intact at the time. I think we did that project
15 over a three-year period of time.

16 MR. ARTHUR: Staff, since this is actually '05 money,
17 when are '06 monies going to be available, April or May?

18 MR. PFOHL: We had initially anticipated doing the grant
19 cycle in the June applications, and actually the July Commission meeting we anticipated
20 that probably would be scheduled for '06 next summer.

21 MR. ARTHUR: Would it put a crimp in your style if it was
22 delayed until the next cycle?

23 MS. CARTER: We would appreciate it if we could be put
24 on the next cycle.

25 MR. ARTHUR: Seeing as how you don't have any other
26 monies committed and you'd like to be committed as much as you can as you go along,
27 we certainly understand that. So I'm asking you if delaying this cycle and have you
28 resubmit into the next cycle would actually put you out of business?

29 MS. CARTER: Would that cycle be in '07, or would we get
30 the money in '07?

31 MR. ARTHUR: Actually '06.

32 MS. CARTER: We would appreciate being considered for
33 that.

34 DELEGATE HOGAN: I was going to ask, Mr. Chairman,
35 whether or not, instead of having them have to resubmit or reapply, they wouldn't have to
36 go through the trouble of reapplying, and if there's any reason why this can't be carried
37 over to another cycle?

38 MR. ARTHUR: I think that would be all right, Delegate
39 Hogan, provided we got an update on what additional funding or additional financing
40 they've been able to secure in the meantime.

41 DELEGATE HOGAN: So they could attach an addendum
42 instead of having to go through the application, just submit that?

43 MR. STEPHENSON: I think that would work.

1 MR. OWENS: Would the allocation be the same next
2 year?

3 MR. ARTHUR: No, it varies according to --

4 MR. STEPHENSON: -- If you remember, the dollars you
5 are allocating now were before we securitized. When we securitized that took about half
6 of the money, so these allocations will be materially impacted by that securitization, and
7 they will be less.

8 MR. OWENS: Less than 250,000?

9 MR. STEPHENSON: Substantially less. Unless the
10 Commission does something pretty large from a budget standpoint.

11 MR. OWENS: Did the Staff prioritize these?

12 MR. PFOHL: Yes, on all the applications we use a scoring
13 process, and it's not an absolute ranking by scoring, but it's a relative tool for ranking
14 projects that did come in. We did score these, and the one that's recommended scored the
15 highest among the three competing applications.

16 MR. OWENS: Is it like one, two and three?

17 MR. PFOHL: I believe this came in second.

18 MR. ARTHUR: Any other comments? I guess the amount
19 of money you could apply for in the next cycle is based on next year's allocations, which
20 we already know may be a little bit less, or substantially less.

21 MS. CARTER: Substantially less?

22 MR. ARTHUR: Yes.

23 DELEGATE WRIGHT: Mr. Chairman, I think we may
24 have to consider an appropriation to Economic Development from the securitized funds.
25 I'm not making a motion for that at this time, but we've got pressing needs in Economic
26 Development, and I think there's 17 million in Special Projects. We may have to have
27 some formula or some method of using some of, if it's needed in Economic Development
28 and that's where it's needed, we may want to consider it, I'd just put it that way.

29 DELEGATE BYRON: I just want to comment
30 that in the last meeting I think a big part of our discussion revolved around putting these
31 monies together for areas that were not or didn't have a large amount of allocation so we
32 can come up with better projects and projects that are worthy of Economic Development.
33 This is our first opportunity to look at the results of that. There are two or three projects
34 that are funded to the maximum amount that was allocated that we haven't seen before.

35 I certainly want to lend support to the Bedford project that is in line with
36 our Economic Development programs we've been working on already and ties into our
37 broadband initiative that is moving along very well.

38 As far as the amounts, I think this is going to be something that this
39 Committee will probably re-address as we talk about seeing what happens after we
40 experience this and see if it's going to be working the way that we anticipate it doing, the
41 projects that are above that, the money was never there before beyond the amount that we
42 allocated here. So it may be that we have to remind ourselves that we would not have
43 had even this much money available. If we don't have the appropriate amount of money,

1 then we'll have to look at either going to Special Projects or looking at other avenues to
2 increase funds for projects that are worthy of producing jobs and economic development.

3 SENATOR RUFF: Mr. Chairman, when we first set up
4 Special Projects, there was some concern that maybe the counties that would receive
5 most of the money would maybe be taking advantage of the smaller counties. One of the
6 rationalizations that created Special Projects, some amount of money could be spent in
7 those counties that don't get the same amount of money, get far less than in the case of
8 some of the others.

9 I'd make a motion that instead of it being carried over that the
10 Buckingham proposal be re-referred to the Executive Committee and let the Executive
11 Committee decide whether they want to send it to Special Projects.

12 MR. ARTHUR: A motion has been made and seconded
13 that the Buckingham project be referred to the Executive Committee to make the decision
14 on whether or not it's a special project.

15 SENATOR RUFF: Yes.

16 MR. ARTHUR: Any other discussion? Hearing none, all
17 in favor, signify by saying aye? (Ayes.) Opposed, like sign? (No response.) It'll be
18 referred, and you'll be contacted again, I'm sure.

19 MS. CARTER: Thank you.

20 DELEGATE HOGAN: I would move the Bedford project.

21 SENATOR RUFF: Mr. Chairman, before you do that, is
22 Cumberland here, or have they had a chance to speak?

23 MR. ARTHUR: Is Cumberland here?

24 SENATOR RUFF: Having covered that.

25 MR. ARTHUR: There's been a motion made, and is there a
26 second?

27 DELEGATE BYRON: Second.

28 MR. ARTHUR: There's been a motion made and seconded
29 that the Bedford project be funded in the full amount of \$250,550. All in favor signify by
30 saying aye? (Ayes.) Opposed, like sign? (No
31 response.) The Bedford project is approved for recommendation to the Full
32 Commission.

33 DELEGATE WRIGHT: Mr. Chairman, one final comment,
34 and I'd like to highlight my concerns as to the money in Special Projects instead of this
35 Committee. If we had the money here we wouldn't have to refer the project to Special
36 Projects, and this wouldn't have to be on the back burner. We have pressing needs here,
37 concerns here in Southside.

38 DELEGATE BYRON: Mr. Chairman, if I could just
39 remind Delegate Wright here, even if we had more money we still aren't going to have
40 enough money in some of the smaller localities that we'd like to see. I would agree I'd
41 like to see more money available in our area, but I don't know if there's enough money to
42 accomplish everything.

43 DELEGATE WRIGHT: My concern is not just the small
44 counties, but I can see some concerns of the larger counties, too.

1 MR. ARTHUR: Thank you all. Moving right along.
2 Brunswick County, the first Brunswick project, or actually the second
3 Brunswick project is withdrawn. So if you all want to remove it from your list, the
4 Brunswick County Entrepreneurship Center has been withdrawn.
5 Now we'll take Brunswick County. The Brunswick County-Brodnax
6 Water Line Replacement Project for \$174,512. Staff reviewed it and recommended no
7 funding.
8 Brunswick County I-85 Business Center Park Improvement Project. The
9 Staff reviewed it and okayed it for full funding of \$546,500. I'll take all of the Brunswick
10 group, because I think the rest of it here is approved.
11 Mecklenburg, the Roanoke River Regional Business Park Wastewater
12 Conveyance System Project. Staff has okayed it as meeting our Long Range Plan and the
13 request is \$400,000 and approved for \$400,000.
14 Brunswick County Lake Gaston Tourism Association - Fort Christanna,
15 directing people to this Fort Christanna signage, and the request was \$30,000, and Staff
16 approved it for \$30,000.
17 That comes to a total of \$976,500 and less than their allocation of 1.133
18 million, leaving a balance of \$156,835.
19 Any discussion? Senator Ruff.
20 SENATOR RUFF: On the first one, the Staff did not
21 recommend it, I wonder if there's anyone from Brunswick that wants to speak to that.
22 MS. FRENCH: Yes. I'm Joyce French, Southside Planning
23 District. On the Brodnax Water Line Replacement Project, we do realize, once we talked
24 with Tim Pfohl and Britt Nelson, that our land had not been zoned properly, even though
25 we planned that land for future industrial land. Right now it's zoned commercially, and
26 that is not an emphasis of this Board. We understand we need to go back and work, but
27 we will back with that project once we have our house in order so we can present it to
28 you properly. It's very important to us, but your decision to wait on the funding will not
29 significantly impact us, since we realize we have work to do.
30 I want to thank the Staff for the time they put in it, bringing all these
31 things to our attention, and we will work on it.
32 Thank you.
33 MR. ARTHUR: Thank you, Ms. French.
34 DELEGATE WRIGHT: On the second project, the
35 Entrepreneurship Center, that has been withdrawn?
36 MS. FRENCH: Yes, sir.
37 MR. ARTHUR: I have a letter here from the County.
38 DELEGATE HOGAN: I move the Staff recommendation
39 on the block for Brunswick.
40 DELEGATE WRIGHT: Second.
41 MR. ARTHUR: A motion has been made and seconded for
42 Brunswick County, to approve the block, the ones that Staff approved.
43 MR. CONNOR: Mr. Chairman, if I may address that.
44 MR. ARTHUR: Yes.

1 MR. CONNOR: After conferring with the Staff,
2 Brunswick County has asked that our application be withdrawn, and we think it's the
3 prudent thing to do at this point, in that we have additional items that need to be
4 submitted, such as a business plan. Even though we're withdrawing now, we're going to
5 re-submit on a special regional project, and we will be re-submitting for the November
6 '05.

7 I appreciate the Staff's time and effort. They've been a
8 tremendous help, and we look forward to being in your presence during this next go-
9 around, and thank you. That's the reason we're withdrawing. Not that we are not in favor
10 of this unusual Entrepreneurship Center, but it's the first in Virginia that I'm aware of. We
11 think it's going to be a big asset, and we're going to call in regional players to Southside
12 Virginia.

13 Thank you.

14 SENATOR RUFF: Mr. Chairman, I just want to follow up
15 on what Mr. Connor and some others, they went to Alabama and looked at a similar
16 operation.

17 MR. ARTHUR: Thank you.

18 Campbell County has no request.

19 DELEGATE HOGAN: We've got a motion. I'd ask to call
20 the question.

21 MR. ARTHUR: Thank you. All in favor of approving
22 Brunswick as a block that Staff approved, please signify by saying aye. (Ayes.)
23 Opposed, like sign? (No response.) Thank you.

24 Campbell County has no request in this cycle, so we'll move on to
25 Charlotte County Water and Sewer Study and Master Plan, and that's for \$55,251. Staff
26 has reviewed it and approved it. Any discussion?

