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Southwest Economic Development Committee
Monday, March 24, 2003
6:30 p.m.
Southwest Virginia Higher Education Center
Abingdon, Virginia

APPEARANCES

Delegate Jerry T. Kilgore, Chairman
Delegate Joseph P. Johnson, Jr.
Stephen S. Banner
Fred M. Fields
H. Ronnie Montgomery
James C. Thompson
Senator William C. Wampler, Jr.

Commission Staff & OAG Staff

Carthan F. Currin, III, Executive Director
Tim Pfohl, Grants Program Administration Manager
Jerry Fouse, Grants Program Administrator - Southwest
Frank Ferguson, OAG
Anne Marie Cushmac, OAG

DELEGATE KILGORE: I'll call this meeting to order. Carthan, would you call the roll?

MR. CURRIN: Mr. Banner?

MR. BANNER: Present.

MR. CURRIN: Mr. Fields?

MR. FIELDS: Here.

MR. CURRIN: Delegate Johnson?

DELEGATE JOHNSON: Here.

MR. CURRIN: Mr. Montgomery?

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MR. MONTGOMERY: Here.
MR. CURRIN: Senator Puckett?
SENATOR PUCKETT: (No response)
MR. CURRIN: Mr. Schewel?
MR. SCHEWEL: (No response)
MR. CURRIN: Mr. Thompson?
MR. THOMPSON: Here.
MR. CURRIN: Senator Wampler?
SENATOR WAMPLER: Here.
MR. CURRIN: Mr. Chairman?
DELEGATE KILGORE: Here.

MR. CURRIN: You have a quorum.
DELEGATE KILGORE: Okay, thank you all for coming out tonight. The first thing we've got to do is the approval of the minutes from the October 29, 2002 meeting.

DELEGATE JOHNSON: I move that they be accepted.
MR. MONTGOMERY: I'll second it.

DELEGATE KILGORE: All those in favor say aye (ayes). All right, they're accepted. I want to welcome you all here tonight. I thought it would be a good idea that we as the Southwest Economic Development Committee get together to discuss some of our goals and some of the criteria that we are going to put forth as a Committee before our next meeting. That meeting is where we will consider the application review on April 7th at 4:00 o'clock. I hope everyone has received notice of that meeting. The reason we're having the meeting later on in the afternoon and evenings is because it seems like most people's schedule do not conflict at that time so I thought that would be the best time. Joe is at the law offices and Fred wouldn't have to miss school.

Tonight I felt we'd get together and discuss how we believe, as a Committee, how we want to do this so we don't have to do everything at one meeting to set criteria and then make approvals all in the same meeting. Some people might see that as making up the rules as you go. I wanted us to try to see and have an open discussion tonight about what we would like to see. I worked with and talked to Tim Pfohl whose working with us on economic development and working on a long-range plan. Tim, you might want to give us a brief overview what you've been doing and how the long range planning taskforce is going.

MR. PFOHL: Sure, it's coming up with about four months I've been with this Commission and I'm starting to get the lay of the land a little bit. For the first time in the role of grants manager for the Commission I'm pleased to announce that we have hired two regional grant appraisers. Jerry Fouse has been hired to be our grants administrator for Southwest Virginia and we're delighted to have Jerry on board. We also have hired someone for Southside.

DELEGATE KILGORE: Would you tell the Committee what Jerry's duties are as the Grant Administrator? What is he going to be doing?

1 MR. PFOHL: We envision that Jerry and his counter partner in
2 Southside will provide technical assistance for the organization, preparing
3 applications for the Commission or direct them to the appropriate sources of
4 money for the Commission and help direct them to other appropriate sources of
5 money elsewhere in state government or the federal government. Also to convey
6 the types of projects that you folks are interested in funding for the applicants and
7 then once the programs are funded, to do the grant monitoring. That will include
8 getting the grants under letter of agreement with the grantees, processing the
9 reimbursements and basically helping with the grant and moving it as smoothly as
10 possible through this development process.

11 DELEGATE KILGORE: Will he also be available to speak to
12 groups, 501(c) 3 corporations who want to make an application to the
13 Commission and to see if they qualify and things of that nature?

