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**VIRGINIA TOBACCO INDEMNIFICATION
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Southside Economic Development Committee Meeting

Tuesday, July 29, 2008
10:30 a.m.

Riverstone Industrial Park
Halifax, Virginia

1 **APPEARANCES:**

2 The Honorable Edward Owens, Chairman

3 Mr. Clarence D. Bryant, III

4 The Honorable Kathy J. Byron

5 The Honorable Barnie K. Day

6 The Honorable Lynn Hammond, Assistant Secretary of

7 Commerce and Trade

8 Mr. L. Jackson Hite

9 The Honorable Clarke N. Hogan

10 The Honorable Daniel W. Marshall, III

11 The Honorable Harrison A. Moody

12 Ms. Connie Lee Greene Nyholm

13 The Honorable W. Roscoe Reynolds

14 The Honorable Thomas C. Wright, Jr.

15

16 COMMISSION STAFF:

17 Mr. Neal Noyes, Executive Director

18 Mr. Ned Stephenson, Deputy Director

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

20 Ms. Britt Nelson, Manager of Program Assessments

21

22 OFFICE OF THE ATTORNEY GENERAL

23 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the

24 Commission

25

1 MR. OWENS: Let me call this meeting to order.
2 Neal, would you call the roll?
3 MR. NOYES: Mr. Bryant?
4 MR. BRYANT: Here.
5 MR. NOYES: Delegate Byron?
6 DELEGATE BYRON: (No response.)
7 MR. NOYES: Deputy Secretary Hammond?
8 MS. HAMMOND: Here.
9 MR. NOYES: Mr. Harwood?
10 MR. HARWOOD: (No response.)
11 MR. NOYES: Mr. Hite?
12 MR. HITE: Here.
13 MR. NOYES: Delegate Hogan?
14 DELEGATE HOGAN: Here.
15 MR. NOYES: Delegate Marshall?
16 DELEGATE MARSHALL: Here.
17 MR. NOYES: Mr. Moody?
18 MR. MOODY: Here.
19 MR. NOYES: Ms. Nyholm?
20 MS. NYHOLM: Here.
21 MR. NOYES: Senator Reynolds?
22 SENATOR REYNOLDS: Here.
23 MR. NOYES: Senator Ruff?
24 SENATOR RUFF: (No response.)
25 MR. NOYES: Delegate Wright?

1 DELEGATE WRIGHT: Here.

2 MR. NOYES: Mr. Day?

3 MR. DAY: Here.

4 MR. NOYES: Mr. Owens?

5 MR. OWENS: Here.

6 MR. NOYES: We have a quorum, Mr. Chairman.

7 MR. OWENS: Thank you. The Minutes from the
8 May 20th meeting, have we had time to review them? We have a motion to
9 approve the Minutes from the May 20th meeting. Do we have a second?
10 All right. All those in favor signify by saying aye? (Ayes.) All those
11 opposed? (No response.) The May 20th Minutes are approved.

12 We have an Agenda, but we need to modify or have a little
13 background before we start, on this particular piece. At this time Britt is
14 distributing a handout. Just a quick review of this. We have some grants
15 that are getting stale. They go back as far as five years old and for our
16 agreements, really 18 months. There is an opportunity to have an extension
17 on this grant, but that only allows the Executive Director to approve it.
18 Usually, it's no more than a year, but most of the time it's six or eight
19 months. Is that right?

20 MR. NOYES: Correct.

21 MR. OWENS: So I've asked the Staff to contact
22 some or all of them that are over two years old and give us a report. This is
23 a report of what's going on, and it's my feeling, and I know I have spoken to
24 some of the rest of you, we need to get these cleaned up. Either put the
25 money back into their allocation so they can apply for if for another grant, or

1 just find out, because this has taken so long to bring these things to fruition.
2 Take some time and look at it. This is as of yesterday or last night.

3 MR. MOODY: Mr. Chairman, have all these
4 counties been contacted, or most of them?

5 MR. OWENS: Yes. It's my belief going forward
6 if we give these grants and they're beyond the 18 months and beyond one
7 extension by the Executive Director, then they should all come back and we
8 should get a report like this every time our Southside Economic
9 Development Committee meets. We're tying up quite a bit of money here,
10 as you can see from the list here, the amount of money we have tied up and
11 the amount of time it's been tied up. I'm sure during that time we've turned
12 down some potentially good grants because some people didn't have money
13 in their allocation because some of these projects have tied up that money.

14 DELEGATE MARSHALL: Mr. Chairman, what
15 has been our history? What have we done in the past?

16 MR. OWENS: This is the very first time, because
17 I was not even aware that we had grants going back to 2003 that were not
18 closed out. Our agreement is 18 months, is that correct?

19 MR. NOYES: Correct, Mr. Chairman.

20 DELEGATE MARSHALL: What is the Staff's
21 recommendation?

22 MR. NOYES: Consistent with the Chair's
23 suggestion. We need to see some real progress in getting these cleaned up
24 and having the funds returned. All funds are returnable to the jurisdiction by
25 the allocation. The Staff is not suggesting that future awards be contingent,

1 but simply putting this in front of the Committee members so that you are
2 aware that there are projects which are not in compliance with the grant
3 agreement. We're not aiming to unilaterally pull the funds back, but your
4 decision to go forward may be in some measure influenced by performance
5 in the past.

6 MR. HITE: If I'm reading this paper correctly,
7 we've got about \$25 million out there somewhere, or 24?

8 MR. OWENS: Yes.

9 MR. HITE: Where is Ned? As a banker, Ned,
10 what would you do?

11 MR. STEPHENSON: I think we need to be
12 somewhere between where we are and having things come to, there are
13 always circumstances. Some of that money, Jack, I think is like not very
14 old. Looking at this chart that's been provided, it's about \$21 million out
15 there, but 14 of it is last year. That leaves about seven that's stale.