27 SENATOR RUFF: Mr. Chairman, I move it be approved.

28 MR. ARTHUR: The motion has been made and seconded
29 that we approve the Staff's recommendation. Any discussion? Hearing none, all in favor,
30 signify by saying aye? (Ayes.) Opposed? (No response.) Charlotte County is approved.

31 We're coming down to the City of Danville, and I'm going to jump down
32 and pick up Pittsylvania County at the same time, because it's all related to the same
33 industrial park. From their allocation the City of Danville one million dollars to the
34 Institute and already been removed, leaving them a balance of \$585. Pittsylvania
35 County's money for the Institute has been removed. They have three requests, all related
36 to the industrial park of Cane Creek. Staff has reviewed all four requests and has
37 approved them. Is there any discussion?

38 DELEGATE HOGAN: Mr. Chairman, I move we take
39 them as a block.

40 MR. OWENS: Second.

41 MR. ARTHUR: The motion has been made that we
42 approve of the four in a block. There's been a second. Motion made and seconded. I
43 think they're handing out some maps here. Any discussion? If there's no discussion and
44 Staff has approved these, all within each locality's allocation. All in favor signify by

1 saying aye? (Ayes.) Opposed, like sign? (No response.) City of Danville and
2 Pittsylvania County's requests are approved.

3 Dinwiddie County, Dinwiddie County Virginia Motorsports request for
4 \$350,000. Staff has reviewed it, and I'd like to mention here that money can be spent on
5 property and projects that are privately owned, providing there's substantial benefit to the
6 locality. I've been assured after talking with Counsel that this meets that criteria, is that
7 correct?

8 MS. CUSHMAC: Yes.

9 MR. ARTHUR: Staff has approved the
10 recommendation for \$350,000.

11 Any discussion?

12 SENATOR RUFF: If this entity were to decide to sell this
13 a month after they get the money, would the stockholders of that company get the benefit
14 of that, or is there anything, or would we have some chance to recoup some of that
15 money?

16 MR. ARTHUR: Is there anyone here that can speak
17 directly to this?

18 MR. COLEMAN: My name is Paul Coleman, one of the
19 members of Virginia Motorsports Park. The benefit to the county and the state, that will
20 be ongoing regardless of the ownership of the facility. We have no intention of selling it.
21 We started the facility back in '94. The return on the investment will be in 24 months,
22 and you'll get your money back, and this is ongoing.

23 We have a four-year contract initially with the NHRA. After the first two
24 years you have 100 percent refund of your money. The next two years you get it back
25 again, and then for the next 21 years, every two years you get it back again, and that's
26 assuming we don't have any inflation. I hope that answers your question.

27 SENATOR RUFF: It does, and I don't mean to be
28 offensive, but I felt like it ought to be out in the open.

29 MR. COLEMAN: I appreciate that.

30 SENATOR RUFF: There are a lot of private entities that
31 would like to receive Tobacco Commission money, and I think we have to have a record
32 and justification, that's why we do what we do.

33 MR. COLEMAN: Yes, sir.

34 MR. ARTHUR: Any more questions? Hearing none, do I
35 have a motion?

36 MR. HARWOOD: I'll make the motion.

37 MR. ARTHUR: You're moving approval according to the
38 Staff's recommendation?

39 MR. HARWOOD: Yes.

40 MR. ARTHUR: Any more discussion?

41 MR. MOODY: I'd just like to make a point that the Staff's
42 recommendation is contingent on the successful completion of the agreement between the
43 Coalition and Virginia Motorsports Associates.

1 MR. ARTHUR: That is contingent upon the approval, and
2 it's required by counsel.

3 MR. STERNLICHT: Have you done any calculations on
4 the payback period yourself?

5 MR. PFOHL: The Virginia Economic Development
6 Department completed a return on investment calculation and sent it to us yesterday. As
7 Mr. Coleman said, it shows that the \$350,000 grant, if approved, would be recaptured in
8 State and local government revenues within or by the fourth quarter of the second year.
9 You heard the initial commitment with NHRA is three or four years, so we feel confident
10 that the State will get its public funds back.

11 MR. STERNLICHT: Do you know what the difference is
12 with the state and local?

13 MR. PFOHL: It's weighted more towards the
14 local, but we could get those numbers if you'd like.

15 MR. ARTHUR: Any more discussion? Do I hear a
16 motion? I've got the motion, and there's a second. There's been a motion made and
17 seconded to approve the Virginia Motorsports request, and it's approved by the Staff and
18 within their allocation. All in favor signify by saying aye? (Ayes.) Opposed?

19 DELEGATE BYRON: No.

20 MR. ARTHUR: Let the record show one no. All right, it's
21 approved.

22 Next is Franklin County. Anyone here from Franklin County? All right,
23 just wanted to make sure.

24 This is the Franklin County Workforce Center Initiative request for
25 \$421,378. Staff has reviewed this, and we've already got some TROF money involved in
26 it already.

27 DELEGATE HOGAN: I move we approve this.

28 MR. ARTHUR: A motion is made and seconded to approve it. Any
29 further discussion? Hearing none, all in favor signify by saying aye? (Ayes.) Opposed?
30 (No response.) Franklin County is approved for the recommendation.

31 Greenville County - Southside Virginia Workforce Development Center,
32 request for \$120,022. Staff reviewed it and recommended full funding, and it is their
33 allocation.

34 Any discussion?

35 SENATOR RUFF: I move we approve this.

36 MR. ARTHUR: A motion has been made and
37 seconded that Greenville County's request be approved as recommended by Staff. Any
38 more discussion? All in favor signify by saying aye? (Ayes.) Opposed? (No response.)
39 All right.

40 Halifax County.

41 DELEGATE HOGAN: Mr. Chairman, Mr. Eades is here.
42 I'd ask that the first three be deferred until the November meeting. The reason is Halifax
43 presently is in negotiations with businesses that are indirectly and directly linked to
44 several of these requests, and we need to get further along the track before we figure out

1 what we need the money for. I'd ask you to defer those first three until the November
2 meeting. We may ask you to call a special meeting then. We need a few more weeks, or
3 maybe a month, to figure this out before we act.

4 MR. ARTHUR: Delegate Hogan has made a request that
5 we table this. Is there a motion?

6 MR. OWENS: All right, I'll make the motion.

7 MR. ARTHUR: The motion is made and seconded that this
8 be deferred ,and we may have to call a special meeting on it in November; if not, we'll
9 pass it down the line. All in favor signify by saying aye? (Ayes.) Opposed? (No
10 response.) All right.

11 Halifax County, Town of South Boston has a request for The Crossing of
12 the Dan Historical Exhibit, requesting \$100,000, and it's been recommended by Staff it be
13 reduced to \$27,000.

14 Any discussion?

15 MR. OWENS: I'd like to make a motion we accept the
16 recommendation of \$27,000.

17 DELEGATE HOGAN: Second.

18 MR. ARTHUR: Motion is made and seconded that we
19 accept Staff's recommendation, and along with discussion, I've got a little question about
20 that. Where is the benefit for this for our money?

21 MR. DANIEL: I'm Ted Daniel, Town Manager of South
22 Boston. The Town of South Boston has served as an umbrella group for this local
23 historic preservation. We look at this as a very important economic development project
24 for the Town of South Boston.

25 South Boston is very historic for the Revolutionary War history in the
26 crossing of the Dan. It ties directly to the Battle of Guilford Courthouse. We think from
27 an economic development standpoint we can tie in directly some of the successes of the
28 courthouse and the county.

29 Guilford County, North Carolina, in 2004 had tourism impact of 894
30 million dollars. The Guilford County National Park had 270,000 visitors. Our project is
31 to work with the National Park Service exhibits and working with the Town of Yorktown
32 and others to bring tourism to the Town of South Boston.

33 This will be a permanent exhibit, and it will be housed permanently here.
34 We see it as a tremendous economic development boon. We appreciate the Staff
35 considering our request for \$27,000. Our focus is to go after private contributions,
36 private foundation money. After we complete our design and planning they want to hear
37 from us, so we truly expect to get the majority of our funding for construction from
38 private sources.

39 Virgil Goode is trying to help us get a \$20,000
40 grant from Small Business Administration, which would provide the other
41 half of our initial funding requirement, some \$46,000.

42 We look forward to having a destination and an exhibit in the park tied in
43 with the National Park Service.

1 MR. ARTHUR: What's going to lead people to South
2 Boston to see this exhibit from Guilford County? I understand how it ties into the
3 battlefield, but what's going to lead people to come out of the way to come here to see it?

4 MR. DANIEL: It's cross-advertising with Yorktown and
5 the National Park and the fact that we have a national exhibit, and we will have national
6 advertising going on.

7 DELEGATE HOGAN: This is one of the sites targeted for
8 tourism; there'll be a celebration in 2007.

9 MR. ARTHUR: A motion has been made and seconded we
10 approve the Staff's recommendation. All in favor signify by saying aye? (Ayes.)
11 Opposed?

12 DELEGATE BYRON: No.

13 MR. ARTHUR: One no. All right, it's approved.

14 Next is Henry County. Henry County has a request for the Patriot Center
15 Childcare Facility for \$292,889. It was reviewed by Staff and recommended no approval,
16 and I have to go along with that, because I think we'd be opening a huge bucket of
17 worms.

18 Any other discussion?

19 MR. DAY: Mr. Chairman, if we could go ahead and open
20 that bucket. It seems to me that childcare is a very important part of economic
21 development anymore. People have to have some kind of plan or place to put their
22 children. This is a two million-dollar project, and they're asking for ten percent of the
23 cost. I'd ask if we could award it on a contingent basis so they would come up with the
24 other funds, which would be like a million eight hundred thousand. I think there'd be no
25 down side to doing that.

26 MR. ARTHUR: Any more discussion?

27 MR. OWENS: Staff recommended not to do it because of
28 what?

29 MR. PFOHL: We said that this would be a first venture
30 into childcare by the Commission, and potentially we would receive numerous requests
31 from any number of people for this type of childcare facility. We'd receive any number of
32 requests from childcare organizations. I believe we'd be opening up Pandora's box by
33 going down that avenue. I don't think we would know what lies ahead. We must
34 understand the conditions that we would if we did approve childcare, what conditions
35 could be in place. We suggested in this case that if indeed childcare is something that the
36 Committee feels directly impacts economic development.

37 DELEGATE HOGAN: I'm looking at all these other
38 sources. Have you already gotten that money, or are you thinking about applying for it?
39 I'm guess I'm asking Henry County has that money been secured?

40 MR. ARTHUR: It said applied for.

41 MR. DAY: My understanding is that --

42 MR. SUMMERLIN: -- The one item that has been secured
43 is the land, and that's a donation of the land. The furniture industry has donated the land,
44 and the market value is about 150,000. The Department of Housing and Community

1 Development funded a \$25,000 planning grant for feasibility analysis. We'll be going in
2 for a block grant in March of 2006 for a construction grant.