14 MR. PFOHL: Yes, absolutely.

15 DELEGATE KILGORE: Maybe not in the so distant future
16 Carthan or by email, members of the Southwest Committee or their phone
17 numbers or contact numbers so they'll know how to get a hold of Jerry so that if
18 we have questions we can get them answered and have people that can get in
19 contact with and Jerry can get in contact with us.

20 MR. PFOHL: That will be fine.

21 DELEGATE KILGORE: Tell us about the long-range plan.

22 MR. PFOHL: The long-range plan was received by the full
23 Commission February 4th although I haven't had a lot of first hand involvement
24 with that. Obviously we want the grant funding to reflect the priorities that are
25 listed in the long-range plan and that's a document that's going to be a critical
26 piece as we receive grants and talk to potential grantees about their projects. We
27 want to make sure their projects are consistent with the long-range plan.

28 MR. CURRIN: If I may, the staff will be sending out our
29 recommendations and all the applications for Southwest Virginia for this
30 particular cycle.

31 DELEGATE KILGORE: That will go to all the Committee
32 members?

33 MR. CURRIN: Yes, sir.

34 DELEGATE KILGORE: I would ask so our meeting on the 7th
35 will go a little smoother, if everybody will take a little time and go through the
36 applications so we can get through the process a little bit quicker on the 7th
37 because in the past that meeting took quite a long time because we always like to
38 hear from the applicants. If you have questions of a particular applicant, then
39 we'll be able to get right to the point. If you'd all do that for me I would
40 appreciate it.

41 MR. CURRIN: Mr. Fouse has some temporary lodging here in
42 Abingdon. He's out here now in the Southwest.

43 DELEGATE KILGORE: As far as the long-range plan, Tim and I
44 talked about some issues earlier on last week about the economic development

1 program and where we want to go and what we want to do as far as the Southwest
2 goes. The good thing about Southwest is that we're not under any of the
3 formularies or things of that nature. We don't have all these divisions or 20
4 percent here in this county or that county. I think that's the good thing we've
5 been able to do and we sort of looked at these things on a regional basis and I
6 hope we continue to go along those lines and not get back into the empowerment
7 program. If it's a good project we ought to fund it if it's going to help the area or
8 help us as far as our goals on the Tobacco Commission to help us reduce our
9 dependency on tobacco and other things.

10 With that said, what I'd like to do is let's open the floor up and
11 let's just have a discussion about what criteria or what we would like to see
12 happen as far as the funding, what type of applications we'd like to fund. We do
13 have this issue thing and if we want to go down this list of issues, we can do that
14 and that might be the easier thing to do. I think with number 2 and 4 of the
15 Southside allocation or formula, I would hope and I think we ought to agree that
16 we're not going to go down that path. I hope if I'm reading everybody correctly,
17 we're not going to go down that path of saying we're going to have a formulary.
18 Now, what about the long-range plan and the litmus test for all applications.
19 Meaning if it doesn't meet within the long-range plan then it may not be fundable.
20 I'll have to admit I haven't read through the long-range plan like I should. How
21 open ended is the long-range plan?

22 MR. CURRIN: Well, that's something that you all have the final
23 say so on. I'll say it's a living document and it's guidance. Guiding principles we
24 have established to date for major issues that the Commission feels is important
25 for us to support. Indemnification, of course is number one. Telecommunications
26 infrastructure is another major one. Building human infrastructure. Everything
27 from capital access, deal closings, community projects, regional marketing. Other
28 infrastructure comes to mind and I think the Attorney Generals Office –

29 MR. FERGUSON: - I think the reason that, if you want to call it a
30 litmus test, certainly a way that any application needs to go for a couple of
31 reasons. Number one, as part of the securitization process it was necessary to put
32 this together for the Governor's approval for going forward. I think it was a
33 component of the price we got on the securitization, the proceeds we got from
34 securitization. The second piece is that I think it's flexible enough to probably
35 permit the Commission to do anything within its statutory authority to do. At the
36 same time set some parameters that would allow you to be able to reasonably and
37 appropriately filter out and cut out some of those applications that you get from
38 time to time that really are outside of the Commission's scope and make them sort
39 of a first cut basis rather than having to deal with each one on sort of an equal
40 footing before the Commission.