16 MR. NOYES: There's a problem there since about
17 2005 in earlier awards.

18 MR. OWENS: Britt, what do you find are the
19 most reasons you're getting why these are not concluded?

20 MS. NELSON: A lot of grantees are working with
21 other funding sources, whether it's federal or state. Sometimes they have
22 different requirements in terms of securing procurement, and that seems to
23 delay the project. We don't require of them to go through other processes in
24 order to satisfy other granting sources. Sometimes it's a slow process. This
25 will slow a project down, and sometimes there is general construction delay

1 and cost overruns and change orders. All those things can delay a project.

2 Then there are times when they haven't secured the matching
3 funds and are waiting for approval from other funding sources, and I find
4 that in speaking to other sources, and that sometimes can delay the start of
5 the project.

6 I would just comment that this report, or since I've been
7 working on this report a week ago, we've had six grants to close out and/or
8 deobligated balances. I'm expecting another nine to wrap up within 60 days.
9 I think our grantees are getting the message through the extensions and have
10 started to get projects wrapped up.

11 MR. MOODY: Someone is waiting on
12 transportation matches; if they are, they're going to wait a long time.

13 MR. NOYES: It's regularly the case, the
14 applicants come to us and indicate they're expecting something to happen
15 sometimes a year or 18 months down the road. In my view that begs the
16 question, did they need the funds in the current grant round, or would it be
17 better to table those types of applications. The funds aren't going anywhere.
18 The allocated funds aren't going anywhere, and they'll remain on the
19 account. That's up to this Committee and the Commission. Once you
20 approve things, maybe two or three years later all the funds necessary to
21 undertake the project are not in place.

22 MR. HITE: Mr. Chairman, you've studied this list
23 more than I have. What would you like to see done?

24 MR. OWENS: First of all, it appears to me that
25 some of these are four or five years old and have to come to a head one way

1 or the other, so one way or the other we're going to have to finish them out
2 or turn the money back in to their allocation, the money was allocated to
3 them. It doesn't seem like something that was granted in 2002 or 2003 and
4 wasn't ripe at that time, we probably shouldn't have done it, in my opinion. If
5 we're going to have this funding application round in October, I'd like to see
6 as many of these either finished or a rational reason why they can't wrap
7 them up by that time or before October, before our funding application
8 round.

9 MR. HITE: The locality won't lose?

10 MR. OWENS: The locality won't lose. The
11 locality won't lose money, because it will go back into that locality's
12 allocation.

13 MR. HITE: Back to where it should be?

14 MR. OWENS: Yes.

15 MR. MOODY: I notice some of these projects are
16 in the process of getting the project done and they're waiting on civil
17 engineering design work to be approved, and that takes a while. As soon as
18 they get that approval they're ready to move forward. It's just a matter of
19 getting the approval so they can break ground. I guess some of these are in
20 that state.

21 MR. OWENS: Yes.

22 MR. MOODY: So some of these are pretty close
23 before the money has to be turned in.

24 MR. OWENS: But I'd like to see, you know, if
25 and why and when; we need to move forward. So, before you get any

1 unallocated money, you must use all of your allocated monies. That's why
2 we are having a discussion before we consider the other part of it. If monies
3 are put back into your fund or allocated funds, we need to know that before
4 the application round.

5 MR. DAY: Mr. Chairman, sitting here and
6 listening to the comments, it seems to me what we ought to do is to put back
7 all of that money at least out of compliance by 18 months or more, and I
8 would make that as a motion.

9 MR. OWENS: The only problem with that, and I
10 know that the Director has the ability to allow one extension, 18 months
11 would allow an extension. We need to take that into consideration, also.

12 MR. HITE: I'd second it.

13 MR. OWENS: Would you restate the motion?

14 MR. DAY: We reallocate back to the original
15 awardee any grants that are out of compliance that have received one
16 extension from the Executive Director.

17 MR. OWENS: We have a second. Any further
18 discussion?

19 DELEGATE MARSHALL: I guess the question
20 is, is 18 months the right time. If I look down the list that was just handed to
21 us a few minutes ago, and I haven't had a lot of chance to spend a lot of time
22 on it. I think the idea is the right time, I'm just wondering whether 18
23 months is the correct time. It looks to me maybe we should look at this a
24 little more for more leeway.

25 MR. DAY: That strikes me as reasonable. I'll

1 propose two years.

2 DELEGATE MARSHALL: I think what we heard
3 earlier, Mr. Chairman, was that your original thoughts were any projects that
4 were 2004 and older. One of the things we ought to do here if we do this,
5 and I think it'll send a pretty good signal to the community and that they
6 might get the message that in the future this may not be an issue.

7 MR. OWENS: Is that acceptable to you?

8 MR. DAY: Yes.

9 MR. OWENS: As of what date that they have to
10 be finished, September 30th?

11 MR. NOYES: We can say prior to the next full
12 meeting of the Commission in October. To entertain applications where
13 they are returning or overlapping things, we can get another 90 days.

14 MR. OWENS: If we have a funding application
15 round.

16 MR. NOYES: The Staff report would indicate to
17 members of the Committee who is complying with this motion and who is
18 not in compliance and they have pending applications before you, some will
19 and some may not.

20 MR. MOODY: Mr. Chairman, I want to make
21 sure that the projects that are in force or in progress do not, or that we do not
22 take funds away from them.

23 MR. OWENS: That's the intent of the motion.

24 MR. DAY: Mr. Chairman, I'm sitting here
25 thinking, and it may be easier to understand if the language we use that we

1 reallocate grants that are 48 months out of compliance.

2 DELEGATE BYRON: I was late in coming to the
3 meeting. I'm not certain how much I missed in this discussion, but in
4 looking over these and trying to come up with that magic month or date that
5 would be easy for everyone to live with so it doesn't affect projects that are
6 still anticipated to use the funds, would it not be a little easier, there were a
7 lot that were awarded in '08, and there are quite a few that are current and
8 then some that are very old. Is there some way to separate them out? Maybe
9 we could look at it more clearly.

10 MR. STEPHENSON: You should have that before
11 you.

12 MS. NELSON: The active grants and those grants
13 highlighted are parallel. These are past the end date on your application, or
14 an end date that was granted for an extension by the Director.