3 MR. DAY: This is inside the industrial park?

4 MR. SUMMERLIN: That's correct. There are 19
5 businesses that employ over 4,000 people. There is also Patrick Henry Community
6 College, which also has an interest in partnering with the operator for training
7 opportunities. Patrick Henry has 2300 students and about 200 faculty and staff. We have
8 about 500 available acres, much of which was funded by the Commission for
9 development of past sites, which is just about completed and can be marketed.

10 SENATOR RUFF: In the long-range planning for the
11 Tobacco Commission is the issue of childcare addressed at all?

12 MR. PFOHL: I don't believe it was.

13 SENATOR RUFF: We specifically chose not to get in the
14 K through 12 education because we'd be swamped by the amount of money needed. I
15 tend to believe that unless we have a game plan, every community in the tobacco region,
16 if approved, will come back with one next year. I think we really ought to do some more
17 planning before we get into this business.

18 MR. STERNLICHT: Have you looked for funds from the
19 Small Business Financing Authority?

20 MR. SUMMERLIN: We have not talked to them.

21 MR. STERNLICHT: It seems that in order to be
22 consistent with some things we are already doing today, and I know there are a lot of
23 funding questions that come up from time to time, but I know that the childcare is closely
24 related to the workforce.

25 MR. ARTHUR: Any further discussions?

26 MR. OWENS: Would it be wrong for us to delay this until
27 some of these other questions are answered about funding?

28 MR. ARTHUR: I think the real question is do we want to
29 get into the childcare? We need to look into that from a long-term plan point of view.

30 DELEGATE HOGAN: I'll move we defer it to the
31 Executive Committee.

32 MR. OWENS: Second.

33 MR. ARTHUR: A motion is made and seconded that we
34 refer it to the Executive Committee to make those types of policy decisions. Is there any
35 further discussion on that? All in favor signify by saying aye? (Ayes.) Opposed? (No
36 response.) It's referred to the Executive Committee.

37 All right, Lunenburg, Town of Kenbridge, Kenbridge Community Center
38 Phase II, request for \$726,798. Staff reviewed it and recommended no funding.
39 Discussion.

40 DELEGATE WRIGHT: The mayor of Kenbridge has been
41 talking to Staff, and there are three areas that have been identified that have not been
42 reduced to writing. There has been an agreement in principle as far as the workforce
43 training program, community college classes and so forth, but the Staff felt, out of an
44 abundance of caution, that they wanted these two items to be reduced to writing.

1 I notice that we put to a later date the Halifax proposal and a possibility to
2 consider them possibly in November at a later time. I would ask that we agree to this
3 project on the basis that the items that the Staff has pointed out need to be addressed, and
4 if done, or when it's done in time to have it addressed before a Commission meeting, then
5 I would appreciate that consideration.

6 Could the Staff comment on that?

7 MR. ARTHUR: Do you want to table that and see if we
8 can get these other points tied down before the November meeting, if we have one?

9 MR. PFOHL: I think that gives the community time to
10 progress on the issues that were suggested in order to make some progress.

11 DELEGATE WRIGHT: I appreciate the work that the Staff
12 has done on this.

13 MR. ARTHUR: Do I have a motion?

14 DELEGATE WRIGHT: I so move.

15 MR. OWENS: Second.

16 MR. ARTHUR: The motion is made and seconded that this
17 be tabled. All in favor signify by saying aye? (Ayes.) Opposed? (No response.)

18 All right, Town of LaCrosse, Expansion of Water and
19 Wastewater Services for the Town of LaCrosse. The request is \$758,165,
20 and the Staff reviewed it and recommended not to award it.

21 Anyone here that would like to defend that? Hearing or seeing no one, is
22 there a motion to accept the Staff's recommendation?

23 MR. OWENS: So moved.

24 MR. ARTHUR: The motion is made and seconded we
25 accept the Staff's recommendation on the Town of LaCrosse. All in favor signify by
26 saying aye? (Ayes.) Opposed? (No response.)

27 We're going to pick up with Mecklenburg County - Roanoke River
28 Regional Business Park Wastewater Conveyance System Project, a request for
29 \$1,151,215. Staff has reviewed this project and recommends full approval. Discussion?

30 MR. STERNLICHT: Mr. Chairman, is anyone in that
31 park?

32 MR. PFOHL: No, there's one site right now that's
33 completely ready to go, and several additional pads are being graded with Economic
34 Development Administration money. There are prospects that have had conversations
35 with the county on that park. The limit of wastewater treatment capacity has been an
36 issue, and there have been conversations about it.

37 MR. ARTHUR: Any further discussion?

38 MS. FRENCH: I'm Joyce French, Southside Planning
39 District. John, we have an industry coming in, that will be their second visit. It's the
40 third time people have come through to look at that site, and we are hopefully
41 anticipating an announcement in the next few weeks, a hundred and twenty jobs paying
42 over \$15 an hour. It's between us and Alabama. The package was sent from the
43 Secretary's office this week, and I'm sure you're aware of that. They will be back
44 Saturday morning, bringing the plant manager and his wife for them to see the

1 community. We're as close as we can get with that. This grant will certainly assure them
2 then we can provide everything that they need. Thank you.

3 MR. ARTHUR: Do I hear a motion? There's a motion
4 made and seconded that we approve the Mecklenburg County Roanoke River Regional
5 Business Park Wastewater Conveyance System Project in the amount of \$1,151,215,
6 recommended by the Staff. All in favor signify by saying aye? (Ayes.) Opposed? (No
7 response.) All right.

8 The last for Mecklenburg County is the Roanoke River Regional
9 Wastewater Treatment Plant Expansion Project. The request is \$662,995. Staff reviewed
10 it and has recommended approval for the full amount.

11 Any discussion?

12 DELEGATE WRIGHT: I move we approve it.

13 MR. ARTHUR: A motion is made and seconded. If there's
14 no further discussion, all in favor say aye? (Ayes.) Opposed? (No response.)

15 I have a comment here I'd like to give you for a moment from
16 Mecklenburg County. Anyone here from Mecklenburg County administration?

17 MS. FRENCH: I am it.

18 MR. ARTHUR : We've made \$165,000 in grants to
19 Mecklenburg County IDA. This was for Sherwood Brand. That was part of the deal that
20 they were to provide us with 65 jobs and followed up with another promise for 275 jobs.
21 Since late spring we have been requesting, since the time period has run out, we've been
22 requesting that they provide us with proof of the jobs that have been created. We've just
23 found out that they have not done it, and they have stonewalled Ned every time that he
24 has tried to get us some employment information. I'd like to see us when people don't
25 meet their obligations --

26 MS. FRENCH: -- I've got a comment about that.

27 MR. ARTHUR: In the future when they don't do this, we
28 can reduce their allocation by the amount that we've already awarded them, and there's a
29 promise to do these things. Their application should be reduced, or their money
30 allocation should be reduced by that amount until such time as we're given employment
31 information that we should have.

32 Is there any discussion on that? Am I wrong?

33 MS. FRENCH: May I comment on that before you go to
34 discussion?

35 MS. NELSON: I have a comment that the county, as of
36 this morning, is prepared to send a response to you. They contacted my office this
37 morning, and they wanted to get the mailing address, the letter was copied, it had that
38 Ned sent. I was hoping they'd provide a response whether it was information requested,
39 but they're going to respond. Hopefully, we'll have that soon.

40 MS. FRENCH: In addition to that there was a meeting
41 called, of which Mr. Stephenson was e-mailed and invited, and it would be important that
42 he be there, where they set out and discussed that. Mr. Stephenson e-mailed back that he
43 would be there, but did not show up. Mecklenburg County had made efforts, and they do

1 have copies of the e-mails and the responses. He's like I am, when you get forty thousand
2 e-mails, and sometimes your calendar gets confused.

3 In fairness to Mecklenburg County I want to say it's not that they haven't
4 made any effort to get together and discuss this, and I'm not blaming Ned, because I can
5 tell you that I've missed many things that have come to me by e-mail. Things like that
6 just happen. That's no reflection on anybody, but the fact is Mecklenburg County is not
7 ignoring requests. They're trying to collect information, and I know there's been a
8 considerable amount of correspondence lately between Ned and Angie Kellet, and she's
9 very concerned as to what to do. She's new to this position, and she is doing the best she
10 can do, trying to make sure that this Commission is accommodated.

11 They're no happier with the situation in Chase City than you are. Even if
12 you create the jobs and you keep them there thirty days and then you lay them off, we
13 still think that's not a good faith effort. We are not opposed to your idea of some
14 crackdown. We've got to do everything we can to chase the industry that is very difficult
15 to catch up with.

16 They are making efforts, and they tried much earlier to accommodate and
17 communicate with the Tobacco Commission. It doesn't matter, and we're not trying to
18 blame things, but we don't want all the blame put on Mecklenburg.

19 MR. ARTHUR: Your defense is commendable, but we
20 requested on 9-14-04 and 11-2-04 and 11-19-04, and it was ignored.

21 MS. FRENCH: There were some phone calls and
22 discussion about those all along, and they were not ignored.

23 MR. ARTHUR: I recommend we move this into a
24 discussion later, but it's got to be understood that we've got to have some way of
25 controlling this, otherwise we just write the checks and there is no obligation.

26 MS. FRENCH: We'll get together our correspondence and
27 phone calls that we have had with different members of the Tobacco Commission. We'll
28 let you know that these requests were not ignored.

29 MR. STEPHENSON: Mr. Chairman, I think it's important
30 for the record to show that there was no lack of cooperation with Mecklenburg County
31 and their officials, because they were doing a yeoman's job trying to get it done. The
32 difficulty arose because of the contract the Commission had with one of our earlier
33 contracts, and it included only the County and did not name the company itself. Our only
34 relationship was with the county. We had no reach to the company, where the true
35 difficulty lies. We had to look to Mecklenburg County to apply the pressure upon the
36 company.

37 MS. FRENCH: They're trying to apply that pressure on the
38 company.

39 MR. STEPHENSON: Our modern contracts name both the
40 locality and the company.

41 MS. FRENCH: We're not ignoring it. If we could
42 chase him down, we'll try that, too.

43 MR. STERNLICHT: Am I correct in assuming that this is
44 not the company's only unmet obligation with regard to the Commonwealth?

1 MS. FRENCH: I can't answer that with the Keysville
2 project. There was a Governor's Opportunity Fund over in Charlotte County, too, and I
3 don't know whatever happened with that. He came in and was given a lot for a lot of
4 expansion in a lot of places, and as far as I know he has not lived up to his obligation
5 anywhere.

6 We're happy that these contracts now give us some way to chase down the
7 industry, because it's very, very difficult for the county without the clout of the state
8 behind them to get these guys.

9 I believe that the total obligation has been laid out to the company,
10 because they're not the only ones. Lake Country Development was involved.