41 DELEGATE KILGORE: Any other comments on that?

42 MR. CURRIN: Senator Hawkins has kept the long-range taskforce
43 in place to continue if the time arises to redefine this document as it is currently
44 constructed. It's an ongoing process. Things may pop up that we have not

1 foreseen that either the Southwest delegation or the Southside delegation may
2 want to support.

3 SENATOR WAMPLER: Mr. Chairman, I say this probably for
4 the benefit of Steve more than anyone else but the Economic Development
5 Committee of Southwest is really a subset of the long range plan. We've had
6 some pretty interesting discussions about this and is this the proper place for us to
7 consider granting, loaning or disbursing dollars when the beach volleyball gets
8 passed around quite a bit. More specifically Mr. Chairman to the long-range plan,
9 that we will endow scholarships fairly heavily and that if it's an education related
10 request that it ought to go to the Education Committee. We still have that
11 bureaucracy?

12 MR. CURRIN: Yes, sir.

13 SENATOR WAMPLER: That's the object and in my view there's
14 one place where we have a little difference than Southside. We have used some
15 monies to do preliminary engineering whether it's on a water project or whether
16 it's on the employment of broadband. The hope there was to be able to identify
17 first the cost of what's actually needed to do what we need to do. Secondly be in
18 a position to have a project and a ready to go status.

19 The last point I would make is that we try not to spend every dollar
20 that we have. We held generally a balance of \$1 to \$1.5 million dollars out of that
21 annual allocation. If an industrial prospect comes to us and all other resources
22 have been made available but still not enough to close the deal, we would have
23 the ability and the discretion to meet as a group and use some of these dollars if
24 we have to upgrade the jobs. What it all boils down to is that's what our
25 Economic Development Committee is about Mr. Chairman, is creating jobs.

26 DELEGATE KILGORE: In your comments, are you saying that
27 as far as the scholarships that we have provided, are they still going to come
28 through here?

29 SENATOR WAMPLER: I don't think they ever have, I think
30 we've always done those off the top of the allocation.

31 MR. FIELDS: Now you know the Education Committee is funded
32 the same with Delegate Johnson and I, we just found out we got some of the
33 agricultural related applications and the agribusiness last week and they've come
34 from this screening to us. The only problem is that we haven't been allocated or
35 the Agribusiness Committee has not been allocated anything.

36 DELEGATE KILGORE: Speaking of allocations, what do we
37 have allocated to us? What is our balance Carthan as far as, we're going into this
38 next -

39 MR. CURRIN: Mr. Chairman, the current balance for this
40 Committee is approximately \$3.5 million dollars and because of and to echo Mr.
41 Fields' comment, the Commission is getting more and more agribusiness requests
42 so the Chairman felt we should expand the Tobacco Committee's responsibilities
43 and gave us a new thrust in that area. As we formulate our '04 budget, we will be
44 taking that into consideration. The '04 budget for the entire Commission will be

1 looked upon this April. The full Commission meeting is April 24th.

2 DELEGATE KILGORE: Is that presecuritization?

3 MR. CURRIN: That will be taking into account the world we live
4 in securitized.

5 SENATOR WAMPLER: Are our guidelines semi annual
6 applications or annual?

7 MR. CURRIN: They are. You're just annual unless you want to
8 change those. The Education Committee has decided on doing it twice a year.

9 SENATOR WAMPLER: Mr. Chairman, I think it's a good
10 discussion to have and I know it's a lot of work to do it twice a year, however, it
11 gives us an opportunity to address some projects that the folks in the field didn't
12 think of. I thought we did it semi-annually here for a while.

13 MR. CURRIN: I think the first year or so we did but we found
14 before securitization the way that our money flowed we just went ahead. We
15 wanted to be sure and we got the second or larger payment in April so we'd know
16 where we were for sure when that happened and we had the annual process. We
17 can do it twice a year and it will keep us close to what's happening.

18 DELEGATE JOHNSON: Mr. Chairman, if a motion is in order, I
19 agree with Senator Wampler. Little projects, and I'm going to mention one in a
20 few minutes that's not included here but I think is a worthwhile project, we could
21 clean up the second half.

22 DELEGATE KILGORE: In making that motion Delegate
23 Johnson, are you also making that motion to help that whatever we do with the
24 money whether we split it or, how do you feel –

25 DELEGATE JOHNSON: Two-thirds and maybe one-third or
26 three-fourths, keep some later on.

27 MR. FIELDS: Mr. Chairman, Carthan, is that \$3.5 million the
28 balance that we have this year?

29 MR. CURRIN: Yes, the fiscal year we're in. We haven't
30 formulated the budget for '04 although the staff is working on that project.