15 Mr. Chairman, on behalf of the Town of Gretna, they asked me
16 to pass out a letter providing comments about their projects which fit into
17 this category.

18 DELEGATE WRIGHT: Mr. Chairman, while she
19 is doing that, first, I apologize for being late. This discussion involves
20 localities that have grant money that's available and has not been used for a
21 period of time?

22 MR. OWENS: Yes.

23 DELEGATE WRIGHT: The money all came out
24 of their appropriation, or their allocation. So what is the suggestion, to put it
25 back into their allocation, it's not lost?

1 MR. OWENS: No, it goes back to their allocation.
2 If they need that for a new project, they can use that money first.

3 DELEGATE WRIGHT: I just wanted to make
4 sure I was up to speed on it.

5 SENATOR REYNOLDS: I apologize if I
6 misunderstood this, but I think we started talking about 18 months,
7 somebody suggested that may be too short, and 48 months seemed a little
8 too long. I'd like to make a motion it be 24 months instead of 48 months.

9 MR. OWENS: You want to amend it?

10 SENATOR REYNOLDS: Yes, if Barnie would
11 find that acceptable for his motion.

12 DELEGATE HOGAN: I want to be sure I
13 understand this motion. What we're saying is not 24 months but when the
14 grant was awarded, 24 months after the grant was to be completed.

15 SENATOR REYNOLDS: It may be longer.

16 DELEGATE HOGAN: If you apply in '08, we're
17 going to spend this money by '10, based on a motion out of 12, 24 months
18 past 10. Then, at that point the money would revert?

19 SENATOR REYNOLDS: Thirteen if you got that
20 year's extension.

21 DELEGATE HOGAN: That is the motion?

22 SENATOR REYNOLDS: Yes.

23 MR. MOODY: But if it's in process, that won't be
24 part of it?

25 DELEGATE MARSHALL: Just for clarification,

1 can we just take a minute and go down this list for the people we're actually
2 talking about?

3 MR. NOYES: Ms. Nelson, she said she's
4 expecting nine additional ones in the next 30 days.

5 MS. NELSON: Actually, all the ones shaded in
6 gray either will be wrapping up or deobligating the balance by the end of the
7 calendar year. Within 60 days, nine of these will be closed out.

8 SENATOR REYNOLDS: My understanding is
9 that even if we do this, the locality can come back and ask for the money
10 back if they get to the point that they need the money.

11 MR. NOYES: They must come back through the
12 committee process and have it approved by the full Commission.

13 MR. OWENS: The motion has been amended and
14 seconded. Any further discussion? Are you ready for the question? All
15 those in favor of Mr. Day's motion signify by saying aye? (Ayes.)
16 Opposed? (No response.) Thank you very much. Staff will go forward and
17 try to get these cleaned up in the future.

18 MR. NOYES: This will be referred for further
19 meetings. These issues either show progress or lack of progress. This is
20 quite a job getting this accomplished.

21 MR. OWENS: The second thing we have here is a
22 grant proposal. Did everybody receive in their packet a copy of a grant
23 application?

24 MR. PFOHL: On June 2nd the Special Projects
25 grant cycle, and the Commission received a request from Henry County for

1 Project Mainstream, and they are requesting 1.625. The request is for three
2 and a quarter million dollars, and this would be in addition to an approved
3 Opportunity Fund TROF, 1.15 million, and that would be used entirely for
4 site development of a 100-acre pad for an economic development prospect.
5 This is one of the tobacco region mega-sites that were studied in '05 in the
6 study that the Commission executed through some consultants. The request
7 would increase the total amount of dollars requested from the Tobacco
8 Commission 4.4 million out of \$13.8 million project costs for site
9 improvements. The total request, when you combine the Opportunity Fund
10 and what's being requested here would equate to \$13,500 plus dollars per job
11 created and 9.8 private dollars for each dollar of Tobacco Commission funds
12 provided. The private investment ratio. Last week at the Special Projects
13 meeting Monday afternoon, and they have a recommendation in front of the
14 full Commission to fund one-half of this request or 1.625 million. Special
15 Projects Committee referred the other half of the request over to you today.
16 So the remaining balance that's being asked of Southside Committee is 1.625
17 million. Previous projects of this nature the Staff has always recommended
18 if you choose to approve the grant funds out of your Committee, that this be
19 captured as part of a performance agreement so in effect with the
20 Opportunity Funds and made subject to the conditions of the clawback under
21 our standard TROF Performance Agreement. That's an issue in front of you
22 today, and it's here because Henry County does not have sufficient economic
23 development allocation, never has to address a project like this or this size.
24 The request has been sent over to you from Special Projects. Any
25 questions?

1 DELEGATE MARSHALL: I'd like to make a
2 motion.

3 MR. OWENS: Before we get to that --

4 DELEGATE BYRON: -- How much does Henry
5 County have?

6 MR. NOYES: None, their allocation is exhausted
7 at this time.

8 MR. OWENS: In our last meeting we voted to
9 suspend the allocation for two years.

10 DELEGATE HOGAN: Let me start out by saying
11 I think we ought to fund this, and the question is how to do it. Those of you
12 who represent Henry County and parts of that, I'm sure we can find some
13 way to fund it. The Chairman is correct, we have a motion before us with
14 some attachments as amended, and it will go before the full Commission at
15 this July meeting. I understand that motion may be reconsidered here today.
16 I certainly have some strong feelings about that, and we spent a lot of time
17 talking about it last time. I wonder if we might talk about that before we get
18 into this. Depending on how that's resolved, then we can figure out the
19 appropriate way to fund this request. Those are my thoughts about it.

20 MR. OWENS: For those of you who may not
21 know what Delegate Hogan was alluding to, because last time we had a
22 motion that said we would suspend the allocation for two years, but the
23 amendment to the motion was that we take Technology and Special Projects
24 and disband those two committees and roll them into Southside and
25 Southwest Economic Development. Those funds from both of those

1 committees would go into Southwest at 27 percent and Southside at 73
2 percent, in both those committees, and that's what he's talking about. He
3 wants to know if there is going to be some motion to reconsider that.