11 MR. STERNLICHT: I volunteer my assistance to whatever
12 I can do to help.

13 MS. FRENCH: We'll volunteer your assistance in all three
14 applications. I'd appreciate that very much because the development corporation in the
15 Town of Chase City is on the line for that. The loan was actually to the Town, the IDA.
16 Then there's the GOF and the TROF. We very much appreciate having something from
17 the state to put and give some extra force, because he takes lightly the requests of the
18 local government.

19 MR. HITE: The public company has been taken
20 private by the family, and the headquarters are in Rockville, Maryland. They're out of
21 Mecklenburg. We're going to have to take some drastic measures to contact these people.

22 MR. ARTHUR: Do we need to do something official that
23 we're going to take this kind of action in the future? What we're really doing is putting
24 everybody on notice that we just don't hand out money, when we make a contract
25 agreement we've got to get the money back or not make these grants.

26 SENATOR RUFF: I'm not sure that's a bad idea, Mr.
27 Chairman. I just think that we maybe need to go into a caucus, and the Staff needs to tell
28 us how much of a problem this is throughout the region and establish some criteria. If
29 something doesn't happen within X number of days, some dispute, just so we'll have
30 some policies.

31 MR. ARTHUR: I understand. Everyone has to know
32 what's going to happen. I've been in discussions with Ned about this particular item,
33 since I'm on the TROF Board, too. We're trying to come up with a method to make it
34 standard across the board in which someone or one person doesn't get hit one time and
35 forget it. We're trying to establish a policy that is fair and equitable and across the board,
36 fair to the Tobacco Commission and the public, since we've got funds that we're
37 responsible for here.

38 DELEGATE WRIGHT: Mr. Chairman, could you work out
39 a proposal as part of the contract and have that in clear legal fashion, and that would take
40 care of it?

41 MR. ARTHUR: Sure, it can be put in there, but
42 some of these coming due now are from earlier agreements where we were learning as
43 we went along.

1 DELEGATE HOGAN: Mr. Chairman, it's my
2 understanding that to the extent that our agreements were piggy-backed on GOF, to my
3 knowledge, these are grants to localities, and the localities are responsible to make sure
4 that the businesses perform the way they are. If the GOF or EDA administers that, they
5 could come back, and that could be any number of counties, and this isn't the only case, it
6 can happen in dozens of cases. As far as I know that is the, I think those localities are
7 well aware of it, and I think the Tobacco Commission is in the same posture as the GOF
8 is.

9 MR. ARTHUR: What you said is not totally true, we're not
10 piggy-backing on GOF, because we're making grants now totally without the GOF's
11 involvement.

12 DELEGATE HOGAN: When this grant was made before
13 we split off, we were piggy-backing and using their resources. As far as I know every
14 GOF agreement that was issued, and I think they're still issued now, the localities are
15 responsible, and they all know it. As far as I know that's pretty clear, as far as where we
16 are. If we want to reiterate it I think that's fine, but I think they already know it.

17 MR. ARTHUR: I'd like to suggest that we table the
18 discussion to the Executive Committee to clarify the authority to do it. Does anyone have
19 any disagreement with that? I'll put everybody on notice we've got to do something about
20 it.

21 SENATOR RUFF: If we're going to do that, I'd
22 ask that the Staff have some proposed guideline to come to the Executive
23 Committee with.

24 MR. ARTHUR: All right. We got off on that for a few
25 minutes.

26 Let's drop over to Nottoway County, American Velvet Company
27 Expansion Project, a request for \$35,500. Staff reviewed it and approved \$35,500.
28 Any discussion?

29 DELEGATE WRIGHT: I move approval of this project.

30 SENATOR RUFF: Second.

31 MR. ARTHUR: It's been moved and seconded. Any
32 further discussion?

33 DELEGATE HOGAN: Mr. Chairman, can we do what
34 they're asking for with securitized money?

35 MR. ARTHUR: I assume when the Staff made this
36 recommendation they were aware that it was not.

37 MS. WASS: This is not securitized funds.

38 MR. ARTHUR: This is old money. All those in favor,
39 signify by saying aye? (Ayes.) Opposed? (No response.)

40 Nottoway County, Piedmont Park Development Project, requesting
41 \$117,100 and the Staff reviewed and recommended \$10,000.

42 DELEGATE WRIGHT: The folks are here from Nottoway
43 County, and I think they'd like to address that.

1 MR. KOSAK: I'm Assistant County Administrator for
2 Nottoway County. I'd like to thank Staff for the recommendation for the \$10,000 for the
3 project. If that analysis comes back to Nottoway County, it does have a retail component
4 to it. Nottoway County would appreciate consideration, maybe this group expanding the
5 notion of economic development to include some other job creation or income creation
6 possibility if that might develop. We would say maybe you can crack open Pandora's box
7 a little bit more along with the childcare center to consider some of those things that our
8 Board of Supervisors believes is relevant to economic development opportunities. Thank
9 you.

10 MR. ARTHUR: Thank you. Delegate Wright.

11 DELEGATE WRIGHT: Mr. Chairman, might it be
12 appropriate to refer to the Executive Committee consideration for the childcare center?
13 We've gotten the approval of the \$10,000, but it's a question of the concept. I do move
14 we approve the Staff recommendation.

15 MR. ARTHUR: There's a motion made and seconded to
16 approve the Staff recommendation for \$10,000. Any further discussion? All in favor
17 signify by saying aye? (Ayes.) Opposed? (No response.)

18 DELEGATE WRIGHT: Mr. Chairman, at this time I'd
19 make a motion that the balance that was not approved in this proposal and the concept to
20 be deferred to the Executive Committee for study to see what they want to do along with
21 the childcare.

22 SENATOR RUFF: Mr. Chairman, I certainly appreciate
23 what Delegate Wright is trying to do, and we are very dependent on the retailers that we
24 have in the communities of Southside Virginia. To
25 say we're going to get into the business of recruiting competition for them to
26 put them out of business is not going to sit very well with a lot of folks.

27 MR. KOSAK: We understand that very well, Senator Ruff,
28 and we deal with that on a county basis. We get complaints when we try to recruit
29 industries from other industries that are in here, and they complain about competition in
30 the area, too. We have the support on this particular project from both of the towns that
31 surround Piedmont Park. The problem is the town is drying up. We're trying to stimulate
32 some retail business so that that in turn helps make the community more attractive for
33 industry to come in.

34 The Town of Crewe recently announced moving a grocery store. That
35 type of thing is not conducive to industrial recruitment. We're not saying open it up, and
36 we're not suggesting it needs to be opened up completely. We'd just appreciate some
37 thinking about how we might help our economy in certain situations.

38 MR. ARTHUR: Delegate Wright's motion did not get a
39 second, so --

40 MR. MOODY: I'll second it.

41 MR. ARTHUR: It's been moved and seconded that we take
42 the idea of recruitment to the Executive Committee to see if this is something we want to
43 get into. All in favor signify by saying aye? (Ayes.) Opposed? (No.)

44 MR. ARTHUR: Ned, call the roll, please.

1 MR. STEPHENSON: Roll call vote. Mr. Bryant?
2 MR. BRYANT: No.
3 MR. STEPHENSON: Delegate Byron?
4 DELEGATE BYRON: No.
5 MR. STEPHENSON: Mr. Day?
6 MR. DAY: No.
7 MR. STEPHENSON: Mr. Harwood?
8 MR. HARWOOD: No.
9 MR. STEPHENSON: Mr. Hite?
10 MR. HITE: Yes.
11 MR. STEPHENSON: Delegate Hogan?
12 DELEGATE HOGAN: Aye.
13 MR. STEPHENSON: Mr. Moody?
14 MR. MOODY: Yes.
15 MR. STEPHENSON: Mr. Owens?
16 MR. OWENS: Aye.
17 MR. STEPHENSON: John Sternlicht?
18 MR. STERNLICHT: No.
19 MR. STEPHENSON: Delegate Wright?
20 DELEGATE WRIGHT: Yes.
21 MR. STEPHENSON: Vice Chairman Ruff?
22 SENATOR RUFF: No.
23 MR. STEPHENSON: Chairman Arthur?
24 MR. ARTHUR: No.
25 MR. STEPHENSON: Mr. Chairman, the no's have it.
26 MR. ARTHUR: That's just something we're not going to

27 do.

28 We're now going to move into Patrick County.

29 MR. DAY: I would ask that we defer the broadband
30 technology to the next meeting. That's the second one.

31 MR. ARTHUR: That's the Staff's recommendation also,
32 that this issue be taken up by the Technology Committee.

33 SENATOR RUFF: Mr. Chairman, just for the fun of it, if a
34 locality believes that the technology is the most important need, why would you not
35 consider it outside?

36 MR. ARTHUR: I don't have an answer for your question.
37 This is the technology deal using the MidAtlantic Broadband backbone.

38 DELEGATE HOGAN: Mr. Chairman, I'd say in this case
39 this project is going to be absorbed into the overall MBC project. I guess Patrick County
40 didn't know that. We'll take it up with the rest of the last mile piece.

41 Senator Ruff's motion is that some of this last mile work concerning the
42 wireless, tying it in to certain buildings and doing these things like that and in certain
43 industrial parks to particular businesses is something that today at least has been outside
44 the purview of the Technology Committee in that regard. That doesn't mean it will stay

1 that way, that's just where we are right now, but having said that, I don't know that out of
2 hand we want to rule any technology based proposal being non-legitimate for economic
3 development.

4 If you had a shell building you wanted to get a wire to, and say
5 maybe you want to put a call center, but in that case if the technology project
6 were to do that, it would be the first time.

7 SENATOR RUFF: I would support what Mr. Day wants,
8 but the point I'll make is that we believe in Mecklenburg County that workforce training
9 is extremely important, so we can take dollars from economic development and put them
10 toward workforce. I'm saying that if the county believes that's what they need the most,
11 we should pay attention to that.

12 DELEGATE HOGAN: In this particular case, that would
13 be a waste of Patrick County money, because we're doing it anyway.

14 MR. ARTHUR: There's a motion that this project be
15 referred to the Technology Committee.

16 DELEGATE HOGAN: Second.

17 MR. ARTHUR: A motion has been made and seconded,
18 any more discussion? All right.

19 Project number two is the Patrick County Wireless Broadband Initiative be
20 referred to the Technology Committee. All those in favor, signify by saying aye? (Ayes.)

21 The next one is Patrick County, Covered Bridge Restoration, requesting
22 \$60,000, and the Staff reviewed it and recommended no award.

23 MR. DAY: That might not seem like a big deal to this
24 Committee, but it is up in Patrick County. There are only eight of these bridges left in all
25 of Virginia, and two of them are in the same community of Patrick County. The county
26 tried earlier this year back in July when we had a Covered Bridge Festival, and some
27 1500 people showed up to celebrate that. It was the heritage of the two bridges. The
28 Board of Supervisors was allocating 20 percent of the total cost of the restoration out of
29 general county funds. Mr. Chairman, I think we ran Cornwallis out of Greensboro
30 coming across these bridges.