31 SENATOR WAMPLER: Part of the reason that figure is inflated
32 to the degree it is is that we had to rollover some dollars from our deal closing
33 that we didn't close. There's a couple of deals that have potential and I would not
34 want this group to think that that's our balance. We can draw down. I think what
35 Delegate Johnson is trying to say Mr. Chairman is to hold back a portion of that to
36 close potentially. I don't know what the magic number is and maybe it's 50/50
37 for the two allocations but maybe we'll have to play it by ear and see what the
38 projects actually are and we may want to move more in that first round and we
39 might not want to. We may want to wait.

40 MR. FIELDS: I wasn't suggesting that it was inflated.

41 DELEGATE KILGORE: Do we have a second to that motion?
42 We had a million, a million sixty-two is what we held over last year. This year it
43 was 2.3 almost 2.4. So we held some back last year even in anticipation that we
44 were going to close some deals that have not been closed yet and have not come

1 to fruition.

2 MR. FIELDS: Mr. Chairman, are we talking about wanting to take
3 applications twice a year?

4 SENATOR WAMPLER: Yes.

5 DELEGATE KILGORE: Do I have a second?

6 MR. BANNER: I'll second it.

7 DELEGATE KILGORE: Discussion. I knew you wanted to
8 discuss something Fred.

9 MR. FIELDS: We keep talking about closing deals and about
10 keeping money back to close deals. We're now going to put it back in for a
11 second round of, am I saying this right, for a second round –

12 DELEGATE KILGORE: I think what Senator Wampler and
13 Delegate Johnson are saying and correct me if I'm wrong gentlemen, you all are
14 saying hold back some for deal closings and whatever is left you split it into two-
15 thirds or one-third or three-fourths just to give another chance for somebody that
16 we missed the first time. I think they still want to hold something back for some
17 deal or something coming down the pike.

18 MR. CURRIN: Mr. Chairman, there is a deal in addition to your
19 monies and this is, there is a deal closing fund for both regions and both regions
20 have an ability to access that. That doesn't mean –

21 DELEGATE KILGORE: That we'll get it.

22 SENATOR WAMPLER: Mr. Chairman, nor that it be sufficient to
23 close the deal.

24 MR. CURRIN: Therefore if you wanted to use it and you had a
25 balance you could.

26 DELEGATE KILGORE: I always worry about something where
27 you've got \$250,000 short and we've got all we can get from the deal closing
28 fund and it's a good project and we can't get it anywhere else. We don't want to
29 throw in \$250,000 to create 500 jobs or something.

30 MR. THOMPSON: What's the balance of the deal-closing fund?

31 MR. CURRIN: That's a moving target Mr. Thompson but
32 approximately it's around \$900,000 or thereabouts.

33 MR. THOMPSON: For both Southside and Southwest?

34 MR. CURRIN: For both.

35 DELEGATE KILGORE: Today?

36 MR. CURRIN: Yes.

37 DELEGATE KILGORE: It started out, what did we fund?

38 MR. CURRIN: This fiscal year \$2 million dollars. We have some
39 that we have endorsed in the past fiscal year, during this fiscal year and either the
40 project didn't happen and therefore the money goes back to the deal-closing fund.
41 That's what I mean when I say it's a moving target.

42 SENATOR WAMPLER: We have another thing called special
43 projects that has more working capital in it than the deal closing fund and it's
44 much more flexible. It's always been the theory and from practical application

1 from time to time that we could transfer money out of special projects into deal
2 closing. Deal closing is very structured in terms of threshold investment. We
3 wanted to have more flexibility.

4 MR. FERGUSON: One of the reasons is that the deal closing fund
5 is relatively small and so structured because in order to meet the sort of very fast
6 timeline that you sometimes have with those, some authority has been delegated
7 to the Executive Committee and a smaller Committee could make those decisions
8 without going back to the full Commission. Because of that I think prudence has
9 required that we maintain a fairly small balance in that fund at anyone time.