4 DELEGATE HOGAN: Until the full Commission
5 adopts that motion or some other motion, the allocation is in effect.

6 MR. OWENS: Yes.

7 DELEGATE HOGAN: So, frankly, at this point
8 we're not in a posture, and we cannot be, until after the full Commission
9 meets to resolve that issue. I understand there are some folks who don't
10 want to go ahead with parts of that motion. We spent nearly two hours
11 talking about this, and I think the vote was unanimous, which is reasonably
12 rare in the Tobacco Commission.

13 The time I've been on this Commission it's operated largely on
14 consensus, and we've taken the time to build a consensus. If that motion is
15 stripped of the amendments, I don't think you're going to have consensus
16 anymore. I would suggest it's going to create a lot of problems. I don't want
17 to see the Mainstream Project get caught up in that issue. We've got to
18 figure out a way, we've got several pools available to us to make that work.
19 If there is not consensus around that proposal, I for one think it's a mistake to
20 go forward at all. We're better off with the status quo if we haven't reached
21 agreement about how to deal with that. You all remember after the last
22 meeting, and part of that motion was if we do away with the formula, what
23 are we going to replace it with. We haven't resolved that. If we were to strip
24 off these amendments and go forward with this proposal, what we're going
25 to have is a chunk of money that no one has any idea what the rules are,

1 based around how it's going to be operated. I would suggest to you that's
2 going to create a fair number of hard feelings and a fair amount of problems.
3 I wouldn't want to see that happen at this point in the Commission.

4 So, I guess my thought is that if that's where we are, it seems to
5 me we're better off leaving the motion as reported out last time and lay it on
6 the table and make no recommendations to the full Commission, and then
7 we'll figure out how to fund this Mainstream project. I do have some ideas
8 about how to do it.

9 MR. DAY: Mr. Chairman, I think Clarke is
10 making good sense, which is not easy for me to say. I would ask that we've
11 got Mark Heeds here with the Henry County EDC, and we could ask him if
12 there is any time sensitivity to this request.

13 MR. MARK HEEDS: Well, anytime you do
14 something like this it's sensitive. We, being the state of Virginia are
15 competing with other states, and the longer we take to make a determination
16 and eliminate all the potential barriers for the project in Virginia the more
17 we put it in jeopardy. Quite honestly, I can't tell you that delay for a week
18 would kill the project, but I can honestly say every day that goes by and we
19 don't have an answer as far as resolving the site issue is something that can
20 be used against as we meet with the neighboring states.

21 MR. DAY: I had wanted to tell Mark that the
22 point that Delegate Hogan made is quite a good point. No matter what we
23 do, it may be negated in two or three days if the full Commission is not in
24 agreement with laying aside that formula.

25 MR. NOYES: The formulary is in effect at this

1 moment. If the full Commission does not adopt the motion as it was
2 reported out, then the formulary would be in effect for this fiscal year 2009.

3 MR. DAY: That formulary does not include
4 Henry County money?

5 MR. NOYES: It does not, no. There would be an
6 insufficient allocation for Henry County for the amount requested.

7 MR. DAY: Where does that leave us with this?

8 MR. NOYES: I'd be very interested in hearing
9 Delegate Hogan's options, if there are some options that we have.

10 DELEGATE HOGAN: I think we can cure that
11 problem in a couple of ways. You certainly can allocate funds; we do have
12 some allotment we can take a look at. I'd recommend we go back to the
13 Executive Committee tomorrow, and remember that no action will be taken
14 until Wednesday or Thursday. I don't think between here and Thursday
15 morning makes a whole lot of difference. We could basically say we
16 decided to keep the formulary in place for reasons we talked about a few
17 minutes ago. We need to do this project and ask the Executive Committee to
18 allocate the funds directly to do it either through TROF, you can increase the
19 allocation from Special Projects who can get money to Southside. I think
20 from a time standpoint it's probably better to do it through TROF, which we
21 are certainly capable of doing. So, there's the funding. That doesn't change
22 the timeline this gentleman talked about, and has the same effect. That to
23 me accomplishes the goal of funding this project.

24 As I said when I started talking, we need to do it, and it does
25 not create an environment, I think long-term ramifications of this

1 Commission looking back at it a few months from now, we probably
2 wouldn't like it very much.

3 MR. NOYES: Are we suggesting taking no action
4 today and pending application until after the Executive Committee, because
5 now we're looking at the October Board meeting for approval rather than
6 July?

7 DELEGATE HOGAN: The answer to that
8 question is that we have an Executive Committee meeting tomorrow, and we
9 can take this issue up and allocate the funds, and we can report that out
10 Thursday and fund the project.

11 MR. NOYES: Through Executive rather than
12 through Southside?

13 DELEGATE HOGAN: That's correct. Maybe
14 you'll feel better if we call a Southside Committee meeting --

15 MR. NOYES: -- You need three days public
16 notice, and that was my point.

17 DELEGATE HOGAN: You can do it from the
18 floor if you want to, but the functionality of the budget working with the
19 Executive Committee, which is how it would work anyway.

20 MR. FERGUSON: Mr. Chairman, to the extent
21 that any concern that Southside Economic Development has not acted on
22 this, if it goes that route, I think it certainly would be appropriate if it's the
23 will of the Committee to make that request in the Executive Committee and
24 refer it to them, if that's the will of this Committee, or if the will of this
25 Committee is known and brought to the Executive Committee and the full

1 Commission.

2 DELEGATE HOGAN: We could approve it
3 contingent upon funding being allocated from the Executive Committee.
4 That's a way to accomplish what Mr. Ferguson just said. I have no objection
5 to doing that at all. If we want to go that route, we can pick up the motion as
6 was reported out last time, bring it back up and lay it on the table, which
7 means we have no report, and then report out the motion dealing with the
8 project.