31 MR. ARTHUR: Staff has indicated these two bridges
32 should be eligible for VDOT enhancement money. I know it would be something
33 towards tourism, and that's the real claim to fame.

34 MR. DAY: The downside to VDOT is that it takes a lot of
35 time, at least a couple of years.

36 MR. ARTHUR: The bridges could fall down by then.

37 MR. DAY: I would make a motion that we award this, and
38 hope I can find some friends on this Committee that would agree.

39 MR. ARTHUR: A motion has been made and seconded.
40 How do you want to state that motion?

41 MR. DAY: That we award the \$60,000 request out of
42 Patrick County's allocation, currently it's in excess of one million, I believe, to promote
43 tourism.

1 MR. STERNLICHT: Can Patrick County continue to seek
2 other funds for this project?
3 MR. DAY: What is unspoken here is that there's in a
4 discussion phase a plan to develop a tourism package between the two sides. Regardless
5 of what we do here today, they are going to continue to pursue it, because it's a pretty
6 unique situation.
7 MR. ARTHUR: Are the bridges in such state of disrepair
8 that they require immediate improvement?
9 MR. DAY: I don't want to be trapped in a lie, Mr.
10 Chairman.
11 MR. ARTHUR: I'm not trying to trap you.
12 MR. DAY: You never know when the next hurricane is
13 going to come through.
14 Mr. Chairman, should we call the roll on this one?
15 MR. ARTHUR: You're trying to find your friends? A
16 motion has been made and seconded.
17 SENATOR RUFF: Mr. Chairman, somehow I missed the
18 dollar amount.
19 MR. DAY: The total is \$75,000, and the county has put up
20 \$15,000, and we're asking for \$60,000.
21 SENATOR RUFF: They're putting up 20, and we're putting
22 up 80.
23 MR. ARTHUR: We're the only source of funding other
24 than the county general fund, is that true?
25 MR. DAY: Yes, at the moment.
26 MR. ARTHUR: A motion has been made and seconded
27 that we go against the Staff recommendation.
28 SENATOR RUFF: There is a statement in the Staff's
29 recommendation that the project will be stronger with additional master planning to
30 improve accessibility, and so forth. Would you address that?
31 MR. PFOHL: The Staff had conversation with VDOT
32 Enhancement Program staff and asked if this would be eligible, and they suggested that it
33 would. They asked a question about what kind of trails leading to the bridge,
34 connectivity and accessibility. The Staff has seen the site and felt that was a good valid
35 issue to bring up. I think the folks in the county are aware of that now, improving the
36 ability of tourists to visit the site and what they'll do when they get there.
37 MR. HITE: Tim, would they qualify for the Rails for Trails
38 Program?
39 MR. PFOHL: Potentially.
40 MR. HITE: Can you address that?
41 MR. PFOHL: Taking abandoned rail right-of-way, I'm not
42 sure how close that would be to the site. There is certainly an opportunity to bring people
43 off of rails. I think that was the intent of the Rails to Trails Program, to get them to stop
44 and visit and spend money.

1 MR. ARTHUR: A motion is made and seconded that we
2 approve the funding for \$60,000 to cover the bridge restoration, covering tourism for
3 Patrick County. Any more discussion? All in favor signify by saying aye? (Ayes.)
4 Opposed? (No.) Looks like the ayes have it.

5 The next, Raven Den Arts Centre Feasibility Study, a request for \$20,000,
6 recommendation of the Staff, \$20,000. Any discussion? All in favor signify by saying
7 aye? (Ayes.) Opposed? (No response.)

8 Virginia Motorsports Museum and Hall of Fame, Establishment of Initial
9 Exhibits and First Hall of Fame Induction. The amount requested is \$138,047. Staff
10 recommendation, no award.

11 MR. DAY: We all thought there was in place a
12 501C3 designation, and there is some discussion going on with the IRS. I would ask that
13 in light of the Staff recommendation that this be approved contingent upon the receipt of
14 that 501C3 determination.

15 DELEGATE HOGAN: Was that the Staff's only hang-up
16 on this thing, Mr. Chairman?

17 MR. ARTHUR: That's the one that jumps out at you when
18 you read this.

19 DELEGATE HOGAN: Any other problem with it?

20 MR. PFOHL: We looked at this, and there were some
21 operating expenses and travel reimbursement for the executive director, salary
22 reimbursement for things that we would consider to be less desirable. In our
23 conversations with the folks that submitted the application there was some lively debate
24 on this one. The Staff considered partial funding for some permanent fixed assets as
25 opposed to some of the operating expenses.

26 DELEGATE HOGAN: Mr. Chairman, would the Staff be
27 willing to tell us what number that would come up to?

28 MR. PFOHL: I couldn't tell you exactly what that number
29 is. I think they asked for 57 display cases, but any amount that would be given for
30 permanent and fixed assets would be appropriate.

31 MR. ARTHUR: This is not what you call startup funding.
32 Salary and travel expenses ought to be outside of what we do. I think they've got one
33 part-time employee.

34 MR. PFOHL: And one race car.

35 SENATOR RUFF: Am I reading this right that we're
36 paying about 99 percent of the money into this thing?

37 MR. PFOHL: Yes, indeed.

38 SENATOR RUFF: That doesn't sound like a whole lot of
39 commitment.

40 MR. DAY: I would point out that the origin of this thing
41 goes way back, way before my time, so don't give me all the credit. It's been a long time,
42 and Wood Brothers are there.

43 MR. ARTHUR: Is this on the Wood Brothers' property?

44 MR. DAY: It's next to it, adjacent, and they've got one car.

1 MR. ARTHUR: They've been there how long?
2 MR. PFOHL: I believe it opened last year, roughly.
3 MR. ARTHUR: Do I hear a motion?
4 MR. DAY: I'd make a motion that we award this,
5 contingent upon receipt of the 501C3 designation.
6 MR. ARTHUR: Do I have a second?
7 DELEGATE HOGAN: I would move we approve this
8 based on two conditions, one, getting the 501C3 designation; number two, that these
9 people work with Staff between now and the next Full Commission meeting and come up
10 with how much is for infrastructure and how much is for other things. Therefore, we
11 could look at awarding the infrastructure, but not the other businesses.
12 MR. ARTHUR: Not to include staff salaries? You've got
13 to have some assets.
14 DELEGATE BYRON: Mr. Chairman, in spite of the fact
15 that we may or may not meet before that meeting and we have loose things going on,
16 could we ask Staff to do what Delegate Hogan has suggested and take a look at a new
17 proposal?
18 MR. ARTHUR: I like that offer better.
19 SENATOR RUFF: Another alternative might be that we
20 have a 50/50 match. They can use their 50 percent for operations and 50 percent for
21 assets.
22 DELEGATE HOGAN: I'll withdraw my motion and ask
23 them to bring that information forth at the next meeting.
24 MR. ARTHUR: I think that would be appropriate.
25 SENATOR RUFF: I move we table it until the next
26 Economic Development meeting.
27 MR. STEPHENSON: Do you hope to meet prior to
28 November 10th?
29 MR. DAY: That sounds reasonable, I'll tell them to get
30 together with the Commission Staff. Appreciate this Committee's consideration.
31 MR. ARTHUR: Is there a motion to table this? There's a
32 motion and a second. All in favor say aye? (Ayes.) Opposed? (No response.)
33 Pittsylvania County has been taken care of, and we'll move now
34 to Prince Edward County IDA. There's a request from Prince Edward
35 County for \$600,000, and no recommendation by the Staff.
36 MR. HITE: Why isn't there a Staff recommendation on this
37 proposal?
38 MR. ARTHUR: Because the Staff, and correct me if I say
39 this wrong -- all right.
40 MR. STEPHENSON: The Staff does not have a
41 recommendation because it was on the edge and there was a lot of spirited debate about
42 this particular grant, and the Staff felt we'd rather the Committee debate and come to a
43 consensus and the Staff not impose the Staff's judgment on this particular one, and that's
44 the only reason.

1 MR. HITE: This is an application, and in my mind we
2 should have the Staff judgment, which is what we rely on.

3 MR. STEPHENSON: It happens from time to time, the
4 Staff has a question and needs the Committee to solve it.

5 MR. HITE: What does that mean?

6 MR. STEPHENSON: Well, I think the material before you
7 really captures the Staff's thought about the project as best we can. There was some
8 reluctance on the Staff's part stated in the description. I don't know that we have any more
9 to add to that. What I've thought about since then is that the, I cannot speak for bond
10 counsel, but some of this request is for a future allocation, and as you know we have used
11 old money today, but with respect to future allocations which will come from bond
12 proceeds and subject to bond counsel's opinion, I can't speak for them, but there was
13 some indication to me that bond counsel may not approve disbursement of monies that
14 have already been spent. That might be an
15 administrative or a mechanical exercise or mechanical hurdle that we have
16 to get over.

17 MR. ARTHUR: As discussed in the past, it is actually bad
18 business to award money that you don't have yet. However, there is precedence to that,
19 because we have done it. In my opinion, I'd figure the Staff was trying to take a more
20 conservative approach and didn't feel perhaps it was a good deal because it awarded
21 money that comes in the future. However, we've done this in the past for a shell building
22 down in Charlotte County, and that gives us a tool by which we could do it if we wanted
23 to do it. The Staff says no doubt this is good for the county, but they've already been
24 awarded a \$300,000 TROF for the same company, and the original TROF actually was
25 for the total amount, and it was cut back to \$300,000. As you read here, it's 30 jobs, and
26 that's my comment on it.

27 SENATOR RUFF : I would like to first address what Ned
28 said, the issue of bond counsel, and I'm not sure that's relevant, because we'll be receiving
29 some money in the split, and they're only talking about Prince Edward's annual amount,
30 which is a couple of hundred thousand at most. This certainly would have more than
31 that, so it would be, I really don't think that is an issue.

32 The issue of the dollar amount per job, looking at it in that sequence
33 certainly appears to be out of line. The reality is that we've built industrial parks, and
34 we've built shell buildings, and we've put interiors in those shell buildings in different
35 phases when we had no guarantee there would be any jobs. How do you rate a million-
36 plus investment to Brunswick/Mecklenburg Industrial Park, which has zero jobs. If we
37 had one job we could say it was a million-dollar investment. I think we've got a problem
38 when we start doing that. This building would have been retrofitted for something, some
39 kind of tobacco allotment if somebody had not chosen to come in ahead of that. We don't
40 want to get lost in these details.

41 MR. ARTHUR: We have made two TROF awards, with 30
42 jobs and a commitment of 900,000 is 30,000 a job. We have made TROF requests in
43 excess of that.