10 DELEGATE KILGORE: Special projects is \$8 to \$10 million.
11 That's where we transfer money to meet some of these.

12 MR. FIELDS: It's very important and I just saw the AFG thing up
13 here in Washington County and there's a very nice article about that in the paper,
14 how smart we all were to be able to do that. Rush that right out of Kingsport up
15 to Washington County. That money plays a very important role.

16 MR. CURRIN: In most cases when we work with the
17 Commonwealth and the Governor's Opportunity Fund.

18 DELEGATE KILGORE: Yes, most of them that I have seen were
19 in the Governor's Opportunity Fund and then us and some of these other funds.
20 I've got a motion and a second from the floor.

21 SENATOR WAMPLER: That would be to have two rounds of
22 applications in a given year.

23 DELEGATE KILGORE: Yes. Can you explain what that would
24 mean this year? I mean for this \$3.461 million dollars, what does that mean?

25 MR. CURRIN: Right now that figure is on the table for this
26 coming next couple of weeks, whatever you all decide upon.

27 DELEGATE KILGORE: What I'm asking for, I guess I'm not
28 clear on this, when does this next budget kick in or how long will this last until?

29 MR. CURRIN: If it's not spent it will be carried over into this
30 account and we don't lose anything.

31 DELEGATE KILGORE: It can't be swept.

32 MR. CURRIN: No.

33 MR. FERGUSON: Except by the Commission.

34 DELEGATE KILGORE: I always worry about that.

35 MR. FIELDS: Mr. Chairman, what does this mean to the
36 Commission now. Is this a tremendous task?

37 MR. CURRIN: The staff will just have to shift gears a little bit.
38 Delegate Johnson, with your Committee, didn't they give a four months spread
39 there between the two application processes? You have done, you're going to do
40 this in April and you're going to make an award in April to the full Commission
41 at that meeting on the 24th. The next two Commission meetings are scheduled in
42 July and October. October will be at Southwest Virginia at the University of
43 Virginia at Wise. Would that make it an appropriate time to maybe have an
44 August round and maybe have this Committee meet in September and vote in

1 October. That's just a thought. Since you're out here, it will be convenient for
2 the applicants.

3 SENATOR WAMPLER: Mr. Chairman, point of order. I think all
4 the motion is saying is that we would have two application periods and that would
5 be the end of the point. The allocation of the dollars would be driven by the
6 quality of the projects and generally speaking we would want to hold a certain
7 amount back for deal closings and try to stay as close to 50/50 as we can. We got
8 great projects.

9 MR. MONTGOMERY: How much do you think we ought to hold
10 back for special projects?

11 SENATOR WAMPLER: Maybe a million.

12 MR. MONTGOMERY: So that will leave about two and a half.

13 SENATOR WAMPLER: Or if we had good projects we might
14 want to accelerate that.

15 MR. FERGUSON: Mr. Chairman, a clarification on the motion. I
16 assume it means two per fiscal year and would commence with the next fiscal
17 year and give enough time by June 30th anyway.

18 DELEGATE KILGORE: Start July 1st in 2003 we would have two
19 applications periods.

20 MR. THOMPSON: That means we would be appropriating the
21 two and a half million this fiscal year?

22 MR. MONTGOMERY: If we wanted to.

23 MR. CURRIN: We had three times the requests for monies
24 available.

25 DELEGATE KILGORE: For applications. Okay. We got a
26 motion that's been made and seconded. All those in favor say aye (aye).
27 Opposed (no response). Okay, can we agree that for profit projects be prohibited?

28 SENATOR WAMPLER: Mr. Chairman, as a direct applicant,
29 another entity could make application for them and such.

30 MR. KILGORE: A direct applicant.

31 SENATOR WAMPLER: Such as an industrial development
32 authority or a local governing body or something along those lines. They must
33 have a sponsor.

34 DELEGATE KILGORE: That's what I'm talking about. What
35 about studies, are we going to fund studies like a regional assessment or a
36 strategic plan? They're going to have to do some of their own.

37 MR. CURRIN: I think you did some of that last year on the
38 preliminary engineering for Broadband.

39 MR. BANNER: We have done this in the past?

40 DELEGATE KILGORE: The question is are we going to continue
41 doing that? That's the question we have before us.

42 SENATOR WAMPLER: I take a little different spin on this
43 preliminary engineering versus a marketing study. Preliminary engineering is
44 something that adds value to a project and I'm not suggesting that all marketing

1 studies do not. I've seen many more marketing studies that do not produce
2 revenue or do not fill the need of a particular issue.