9 MR. DAY: It seems to me Delegate Marshall
10 would want to make the motion to what Mr. Ferguson just said. That we
11 recommend to the other Committee by a vote of this Committee that this
12 project be funded forthwith. Is that what you said?

13 DELEGATE MARSHALL: I think that's exactly
14 what I said.

15 MR. DAY: I'll second it.

16 MR. OWENS: It's been moved and properly
17 seconded that we get the Executive Committee to appropriate \$1.625 million
18 --

19 DELEGATE HOGAN: -- I think the reason that
20 Mr. Noyes just spoke to, better go straight on through.

21 MR. NOYES: The way it is right now it wouldn't
22 be a money committee, it would be through the Executive Committee, which
23 is certainly a doable proposition, maybe a little unusual for it to happen that
24 way.

25 MR. FERGUSON: Mr. Chairman, the TROF

1 would not be as unusual to come from the Executive Committee as if to say
2 a regional economic development, but you can do that.

3 MR. OWENS: TROF?

4 MR. NOYES: TROF has sufficient funds.

5 DELEGATE HOGAN: Mr. Chairman, how about
6 an amendment to Delegate Marshall's motion that we approve this project
7 contingent upon the Executive Committee allocating resources to do it to
8 this Committee? That would accomplish it, and that would accomplish the
9 goal. We don't have to have another meeting of Southside, we approve the
10 project, and they'll get the money, and everyone will be happy.

11 DELEGATE WRIGHT: This is not related to the
12 motion, but this is a question I have. Delegate Hogan also mentioned
13 something about a motion we passed at the last meeting. Are we going to
14 take any action on that?

15 MR. OWENS: We'll talk about that or take care of
16 it after this, either put it on the table or report it out. Any other discussion
17 about this?

18 SENATOR REYNOLDS: Instead of saying
19 contingent, why don't we say request?

20 DELEGATE HOGAN: That's fine.

21 MR. OWENS: It was moved by Delegate
22 Marshall and seconded by Mr. Day.

23 MR. MOODY: What is the motion?

24 DELEGATE MARSHALL: The motion is that we
25 go to the Executive Committee and request \$1.625 million for this.

1 MR. DAY: We are going to put this to the
2 Executive Committee.

3 MR. OWENS: What we're doing today is
4 approving this contingent upon the Executive Committee funding it.

5 MR. MOODY: They're going to fund it.

6 MR. OWENS: Any other discussion? All those in
7 favor of the motion signify by saying aye? (Ayes.) Opposed, no? (No
8 response.) The motion is passed.

9 DELEGATE HOGAN: Mr. Chairman, are we
10 going to report the motion spending the allocation as amended? I move we
11 reconsider that motion.

12 DELEGATE MARSHALL: Second.

13 MR. OWENS: It's been moved and properly
14 seconded that we reconsider the motion.

15 DELEGATE HOGAN: Mr. Chairman, for reasons
16 I stated earlier, I move that we lay the motion on the table.

17 DELEGATE WRIGHT: Second.

18 MR. OWENS: It's been moved and properly
19 seconded that we lay the motion on the table that we reconsider the motion.
20 All those in favor of reconsidering the motion signify by saying aye?
21 (Ayes.) Opposed, no? (No response.)

22 DELEGATE HOGAN: Now, Mr. Chairman, for
23 reasons stated earlier, I move we lay the motion on the table.

24 DELEGATE WRIGHT: Second.

25 MR. OWENS: The motion was to lay the motion

1 on the table, and it was properly seconded, which in essence means there is
2 no motion and that the allocation system will continue until we have time to
3 discuss it, the rules of post allocation. Any discussion? All those in favor
4 signify by saying aye? (Ayes.) Opposed? (No response.)

5 There are going to be some discussion items, and we're going to
6 have to set the guidelines we're even going to consider, as far as the
7 allocation system. You have before you guidelines for post allocation. If we
8 get rid of the allocations, there are some concerns and some proposed ways
9 to do it. I know this is something that's three pages long. I would like to at
10 least start the process. We can go one-by-one if you like, two-thirds
11 required, 25 percent. In FY09, this year it would be three million. Any one
12 project over three million under the pool, two-thirds of the Committee would
13 have to approve it. Is there any discussion on that point?

14 DELEGATE WRIGHT: One reason you may be
15 getting comments, because Delegate Marshall would like to think about
16 them for a few minutes. Some of them are very important, and we don't
17 want to do things out of hand and think about them.

18 DELEGATE HOGAN: Mr. Chairman, at the risk
19 of talking too much at any given meeting, we had a long discussion about
20 this at the last meeting, and I think I heard people agree to look at Southside
21 individually and not consider the rest of the budget, just to look at how we
22 allocate funds is isolating a funding stream for arbitrary reasons. Until you
23 look at the larger structure of how we allocate funds in the Commission, you
24 can't pick this up individually. I'd like to build a consensus around if we're
25 going to do that, and I think it's fine, but to entertain changing one little

1 piece and not considering how it interacts with other pieces of our funding
2 doesn't make a lot of sense to me. I think what you're going to find is that
3 with consensus building we've enjoyed, while I've been on this Commission,
4 this working together; but if we don't, that will start evaporating very
5 quickly.

6 DELEGATE WRIGHT: One other concern I have,
7 we don't even have a motion coming to this Committee to do away with the
8 allocation. We're putting the cart before the horse. We don't have anything
9 to say, even if we wanted to do that. I think it's a good idea to take this and
10 study it and look it over and think about it and talk about it in the future.

11 MR. DAY: I think we all know that debate is
12 coming, just as sure as we're sitting here today. It makes sense to me that we
13 think about at least what happens post today.

14 DELEGATE HOGAN: I would ask Mr. Day, how
15 do you have that spent, or how do you split the money up? How do you
16 know how to spend this money without knowing, number one, what the
17 scope of what we're doing in Southside is, and number two in a general
18 sense, how much money do we have? This \$3 million number, for example,
19 three million out of what? I don't know.