1 MR. HARWOOD: Mr. Chairman, I think one of the key
2 words here is this lease purchase. There are a couple of folks here from Prince Edward
3 County that maybe can ease some of the burden in my mind if we let them speak.

4 MR. STERNLICHT: This project, and I'm sitting here
5 representing Secretary Schewel, who talked to me about this, and we talked to Ned and
6 Tim before this meeting about it. Secretary Schewel had strong feelings that that amount,
7 or he was looking at it strictly as 900,000 for 30 jobs, nine dollars an hour. For him, the
8 math did not work. He felt that was \$30,000 job for nine dollars an hour. I'm going to
9 have to vote against this, because that was what we discussed at that meeting.

10 When I was outside coming into the meeting I met a good number of
11 Prince Edward County folks who provided me with some additional information. I don't
12 believe Secretary Schewel had the advantage of considering that information that I
13 received. It may in fact be that if you look at it strictly, it's not \$30,000 a job, because the
14 company is not going to have the advantage of this \$600,000 increment that they are
15 going to pay for. Strictly speaking, it may not properly be considered an incentive. That
16 would make the \$30,000 figure not work, so I will have to vote against this project, but I
17 personally feel a little different about it now that I've gotten more information.

18 MR. ARTHUR: Are there folks here from Prince Edward?
19 Would you like to address those issues?

20 MS. PUCKETT: I'm Sarah Puckett, and I'm the Assistant
21 County Administrator for Prince Edward County. We also have another administrator
22 here to answer questions. We also have our director of economic development and
23 tourism.

24 As Mr. Sternlicht has stated, maybe what has gotten lost in the information
25 we shared with you is the fact that the 300,000 of the TROF Fund and the \$600,000
26 Economic Development Grant are both being used to upgrade the building, the county
27 shell building.

28 Over a ten-year period the county is going to enter into a lease purchase
29 agreement with the company so that they will annually make payments to the county for
30 the cost of the building and the cost of the up-fits over a ten-year period of time; during
31 that time they will be repaying the county. The 300,000 of TROF Funds are not included
32 in the annual payment they're making to the county, and that is a grant to the company.

33 The \$600,000 Economic Development Grant that is before you today
34 would be repaid over a ten-year period. In essence, the \$600,000 is a grant to the county,
35 or to the Industrial Development Authority, for the improvement of our assets, so that we
36 can make it marketable to create the jobs that the company will be bringing. Those
37 dollars will be an asset to the county until the last payment is made at the end of the ten
38 years.

39 We feel like we have a performance-based contract with the
40 company. They will not be in receipt of the assets and the shell building, and therefore
41 the benefit of the Tobacco Commission dollars, until the end of the ten years. The project
42 was announced September 19th by the Governor. I have some information to pass out
43 about the company, and I know it's a tough decision when you consider jobs and the
44 investment and what that's all about, but we feel like there are some additional jobs that

1 will be created because of this and additional economic development opportunities that
2 will flow from this.

3 There's a sister company, and we can't say that there are definitely jobs,
4 and we know this is an aggressive package, and part of the county's consideration and the
5 Board of Supervisor's consideration in putting together such an aggressive package was
6 the knowledge that there is another much larger opportunity this company will be making
7 in the next year or two, and we felt that bringing this project to Southside Virginia would
8 encourage this company to consider this location for business, and thereby hopefully
9 influencing their decision in the near future on this much larger project.

10 DELEGATE HOGAN: Mr. Chairman, I would just say to
11 follow up on what the Secretary said, the building we are sitting in was built with the
12 Tobacco Commission money, and no jobs are here right now, just like this building that
13 I'm aware of, or every industrial park that we ever funded. We need to go back over this
14 list that we've been over today and make some changes. We've got plenty of shell
15 buildings sitting idle for six years, and it could be an asset to the community, and in that
16 case we could kind of get rid of a liability if we're able to put together these funds to
17 make this project an asset, make it a producing asset for them in this case. As has been
18 stated, this amounts to a relatively creative financing option versus a grant or a loan;
19 that's based on what I've heard.

20 MR. ARTHUR: We did down in Charlotte County advance
21 the money, which they paid back with their allocation over a period of time, and they did
22 that.

23 DELEGATE HOGAN: Did it here in Danville.

24 MR. ARTHUR: It doesn't sound like the same application.
25 Your plan is to pay back, is that right?

26 DELEGATE HOGAN: Their request will commit their
27 existing money in the future, I think it's two to three years, based on the slow down of
28 things based on the securitization. Now we don't have to, but Prince Edward is willing to
29 forego the future allocation to make this project work, and that's important to them.

30 MS. PUCKETT: If you approve our application today, we
31 won't bother you again for several years.

32 MR. DAY: Mr. Chairman, the Virginia Economic
33 Development Partnership, their website yesterday listed 364 empty shell buildings in the
34 Commonwealth from 20,000 square feet up. Forty-eight of them are here in Southside
35 Virginia. It seems to me that any time we can move one of those buildings off the empty
36 list into the producing side, we'd better do it. That's a lot of empty buildings sitting
37 around.

38 MS. PUCKETT: We're packaging the building and the
39 upfit into one lease purchase, and we're offering that to the company
40 with a zero-interest loan over ten years. I have an estimated value of that, if
41 you're interested.

42 MR. STERNLICHT: The 600,000 is a fair market value?

43 MS. PUCKETT: The 600,000 is the purchase price of the
44 shell building. We're listing it in our incentive package and separating it out, since it's

1 two sources. We're doing that at zero percent interest, and they'll make one annual
2 payment of 60,000 a year. We assume a six-percent market rate interest in order to
3 calculate the value of the incentive over ten years. Based on a six-percent market rate
4 interest rate, the value of this financing option is \$158,000. It's not cash. The same
5 would be true for the 600,000 Tobacco Commission Economic Development grant
6 financing over ten years; if you assume a six percent rate the value of that would also be
7 158,000 to the company. That's zero-interest loan financing benefit.
8 MR. ARTHUR: Thank you. Next year's allocation
9 106,000, and you can expect to go at least five years.
10 DELEGATE HOGAN: They've got about 300,000 this
11 year.
12 MS. PUCKETT: Three hundred sixty-seven is our current
13 balance.
14 MR. STEPHENSON: They have three sixty-seven on hand
15 available right now today. Next year they'll have a hundred and six, and that'll be four
16 hundred seventy-five two to three years at that level.
17 MR. ARTHUR: It won't be at that level?
18 MS. WASS: It will be determined annually in the
19 budget process.
20 MR. ARTHUR: It'll be somewhere in the future.
21 DELEGATE HOGAN: I'd move approval of this item.
22 MR. ARTHUR: The motion has been made and seconded
23 that we approve this request. Any further discussion? All in favor signify by saying aye?
24 (Ayes.) Opposed? (No's.)
25 MR. ARTHUR: Ned, would you call the roll?
26 MR. STEPHENSON: Mr. Bryant?
27 MR. BRYANT: Yes.
28 MR. STEPHENSON: Delegate Byron?
29 DELEGATE BYRON: Yes.
30 MR. STEPHENSON: Mr. Day?
31 MR. DAY: Yes.
32 MR. STEPHENSON: Mr. Harwood?
33 MR. HARWOOD: Yes.
34 MR. STEPHENSON: Mr. Hite?
35 MR. HITE: No.
36 MR. STEPHENSON: Delegate Hogan?
37 DELEGATE HOGAN: Yes.
38 MR. STEPHENSON: Mr. Moody?
39 MR. MOODY: Yes.
40 MR. STEPHENSON: Mr. Owens?
41 MR. OWENS: Yes.
42 MR. STEPHENSON: Mr. Sternlicht?
43 MR. STERNLICHT: No.
44 MR. STEPHENSON: Delegate Wright?

1 DELEGATE WRIGHT: Yes.
2 MR. STEPHENSON: Vice Chairman Ruff?
3 SENATOR RUFF: Yes.
4 MR. STEPHENSON: Chairman Arthur?
5 MR. ARTHUR: Yes. Motion approved.

6 Next, I'd like to, if you don't mind, go out of sequence here on the agenda
7 for today. I'd like to take public comments, and then those people that want to leave if
8 they'd like to, and then Tommy would like to make some comments.

9 Are there any public comments, or does anyone want to say anything to
10 the Board? Hearing no public comments, I want to remind everyone for the next awards
11 we have a deadline of June 1 to get your requests in and a meeting day of July 20 for the
12 awards.

13 The next item on the agenda that's left, Delegate Wright wants to address
14 the Committee. Delegate Wright, can you make this presentation in about ten minutes?

15 DELEGATE WRIGHT: I think so, Mr. Chairman. I'm
16 waiting for everybody to get back to their seats before I begin, so I can speak just one
17 time.

18 Mr. Chairman, I appreciate the opportunity to address the Committee
19 today. The concern I want to express to you today comes in a factual form, and you'll
20 find that at your desk now. This goes back some time ago when the MSA Agreement was
21 reached. When the MSA Agreement was reached there was an agreement on the
22 disbursement of funds. When the Tobacco Commission was set up it was set up with two
23 regions, which was fine with me, and that was Southside and Southwest.

24 The first question was the indemnification of the tobacco farmers, the
25 economic revitalization of our communities. There was an agreement to distribute those
26 funds between Southside and Southwest, and that was 73 percent Southside, 27 percent
27 Southwest. This figure was not drawn out of the air, but it was based on a formula of the
28 loss to each region of tobacco quota, or tobacco revenue, however you might want to put
29 it. As a matter of fact, I think the first agreement was 77.2 and 22.8, which clearly
30 reflected the loss for each area.

31 Now, we are still dividing funds on economic development and
32 indemnification of our farmers 73 percent for the Southside and 27 for Southwest. Now,
33 through either a mistake or a lack of planning or whatever, and I'm not here to assign
34 blame or point fingers and so forth, we're probably all to blame, there has been no
35 formula set up for how we distribute the rest of the funds. As it turns out, more and more
36 of our funds are falling into other categories, such as Special Projects, Technology, TROF
37 and et cetera. Now, in the handout you have there, if you look at the right-hand column,
38 the far right-hand side, that will show the projected revenue for the next 25 years from
39 the MSA payments. It comes to 1,060,385,867. That's over one billion dollars. The
40 unobligated balance of the securitized proceeds comes to 362,000. We have not projected
41 into the future what those dollars are actually worth, because there is a limit on the
42 amount of interest we can get on those funds. If you take a look at the face value over the
43 next 25 years, we're going to distribute over 1.4 billion dollars. If you go back over and
44 look at the rest of the sheet, you'll find out the difference between a 73 and 27 split of all

1 the proceeds and the split as it is currently being done. I checked two points in time, and
2 one was before securitization, and one was after securitization. You can see there the
3 difference between the 73 and 27 split and the 65/35 split is 113 million dollars over 25
4 years. If you want to see what it is going to cost your particular county or your locality if
5 we don't go to that 73/27 split, just look down and pick out your own county.