3 DELEGATE KILGORE: That's a point well taken.

4 MR. FIELDS: Mr. Chairman, I say this for the benefit of Steve.
5 We've done a lot of things over the last three or four years and some of the things,
6 some we're thankful for and some we're very sorry for but we're not done and
7 probably will not.

8 DELEGATE KILGORE: Any discussion on that?

9 SENATOR WAMPLER: Not opposed to marketing studies but I
10 know that if you fund one, it's hard not to fund another and they're unlimited.

11 DELEGATE KILGORE: I think that's something we ought to do,
12 at least my opinion, that's something we ought to do on a case-by-case basis. If
13 it's something that can lead to jobs or something that can lead to some of the
14 goals we have as a Commission, then I don't see a problem with it. Just to do a
15 study to say what do we need to invest our money in, I don't think we need to do
16 that.

17 DELEGATE JOHNSON: Mr. Chairman, the Winery Association,
18 East Tennessee State did a study on that. The Cattlemen's Association and both
19 of those turned out to be very productive.

20 DELEGATE KILGORE: That's why I say on a case-by-case
21 basis.

22 MR. FERGUSON: Mr. Chairman, for this group's information
23 Carlton may have the language with him. We had a meeting in Richmond going
24 over some of these things or same things the other day and the same question
25 came up. I think it was the Southside Economic group. The same sort of question
26 came up and I think the position they adopted and the language in their minutes
27 and the minutes said, "although studies would not generally be favored on an
28 individual basis where they were or particular to specified project, sort of a part of
29 an ongoing work group but it may be reviewed and awarded in that case."

30 MR. CURRIN: Sometimes other monies that a grant recipient may
31 be getting are dependent upon a study being done for them to get that other
32 money whether it's federal money or whatever.

33 MR. FERGUSON: Engineering studies are the kind of things that
34 were considered.

35 DELEGATE KILGORE: I'm not saying all studies but I just want
36 to make sure we, that if we spend money on a study that we're getting something
37 for it. Preliminary engineering I think is something we're getting something for.
38 Like Delegate Johnson said, I just don't want to do a study that is just sort of a
39 fishing expedition study and that sort of thing. Okay. I like what our attorney
40 down there said though. If you all want to go down this list that's fine. So let's
41 talk about tourism. We have a lot of requests for tourism. The question comes
42 down to what's going to be eligible or to what extent are you going to fund or to
43 what extent the Tobacco Commission will be investing in tourism applications?

44 DELEGATE JOHNSON: Mr. Chairman, if we look at tourism

1 dollars and cents wise, I suppose you can read the paper and see what went on
2 down in Bristol. I see Joe is here from the Washington County Board of
3 Supervisors. I think he would agree with what I'm saying. The Barter Theatre
4 and if the festival is taking place it will certainly be income for the Town of
5 Abingdon and Washington County goes and that's because of our tourism. I think
6 tourism is very important but to try to explain that to the farmer over in Hatters
7 Gap he doesn't understand that. You got a problem with getting people to
8 recognize the real importance of tourism. In Scott County, you have certain
9 tourism elements and the birthplace of music in Bristol and others. It brings a lot
10 of money to our area. They stay for a day or two days or a week and then they go
11 home, we don't have to educate their children. I think it's money well spent but
12 on the other hand I don't think that we should go overboard because I think for
13 our tobacco community and agricultural community, there are other things that
14 are just as important and maybe even more important to them.

15 DELEGATE KILGORE: I think we all agree tourism, it helps
16 create jobs and helps create the economy and I agree with what you say. The only
17 thing that I have concerns about whether it's tourism or anything else like an
18 industrial park or helping counties. I don't want to be on the line for recurring
19 costs. I don't want to be paying salaries or paying recurring costs every year and
20 I don't think we ought to do that. I think we ought to help maybe an
21 infrastructure or something like that.

22 DELEGATE JOHNSON: We shouldn't be a crutch for something
23 that they depend on and need in order to survive then they get dependent and they
24 slack off.