20 MR. NOYES: FY09.

21 DELEGATE HOGAN: There is no way in the
22 world to put numbers on a spreadsheet if you don't know what they relate to
23 and you don't know what you're spending the money on. If you tell me
24 we've got \$30 million, and 3 million may seem like a low number then. The
25 idea of this whole process was to pick out two big projects we drive and we

1 fund. Most of the ones I know about, the people are talking around, and
2 they'll be more than \$3 million. How does that work? I don't see how it
3 makes this work without knowing what the rest of the cards look like.

4 MR. DAY: On an individual basis, let's think
5 about it, and we don't have to discuss it today.

6 MR. OWENS: The second page, about the tiers
7 and the point systems. We've got it here on paper, and we can change it, and
8 it's open for discussion.

9 DELEGATE HOGAN: If somebody walked in the
10 door tomorrow, I don't think you could run that project if it all comes to
11 Southside, \$3-plus million, I don't think you could fund the project out of
12 this proposal. I guess what I'm saying is I see some percentages and I see a
13 bunch of dollars. I don't mean to be as critical as I sound. We've got this
14 Commission to try to make judgments, and it seems to me I could
15 accomplish what I'm looking at on these three pages by saying that this
16 Commission has decided as a matter of policy we're going to concede to the
17 Staff and Secretary of Commerce the authority to allocate these funds and
18 create a system that will accomplish these goals and we ask them to spend
19 this money to help Southside and Southwest. I think that would accomplish
20 what this is.

21 MR. DAY: Mr. Chairman, the second bullet point
22 would allow us to do this project.

23 MS. NYHOLM: I don't think we could fund the
24 project. We don't have the money, and we don't have the allocation for
25 Henry County, and we had to do that by special motion to fund that project,

1 didn't we?

2 DELEGATE HOGAN: Did we have the authority
3 to make when we did this program to the best interest of the
4 Commonwealth?

5 MS. NYHOLM: Then we had to do it through
6 TROF, special motion for Henry County. We couldn't do it in Southside in
7 the normal way through the allocation. If we did that allocation and we were
8 doing things based on merit, we could potentially have taken care of the
9 project in a normal way without the allocation. We can't do it with the
10 allocation system.

11 DELEGATE HOGAN: We just did. We just
12 found a way to accomplish what we're trying to accomplish. I don't want to
13 spend my time trying to figure out how to manipulate a rating system to
14 accomplish what we want to accomplish.

15 MR. OWENS: There must be some rules in place.

16 MR. NOYES: This Committee directed the Staff
17 to present rules, which is what you're seeing here. We're certainly not
18 wedded to things. I don't see a rating system in here.

19 DELEGATE HOGAN: Someone referred to one.

20 DELEGATE WRIGHT: That's true, but we had a
21 motion on the floor last time, and for some reason it looks like the whole
22 concept has come into question. I was really surprised to learn that the
23 motion was, that it was going to change. I thought we had consensus at the
24 last meeting. To me, we're back like we were before the motion. These
25 recommendations are based on agreement basically reached. I don't think

1 the Staff has given a recommendation to proceed with this. No motion has
2 been made, and all the motions were made last time. Right now the motion
3 is tabled, and as far as I'm concerned it's not an issue until such time as we
4 have some agreement.

5 MR. OWENS: How do we handle it, other than
6 the way we do today? How do we handle a large project under this
7 allocation system?

8 DELEGATE MARSHALL: I think we handle it
9 the same way under Special Projects, just like the three million dollars.

10 DELEGATE WRIGHT: Mr. Chairman, one other
11 thing I want to say, I think we have to have all the flexibility we can to
12 maintain what we want to do. If we have rules and so forth that are so
13 tightly wound, you can only, we don't need these rules so tight, is what I'm
14 saying.

15 MR. OWENS: I would agree with that. As far as
16 the allocation, if your community doesn't have it, then where are you going
17 to go?

18 DELEGATE WRIGHT: That's why I've supported
19 for a long time changing the amount of money that comes to Southside.
20 We'd have the 77/23, that would change the whole concept. I sponsored a
21 resolution five years ago that would basically accomplish the amendment. I
22 think that's what was due Southside, and my opinion has not changed on
23 that.

24 DELEGATE HOGAN: I would say that we can
25 change a lot of problems that people are referring to by deferring less to the

1 localities that are applying. We have an obligation to allocate these funds,
2 and if we don't believe the localities' applications fall within what we want to
3 accomplish with this Tobacco Commission money, we have every right to
4 reject this, or an obligation to reject it. But that has not been our practice
5 during the time that I have been on this Commission. We largely refer to the
6 localities on how the money is spent. We can change that simply by voting
7 in a way that is consistent with that concept. That, to me, would be a
8 positive first step in terms of moving us forward.

9 MR. MOODY: I'm looking on this sheet at every
10 one of these bullets. When you say should, it doesn't have to do it.

11 MR. OWENS: So if we're not going to consider
12 these, then, at this time, then what?

13 DELEGATE WRIGHT: I suggest we take a look
14 at these individually, and at this point we don't have to do anything. We
15 don't have any direction from this Committee to make a change in the way
16 the allocation formula is set.

17 MR. MOODY: Is there a motion that we table?
18 It's not coming up to the full Commission at the next meeting?

19 MR. OWENS: That's correct. It will not come up.

20 MR. NOYES: If I may, Delegate Byron's
21 Committee, Long Range Planning, deferred to the Southside Economic
22 Development Committee in terms of its recommendation on the Blue Ribbon
23 Advisory Report. We have one committee that has deferred to a committee
24 that has decided not to act, which is the difference.

25 MR. FERGUSON: In response to Mr. Moody's

1 question, this isn't coming up in the full Commission, and it will not come
2 up as a recommendation of this Committee, because it's been tabled, not
3 saying that someone could not make the motion, this won't come up from
4 this Committee. I'm just saying that for clarification. It's not, it just won't
5 come up as a recommendation from this Committee.