6 Let me start with mine, Lunenburg. If we don't change the way we are
7 distributing these funds, it'll cost Lunenburg \$73,000,000. It will cost Brunswick County
8 90,000,000. It will cost Halifax County 248,000,000 plus. It'll cost Mecklenburg
9 188,000,000. As you can see, ladies and gentlemen, we're talking about real money here.

10 We do not have a rational and logical way to divide up this money. If we
11 don't let the farmers be indemnified at 73 percent, then why not have all the money that
12 comes to the Tobacco Commission split 73/27? Administrative costs, I can see that, and
13 that's included, but we're saying that we're really putting our farmers in danger. If you're
14 not going to have any logical formula, we can go back and change it, and perhaps the
15 farmers would get by with less than 73/27, but I don't think it would be a good idea.

16 We don't have the right as members of the Southside Economic
17 Development Committee to settle for anything less than what is appropriate based on the
18 formula that was agreed upon for the people in Southside
19 Virginia. It's not my money, it's not your money, it belongs to the
20 economically deprived communities of Southside Virginia.

21 What I'm asking is that we have some rational manner to appropriate the
22 money. Therefore, I've prepared a resolution, and I'd ask the Staff, and it's at my desk, I'd
23 ask the Staff if they'd get that resolution and distribute it to the Committee members.
24 This resolution was prepared by the Staff attorney at my request and reviewed by Mr.
25 Stephenson to see if it met the requirements of the Tobacco Commission. I'm not saying
26 this is the only way to go, but I'm saying we have to do something.

27 We saw today that there were items in Southside Virginia that we have had
28 trouble funding that we want to fund, and that's some of the smaller localities. There was
29 no reason for us not to have the money to do it. The key problem I find is that we're
30 dividing the money 73/27 on indemnification and economic development, but we haven't
31 followed through on that pertaining to the Special Projects, Technology, TROF. Rest
32 assured, there is plenty of money there, and nothing has to go lacking, and everybody can
33 get what they need. As an example, since Southwest has a proposal or if something
34 comes up and they need more than their 27 percent, we could do like we discussed here
35 today and let them borrow against a future allocation.

36 What we're doing right here in Southside, and we have the votes to spend
37 the money however we want to, we're letting money that should be going to Southside go
38 to Southwest. God bless them, I respect my colleagues in Southwest, and I don't blame
39 them for getting every penny they can get, but we're shortchanging Southside when we
40 do it.

41 I've asked a Staff member to read this Resolution, because they can
42 probably do a better job than I can.

43 MR. STEPHENSON: I'll be happy to read it into the
44 record, if you'll bear with me.

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WHEREAS, in 1998 the major tobacco companies were subject to numerous lawsuits brought by various states seeking to recover monetary damages for health care costs resulting from harm caused by the use of tobacco products; and

WHEREAS, the potential damages for those suits and others that might be filed in the future was projected to be in the hundreds of billions of dollars; and

WHEREAS, in November, 1998 the major tobacco companies and the states agreed to a landmark settlement of those claims, both current and future, through a settlement agreement known as the Master Settlement Agreement ("MSA"); and

WHEREAS, for many years prior to and subsequent to adoption of the MSA, consumption of domestically produced tobacco, including Virginia grown tobacco, had declined and continues to decline, resulting in frequent substantial reductions in tobacco quota allotments, a situation aggravated by the adoption of the MSA; and

WHEREAS, as a result of the MSA, the Commonwealth receives annual settlement payments, currently in an approximate amount of \$130 million per year; and

WHEREAS, during the 1999 Session of the General Assembly of Virginia realized by tobacco producers, tobacco quota owners, and tobacco-dependent communities resulting from reduced consumption, quota reductions, and MSA-caused consumer price increases, which price increases generated no additional income for producers or quota owners but further decreased demand for cigarettes; and

WHEREAS, in 1999 the General Assembly of Virginia passed legislation creating the Virginia Tobacco Indemnification and Community Revitalization Commission (the "Commission") which is charged with offsetting the negative economic effects of the MSA, quota reductions, and reduced tobacco consumption by (1.) indemnifying tobacco producers and quota owners for the losses they have suffered from quota reductions, and (2.) stimulating economic redevelopment in the historically tobacco-dependent communities of Southside and Southwest Virginia; and

WHEREAS, the General Assembly appropriates 50% of MSA revenues to the Commission for its use in fulfilling its charge;

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and

WHEREAS, at the time the Commission was establishing basic policies and guidelines for its operation, it was determined that the two distinct regions served by the commission, Southside and Southwest, would enjoy a degree of autonomy in determining how best to serve their respective and differing needs; and

WHEREAS, based upon the amount of tobacco quota held in each of the two regions, the Commission determined to allocate Southwest basis, Indemnification funds then to be distributed to tobacco producers and quota owners on such allocation formulas as would best serve the individual regions, subject to vote of the full Commission; and

indemn

WHEREAS, economic development funds to be administered by the respective Southside and Southwest Economic Development Committees of the Commission would be similarly allocated on a 73% to Southside and 27% to Southwest basis, economic redevelopment funds then to be distributed within the regions on such allocation basis or formula as the Committees deemed appropriate, subject to vote of the full Commission; and

WHEREAS, it appearing that the "73% - 27%" funding split between the regions has been and remains a fair and equitable allocation of Commission funds and that such split is consistent statutorily mandated tasks; and

with an

WHEREAS, it appearing that although the "73% - 27%" split is not utilized in all funding circumstances, such as Education, Technology and Special Projects Committee grants, programs, scholarships and other projects, the regions served by the Commission would be best served by applying the "73% - 27%" split to all Commission funding activities, other than basic operational and administrative costs; **now, therefore be it**

RESOLVED that all grants, programs, scholarships, and other projects of whatever kind that are to be funded by the Commission, other than operational and administrative costs of the Commission, shall be subject to an allocation formula that provides 73% of available funds to Southside localities, entities or individuals and 27% of available funds to Southwest localities, entities or individuals; and

BE IT FURTHER RESOLVED that the Staff of the Commission is hereby directed to develop guidelines for the

1 implementation of this **Resolution**, to be presented to the
2 Commission no later than the time of the first meeting of the full
3 Commission occurring in calendar year 2006; and
4

5 **BE IT FURTHER RESOLVED** that the funding allocation
6 contemplated by this **Resolution** shall become effective upon
7 adoption of implementing guidelines.
8

9 DELEGATE WRIGHT: Thank you, Mr. Stephenson.
10 Seventy-three/twenty-three has worked for indemnification and economic development in
11 our communities. There is no rational reason for all the money not to be divided that
12 way. You will recall we have 1.4 billion dollars over 25 years that is going to be
13 distributed. Look at your sheet to see what it is going to cost your county; if it isn't split,
14 we don't get the amount that is due us.

15 In order to bring this matter up for discussion in the proper forum, I'm
16 going to make a motion this Resolution be adopted and brought before the full Tobacco
17 Commission for a vote.

18 MR. DAY: Delegate Wright, I guess Senator Wampler has
19 signed off on this bill?

20 DELEGATE WRIGHT: Mr. Day, Senator Wampler is a
21 fine Senator. He represents Southwest Virginia, and I think he is doing a very good job
22 for Southwest Virginia, based on the amount of money that is going there. I don't
23 begrudge him one bit for it. I was hoping he would sign off on it, based on what's there.
24 I've still got a motion on the floor first.

25 MR. ARTHUR: There is a motion, is there going to be a
26 second?

27 SENATOR RUFF : I'll second it to continue the
28 conversation.

29 MR. ARTHUR: The motion is made and seconded. Now
30 the floor is open for discussion.

31 In these figures you've got here, did it include all the Technology monies
32 that have been put forward, or has it omitted any?

33 DELEGATE WRIGHT: If I might say, that's why I said
34 look at the first column, 113 million. That was done before securitization and after, and
35 that is the column. It's really not a fair representation to take the second column, because
36 all the Technology money has not been appropriated. In the first column, that's before
37 that happened. We stand to lose 113 million dollars in 25 years. It shows a split of 65/35.

38 If you'll look at the second page, you'll see where those figures come from.
39 You can see 65% and 35 is the split that was made before securitization. If you look at
40 the second one it's 58/42. The second one does not include Southside's share of the
41 Technology funds, but my point is that 113 million dollars is what we're going to lose
42 over 25 years, and that was before securitization. Your point is correct that the second
43 column does not include that figure.

1 MR. ARTHUR: The money is there, but it has not been
2 allocated to Technology?

3 DELEGATE WRIGHT: At the present time up to this date,
4 Southside is losing 20 million dollars.

5 MR. ARTHUR: We front-loaded Southwest to start with
6 because we were not prepared to go forward, and that money is still due to come back to
7 Southside. I want to make sure that that money is taken into account before we skew the
8 figures.

9 DELEGATE WRIGHT: The Staff can answer that
10 question. These are not my figures, these are the figures that I asked for from the Staff to
11 compile. I didn't work these up, and I can assure you of that. The Staff and I discussed
12 the fact we wanted to be fair about it and make the point that the second column did not
13 include the Technology money. The first column, 113 million, included from the
14 beginning up until, I think, May 5th was the date that I first asked for the figures.

15 MR. ARTHUR: That did include the front-loading of
16 Southwest?

17 DELEGATE WRIGHT: You'd have to ask the Staff.

18 MS. WASS: The May 5th number does not include the
19 latest Technology awards to Southwest.

20 DELEGATE WRIGHT: That's the first column, Mr.
21 Chairman, the 113 million does not include the award to Southwest.

22 MR. STEPHENSON: The 40 million dollars that was
23 subsequently approved, half and half for Technology.

24 MS. WASS: That's right. Only about 20 million of that has
25 been awarded to date, and it is only for Southwest.

26 DELEGATE WRIGHT: That's reflected in the second
27 column?

28 MS. WASS: Right, along with some other grants that were
29 approved between May and August.

30 DELEGATE WRIGHT: Mr. Chairman, I would like to say
31 this, I don't want to lose sight of the trees for the forest, but the Technology matter you
32 can put on a separate issue. The 40 million dollars was just divided 50/50 is not reflected
33 in these first figures, but that reflects part of the problem. We voted to give Southwest
34 50% of the 30 million dollars, and that was not a very good vote in my opinion, I voted
35 against it. We've got plenty of money, why can't we split it 73/27, and any money they
36 need above their 27 percent they can borrow it against future money. Why should
37 Southside lose?