6 DELEGATE BYRON: I couldn't attend the last
7 meeting, but from everything I'm hearing we had consensus from this
8 Committee at the last meeting to eliminate the formulary. The formulary
9 that the Committee is using was contingent on that, but only because of the
10 motion that went with it to eliminate, that came up with the elimination of
11 the other two committees went with it. So, there is no way to modify
12 anything until we're able to have a consensus on; it seems like you're
13 throwing the whole pot out by not going back and offering further discussion
14 on other ways to get there. It's all or nothing. You may lose it in the full
15 Commission anyway, and I don't know where that stands.

16 MS. NYHOLM: It was basically tabled, as far as
17 the formula, for two years, contingent upon taking the funding from
18 Technology and Special Projects and rolling it back into Southside and
19 Southwest based on the percentages so that Southside and Southwest got the
20 benefit of those monies, basically spent it within the two committees. It
21 would be two years as an experiment to see how Southside and Southwest
22 were dealing with it. We would have two years to see how we would deal
23 with it without the formulary. The remaining concern was that we would
24 develop a methodology and set priorities to deal with how we would allocate
25 money without the formulary; instead of setting guidelines, that we would

1 put those projects on a merit basis. This is what Staff has given us as a first
2 draft as far as guidelines.

3 DELEGATE BYRON: This part of it I
4 understand, and we're not getting there, because we haven't got past step one
5 first.

6 MS. NYHOLM: We could move forward and
7 abandon the formulary for two years without the contingency of getting
8 Special Projects and Technology money and work to revise this set of
9 priorities and see how we do.

10 DELEGATE BYRON: How much is that funding,
11 Special Projects and Technology? How much money are we talking about?

12 MR. STEPHENSON: If the motion survives
13 today, we'd pick up about \$16 million from Technology and Special
14 Projects.

15 DELEGATE BYRON: Eight million each?

16 MR. STEPHENSON: 3.4 and 12.9.

17 DELEGATE MARSHALL: Is that 16 million
18 gross or 16 million too?

19 MR. STEPHENSON: Gross.

20 DELEGATE BYRON: The full Commission that
21 came up with this budget, is there something we have in place that could
22 change or reduce the amount of money that that still leaves? My only
23 thought is that there was something, it still leaves a balance in Technology
24 and Special Projects that are lesser than that amount there?

25 MR. STEPHENSON: It's up to the Commission;

1 you can do that if you want to.

2 DELEGATE BYRON: We could still maybe go
3 through that trial period and capture most of that money without totally
4 eliminating; it's only a thought I'm throwing out for discussion.

5 DELEGATE WRIGHT: I thought we had an
6 agreement and the motion that was on the table last time. Did I miss
7 something that it was decided this would be brought back up again? I was
8 addressing that to the Chairman. I'm talking about before this meeting, I'm
9 talking about the motion and the amendments from the last meeting. What
10 was the purpose or the genesis to making these changes?

11 DELEGATE HOGAN: I'll respond to Delegate
12 Wright by saying that the answer is nothing. You didn't miss any meeting.
13 I've sort of been informed, in talking around to a bunch of people, the
14 motion that we discussed last time everybody in that room at that point was
15 fine with was not something that the Commission as a whole, was not
16 significant to move forward with and virtually creating a firestorm, and I
17 thought the wise thing to do would be to withdraw that motion and try to
18 move forward and build some consensus to the extent any changes might be
19 made.

20 I'd say in response to Delegate Byron's comments, to the extent
21 I'm deferring to try to build a consensus amongst this whole Commission, I
22 expect the same response from the rest of the Commission; and to launch
23 down this path, I'm frankly pretty disappointed with the way this process has
24 moved forward, because I feel like there hasn't been an effort to build a
25 consensus, and if we want to get down to counting votes and working

1 through those kinds of corners, I don't think that's in the best interest of the
2 Commission.

3 DELEGATE WRIGHT: Delegate Hogan has
4 answered my question, and I see now why it's coming back up. What I don't
5 understand is why anybody at this table is surprised that one locality would
6 not be pleased with giving up \$16 million. My question is, how could
7 anybody from Southside not support Southside getting the money it should
8 have been getting all along. We lost over \$20 million, for some of these new
9 members, over these past several years, because we have not gotten the
10 amount of money that we should have gotten. Southside produced 77
11 percent or more of the tobacco, and Special Projects and Technology, this is
12 bringing those two committees at least into compliance with what we should
13 have been getting all along. I can't see why anybody is surprised why if we
14 make a proposal to change the amount of money somebody is going to be
15 getting, there is going to be some kickback on it. I thought this was
16 thoroughly discussed at the last meeting. I was looking forward to debate
17 this at the full Commission meeting, and I'm supportive of this Committee's
18 actions, and I thought we took the right course. I still think we did.

19 MR. OWENS: *73/27 or 77/23.*

20 MR. STEPHENSON: Both of those numbers have
21 come from history, and the motion you approved a month ago and tabled
22 today said *73/27*.

23 DELEGATE WRIGHT: I may have misspoken;
24 77 percent is the amount of tobacco grown in Southside in the years that we
25 used as the basis for setting up the formulary.

1 MR. OWENS: I guess the question would have
2 been, can we accomplish in those two committees what they accomplish in
3 Southside and Southwest Economic Development Committees, with
4 Technology and Special Projects. I'd say Technology probably yes. Special
5 Projects, because it is a regional approach, may have to challenge that.

6 DELEGATE WRIGHT: One of the
7 recommendations that the Blue Ribbon Panel made was to reduce the
8 committees, and I thought that was something we had agreed in the Long
9 Range Planning, and I think it's certainly possible to do that.

10 DELEGATE BYRON: We approved that
11 recommendation.

12 MR. NOYES: To align with the Strategic Plan.

13 DELEGATE HOGAN: Mr. Chairman, being the
14 Chairman of one committee seeking a motion to abolish it is, I don't know if
15 it's difficult, but I'm saying that it's partly to show good faith and partly
16 because I think that the goal of that committee, and frankly, even I think
17 Special Projects even to a greater extent, can be accomplished through
18 Southside and Southwest without a formula replaced by a set of standards
19 much more easily and much more efficient. That's why I made those
20 amendments. If we're not going to go forward with that, and we're not there
21 yet, then the prudent thing to do seems to be to take the time, and maybe
22 we'll never get there. I think, from the time I've been on this Commission, I
23 think projects we felt were important, no matter what committee they went
24 to, we've been able to find a way to fund them. As long as that's the case, we
25 certainly don't have a crisis to deal with the issues that are before us.

1 DELEGATE BYRON: I think we've come a long
2 way in the Tobacco Commission, as far as trying and learning and
3 discovering different goals of the Commission. I think we can accomplish
4 those same concepts we put into Special Projects within our own Committee
5 looking at our own region; that is what we are capable of doing because
6 we're looking at the broader picture as far as how much money we're
7 spending in the large counties and in certain areas. I'd like to make sure we
8 continue to put very strong emphasis on Technology projects. If that were to
9 happen, if that were to come into that committee, and I think we've found a
10 lot of successes in some of our last mile solutions, and we continue to put
11 some focus on continuing some of those projects. We need to keep the same
12 focus there, and I would encourage that we go in that direction. If we're
13 going to get rid of the formulary and start looking at the overall bigger
14 picture, it doesn't make much sense to divide up into a bunch of committees
15 the same work that we can accomplish.

16 MR. DAY: I think the question we have to ask
17 ourselves, have we, or how are we transforming the economy in Southside
18 Virginia. I'd like to hear maybe Delegate Byron's thoughts. Are we doing
19 that?

20 DELEGATE BYRON: If I got as much money as
21 you did, Bernie, I might say yes. I believe that's been our goal all along, and
22 are we really transforming the economy? I would say, if you look back over
23 some of the projects, we're sitting in one right now. Some of those, and the
24 long-term effects of them, you'll feel years to come. We'd like to think all
25 the things that we do, we are transforming the economy. I think we have to

1 really be concerned with the criteria that go into Staff when they're looking
2 and evaluating projects. None of us has a crystal ball and can say this is
3 perfect, this is going to be a success. We're in a new day now, and projects
4 have changed, and things have grown from that point. I think we can move
5 on to make bigger decisions, look at the bigger picture with regard to
6 continuing the revitalization.

7 DELEGATE HOGAN: Other people have raised
8 this question. I look back at other projects, the Research Triangle in Chapel
9 Hill, and some of the development that's been done. Twenty years from now
10 you can answer that question with some degree of accuracy.

11 I'm always entertained by these economic impact numbers that
12 are developed. I could make up a formula and have as much basis for it. I'm
13 not sure that's a fair question; you can answer it anyway you want to. You
14 can create some formula or even look at it perspectively, but it's a difficult
15 question to answer. We have to do the best we can. In Technology and the
16 Broadband aspect, I'd say yes. What would have happened if we had done
17 nothing? I don't know. Has it had the impact we'd like it to? Has it
18 increased access? Probably so. Was it worth the tens of millions of dollars
19 that we put into it in terms of economic impact? Honestly, at this point, I
20 don't know how you would answer that question, honestly. That's a project
21 that the Blue Ribbon Panel pointed to as something they felt real good about
22 and thought we did a good job. If that's a project by the standards that
23 people are talking about as a good one, it's pretty difficult to say what it's
24 impact is at this point.

25 DELEGATE WRIGHT: Bernie's question I easy

1 to ask but difficult to answer. You're not looking at where we came from
2 and where we are. To lose tobacco as a support to our economy, and after
3 having lost a lot of our industrial base, and for this Commission alone to
4 transform the entire economy is quite a task. We don't have the money in
5 this area to do that. I don't know how anyone could expect this Commission
6 to transform the economy overnight. Our charge is to try to revitalize the
7 depressed areas of our communities. I think we've made a good effort to do
8 that. Have we made mistakes? Yes. We're going to try to move forward,
9 and I say let's try to improve the way we operate the best we can. As far as
10 putting blame or assess how things have done, it's like in the newspapers,
11 and I know they've been very critical of the Tobacco Commission. I can
12 look at my community and answer the question, yes, it's made progress. It
13 could improve, too. Let's move forward together, try to set goals and
14 accomplish them.

15 DELEGATE BYRON: If you heard the recent
16 comments of the former Governors, they think that the Tobacco Commission
17 has done an excellent job.

18 MR. DAY: I think we have in some areas. For
19 example, I don't think the money I got for a covered bridge festival did much
20 for our economy.

21 DELEGATE HOGAN: Why did you ask for it?

22 MR.. DAY: Because it was there, and the people
23 back home were pounding on me to do it.

24 MR. OWENS: I think, as long as we recognize
25 that we're trying to create an environment for a positive future, that's good.

1 You have to look at it both ways, you can't look at it on the road of right
2 now, you have to look at it in the short-term and long-term. We did help
3 stabilize the economy to a lot of communities.

4 MS. NYHOLM: And we've had a good impact
5 with our scholarships, and that was positive.

6 MR. OWENS: I've enjoyed the conversation
7 today, but we're going to have an application round to allocate funds, and it's
8 going to have a deadline of September 15th for October consideration. Does
9 anyone have a problem with that?

10 MR. PFOHL: Mr. Chairman, the carryforward
11 balance plus the FY09 allocation.

12 MR. NOYES: We're in the allocation as of this
13 moment.

14 MR. OWENS: This year it's \$12 million plus --
15 we'll have to clean up. Those funds are to be used, to use all of the allocated
16 funds.

17 DELEGATE MARSHALL: The deadline is the
18 15th. When will we have a meeting to review that?

19 MR. NOYES: We'll have to set that in October
20 before the full Commission meeting.

21 MR. OWENS: Any other business to come before
22 us?

23 Any public comments? Hearing none, the meeting is
24 adjourned.

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PROCEEDINGS CONCLUDED.

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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 Tuesday, July 29, 2008 at 10:30 a.m. at the Riverstone Industrial Park, Halifax, 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 11th day of May, 2008.

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

My Commission Expires: October 31, 2010.