38 MR. ARTHUR: As you stated, Economic Development
39 and Education, they've been split according to the 73/27 formula.

40 DELEGATE WRIGHT: No, Mr. Chairman, just Economic
41 Development and indemnification of tobacco and quota holders.

42 MR. ARTHUR: Do you feel since the money went into
43 Economic Development, I mean Special Projects, in Special Projects, let's say in your
44 county we were given an opportunity to put an automobile manufacturing facility down

1 there. Do you not think that we would as a group and the whole Commission, I mean,
2 would not support whatever monies there are out of Special Projects that was necessary
3 to put it there to the expense of somebody else?

4 DELEGATE WRIGHT: That's a very good question, Mr.
5 Chairman. I have no objection to that at all, let that come out of their future proceeds,
6 that 27 percent. We've got 1.4 billion dollars. What's going to happen to us, if we keep
7 dividing it the way we've been doing, we're going to come out behind. All the money is
8 going to be split one way or the other, why can't we get our fair share, is all I'm saying.

9 MR. ARTHUR: All I'm saying to you is that this smacks of
10 essentially making two Tobacco Commissions. The only thing we need the Commission
11 for is to approve administrative costs. I don't think that's our objective, and that's my
12 opinion.

13 DELEGATE WRIGHT: I respect that, Mr. Chairman, but
14 I'm not asking for two Tobacco Commissions, I'm just asking that the money be split
15 fairly. According to your statement, then, why have a set formula for tobacco,
16 indemnification and Economic Development? The only way we're doing it is it's a fair
17 way to split it. Why not split it all fairly? That's my only point.

18 MR. ARTHUR: We've got more money than was necessary
19 in order to indemnify the farmers. We promised to give them \$12 a pound. When we get
20 through that, the rest of it is revitalization and economic development. So we're going to
21 have decent funds in Economic Development.

22 DELEGATE HOGAN: Mr. Chairman, I think Delegate
23 Wright touched on this point, but these are projections of what could happen if we
24 continue to do what we're doing for another 24 or 25 years. I don't know about you, but
25 I'm not good at predicting what is going on 25 years from now. I'm not real good about
26 knowing what's going on two years from now. I would suggest we don't know. As
27 Delegate Wright pointed out, we vote on this, and we could stop allocating funds any
28 time we want to, or any way we feel like it. We can do that. While that creates a burden
29 and puts responsibility on us, we have to look after our constituents and our charter that
30 the Commission is charged with. I would suggest that is our responsibility and that is our
31 charge. To defer that to a formula that is perhaps fair at some times and sometimes very
32 arbitrary is failing to take responsibility for our charge. I don't think there is a person in
33 this room that would suggest that I'm not willing to go to the mat for my constituents. I
34 think that's true of probably everybody here. That's our responsibility, and I'm not going
35 to pass that along to a formula. I'm going to take responsibility for that. If that creates a
36 problem from time to time, then that's the way it will have to be, but that's my duty on
37 this Commission.

38 We have a motion before us, and I would make a substitute motion that we table this
39 Resolution.

40 MR. HITE: Second.

41 DELEGATE WRIGHT: Mr. Chairman, I agree with what
42 Clarke says that we don't know what will happen over 25 years. I can tell you what will
43 happen if nothing is done. If we keep down the same path we're going, I don't know
44 where we're going to go. A lot of us won't be here 25 years from now. We need to put

1 something in place and be sure this money is divided fairly. We've already lost 20 million
2 dollars, Southside has lost 20 million dollars.

3 I know Delegate Hogan will go to the mat for his constituents,
4 and so forth, but we're not doing it at the present time, and we haven't shown the
5 willingness in the Southside to vote on what is fair. We have made votes, in my opinion,
6 that have not reflected what is fair for Southside. A very good example is the split for the
7 Technology fund. To borrow money from the future allocation we split that 50/50, took it
8 off the top. As soon as we got the 300 million dollars we got 30 million of it, we got 50
9 percent of the 73.

10 I'll rest my remarks with that, and I'll ask you to vote against this motion
11 to table this item.

12 MR. ARTHUR: Thank you, Delegate Wright. We have a
13 substitute motion that we table this, and it's been made and seconded. Any further
14 discussion?

15 MR. OWENS: Table it until when?

16 MR. DAY: It seems to me but for no other reason other
17 than common courtesy to let other members of the Board resolve this and that they're not
18 blindsided, regardless of where they're from, with this Resolution. I know what they're
19 going to say, they're going to scream bloody murder. We all know that. Let's give them
20 that opportunity before we vote.

21 SENATOR RUFF : Mr. Chairman, it has to go to the full
22 Board anyway. Mr. Chairman, it was my suggestion to Delegate Wright to come before
23 this Committee so we could at least talk about this before it went to the full Commission.
24 In looking around to figure out who was at the table when we first talked about it, but at
25 the request of Senator Wampler, and he was there, we conceded to his request that we
26 lock down 27 percent for Southwest. I think that was right and fair. I think that, due to
27 the discussion today, hopefully all the Committee chairmen will do the best they can to
28 follow the original guidelines.

29 I think there are certain facets of the Commission that don't get into that
30 TROF fund. It would be irresponsible if we turned down jobs anywhere in the region,
31 Southwest or Southside, because it didn't fit into that formula. That formula was
32 overridden when we got into the Education Committee. The vote in the full Commission
33 was to fund the seven community colleges without getting into that, irrespective of the
34 formula. So, there are some legitimate voted on decisions that have been made.

35 I applaud Delegate Wright for bringing this up. I think we need to move
36 cautiously and make sure where we're going.

37 DELEGATE WRIGHT: The reason I brought it up before
38 this Committee was I didn't want to blindside anyone. I haven't done anything to
39 blindside my colleagues in Southside or Southwest. This is my opinion on it, and I don't
40 think anyone is being blindsided at all.

41 As far as what Frank mentioned about the TROF funds, I'm not saying
42 Southwest never gets any more than 23 percent, but I'm saying let's safeguard Southside
43 by making some commitment that some of those funds come out of future money that
44 they will have, and when the ball game is over we'll have 73 percent, and they'll have 27.

1 I don't care if a big project comes up and they get more in the future or present to take
2 care of those needs, but I think it's not right for us to see in the long run, whether it takes
3 five years or twenty-five years, that our area gets 73 percent.

4 DELEGATE HOGAN: It's true we passed the securitization,
5 makes money available for Economic Development and for Technology and for Special
6 Projects, and that's already been split 73/27.

7 MR. STEPHENSON: The spending plan calls for that.

8 DELEGATE HOGAN: We've basically taken the position
9 that Delegate Wright suggested with regard to those three funds. This Commission has
10 already voted on that.

11 MR. STEPHENSON: The endowment has been so split.

12 DELEGATE WRIGHT: Mr. Chairman, it's true that the
13 Agribusiness Committee's allocation has been 60/40, 60 Southside, 40 Southwest, or
14 58/42. That's as of August 25, or that's the facts or figures that I have. Special Projects
15 65, Southside 35, Southwest. This fund TROF 58 Southside, 42 Southwest.
16 Agribusiness 60 Southside, 40 Southwest. I don't see that this is being split the way I
17 suggested yet. I'd like to know what's happening to square things up, and it's out of
18 bounds right now.

19 MR. STERNLICHT: Mr. Chairman, I think what Delegate
20 Hogan said pretty much sums up how I feel about this. With Economic Development, as
21 different opportunities come up in different places and different times, it won't come up
22 to 73/27 every year. I'm just not sure we ought to be hamstrung in dealing with matters in
23 such an automatic way. We have to act as a Tobacco Commission and work together to
24 evaluate opportunities that come up as different needs arise at different times and in
25 different places. That's got to be done in a very subjective way. When you have more
26 than one child they all have different needs and different abilities and different situations.
27 You can't possibly put them in the sand and treat them equitably.

28 MR. BRYANT: Delegate Wright, I respect your concern,
29 but I want to say to the people in this room that I think there are only three of us in here
30 that were in the trenches from the beginning that brought this Commission to where it is
31 and got it passed in the General Assembly. I was one of them that went to the Governor
32 four times, two by my request and two by his request. From the very beginning, with the
33 help of a lot of parties and a lot of effort, we sat down and looked at the whole situation
34 as to how the committees or the Commission was being set up and divided. When we
35 looked at the split, that's what we thought would be followed for indemnification and also
36 Economic Development. We all agreed that the others we didn't think should be put on
37 an allocation. That was at the very beginning. I still support that, and I don't think we're
38 being short-changed. This is an effort for all of us, because we have been tobacco-
39 dependent, Southside and Southwest, and yet there is more dependency on Southside.
40 When we created this Committee and the TROF, Special Projects, like Delegate Hogan
41 and what Senator Ruff said, you have to apply where the need is, and I never felt
42 Southwest would shortchange us, and I certainly don't think we've shortchanged our
43 fellow members in Southwest.

1 I really don't see taking this issue and trying to divide with the allocation
2 you're talking about. I think what we're doing is working, and I think the future will
3 probably prove that.

4 MR. ARTHUR: A motion has been made that we table this and seconded.
5 Any further discussion? All in favor signify by
6 saying aye? (Ayes.) Opposed? (No's.)

7 MR. ARTHUR: Ned, would you call the roll?

8 MR. STEPHENSON: Mr. Bryant?

9 MR. BRYANT: Yes.

10 MR. STEPHENSON: Delegate Byron?

11 DELEGATE BYRON: Aye.

12 MR. STEPHENSON: Mr. Day?

13 MR. DAY: Yes.

14 MR. STEPHENSON: Mr. Harwood?

15 MR. HARWOOD: Yes.

16 MR. STEPHENSON: Mr. Hite?

17 MR. HITE: No.

18 MR. STEPHENSON: Delegate Hogan?

19 DELEGATE HOGAN: Aye.

20 MR. STEPHENSON: Mr. Moody?

21 MR. MOODY: No.

22 MR. STEPHENSON: Mr. Owens?

23 MR. OWENS: No.

24 MR. STEPHENSON: Mr. Sternlicht?

25 MR. STERNLICHT: Aye.

26 MR. STEPHENSON: Delegate Wright?

27 DELEGATE WRIGHT: No.

28 MR. STEPHENSON: Senator Ruff?

29 SENATOR RUFF: No.

30 MR. STEPHENSON: Chairman Arthur?

31 MR. ARTHUR: Aye.

32 MR. STEPHENSON: Mr. Chairman, I believe we have
33 twelve members in the room, and we have seven aye votes.

34 MR. ARTHUR: The motion is tabled.

35 DELEGATE WRIGHT: Thank you, Mr. Chairman, for the
36 time.

37 MR. ARTHUR: Is there a motion to adjourn? It's been
38 moved that we adjourn, we are adjourned.

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40 PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Virginia Tobacco Indemnification and Community Revitalization Commission Southside Economic Development Committee Meeting when held on Wednesday, October 26, 2005 at 1:00 p.m. at the Riverstone Technology Park, Halifax County, Virginia.**

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

Given under my hand this 15th day of December, 2005.

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

My Commission Expires: October 31, 2006.