25 MR. MONTGOMERY: Another thing here in your tourism is
26 second retirement home.

27 MR. BANNER: To what extent have been involved in tourism in
28 the past?

29 MR. CURRIN: We supported several initiatives like the Barter
30 and other museums in Southwest. If I may, knowing that this has been somewhat
31 of an orientation for this Committee. I met recently with the state tourism director
32 who is brand new to try to work together to develop some strategies that takes the
33 whole region in and work without partners in the tourism field in Southwest and
34 Southside to see how we might be able to leverage the resources or maybe
35 coordinate better to get a bigger bang for the buck and figure out some strategies
36 that would keep that tourist here another day to spend money in Abingdon or
37 Jonesville or somewhere in Southwest Virginia.

38 DELEGATE KILGORE: A half a million dollars in Southwest
39 over the last two or three years.

40 SENATOR WAMPLER: It seems to me that once the
41 securitization proceeds have been disbursed, we'll have an opportunity to really
42 work in developing the Southwest as a greater destination and I think we'll have a
43 lot of other partners to leverage our money with. The Coal Field Authority being
44 one, local entities and we have two very good regional marketing groups. I don't

1 know what the answer is today but I think there's an opportunity to get critical
2 mass with a lot of other partners. It may be 18 months from now until we're able
3 to put together that plan but it needs to be very structured so we can see the return
4 on the investment, at least that's my thought on it. If you start at the Cumberland
5 Gap and move to the east Abingdon and to the north, we might be a minority
6 participant and then the Coal Field Authority and they may wish to leverage up 80
7 percent of the investment, I think we'll have an opportunity to really show a
8 return on those dollars.

9 One last thing where we've been deficient as an industry and as the
10 government helping the industry is in jump starting those that wish to use the
11 internet for marketing. The person that can crack that code is the one that will be
12 the recipient of a lot of business that's one. The Higher Education Center has
13 been part of that and the marketing organization has been part of that but we're
14 still not where we need to be in marketing. I think that's part of the long range
15 plan.

16 DELEGATE KILGORE: As far as tourism, I think it's something
17 that we all agree we want to do something with. We just got to find balance.

18 MR. THOMPSON: You mentioned that you were not interested in
19 philosophical or recurring costs and I agree with that. Has it been the philosophy
20 of this committee over the years' past that you focused more on capital projects as
21 opposed to other types of funding? If it's tourism for instance, you'd be looking
22 for an opportunity to find some type of a structure and support of tourism as
23 opposed to programmatic costs so to speak?

24 DELEGATE KILGORE: Something like when, maybe a website
25 or something that brings tourism. I think that's something that –

26 MR. THOMPSON: That's an asset?

27 DELEGATE KILGORE: As long as we don't have to necessarily
28 pay for the upkeep of it or if we want to help develop a website I think that would
29 be fine but as far as us paying some yearly fee I don't think we should get into
30 that. I don't think we should do that as a Commission. All right, industrial parks,
31 are we investing too heavily in the industrial parks that are geared toward
32 production related manufacturing? I mean, we have a lot of empty shell buildings
33 around here but is that something we need to address as a Commission before we
34 start going out and building others? I don't have any problems going out and
35 developing a piece of land or helping a business or help build a piece of land if
36 somebody is going to come in and help create jobs. I don't think anybody here
37 does either. What do you all think about that?

38 MR. MONTGOMERY: Personally I think it ought to be more
39 tuned toward high tech as far as an industrial park.

40 SENATOR WAMPLER: I think Dr. Fowlkes should kick us all
41 here. I'd say we ought to go down and have a special meeting in Johnson City
42 and look at Eastman's data operation center. Rachel and I visited there and they
43 back up every electronic transaction in real time. Not only in order but anything
44 internally if purchased and I say sale because they sell some of their products

1 anywhere on the globe. It's duplicated in Johnson City. Ronnie, the design of
2 that park has multiple pathways for electricity and who knows, the quadruple
3 redundancy for the fiber optics. They were more than willing to have it shown
4 and I should have mentioned that sooner. I think it would be tremendous for us to
5 have a view what they're doing there. They could have gone anywhere in the
6 world and they chose Johnson City because it had the infrastructure. I think
7 Ronnie is suggesting to have it ready.

8 Mr. Chairman, I'd recommend strongly that we not wait too much
9 longer to go down and have another meeting there to do a tour of it in Johnson
10 City. On the subject of an industrial park I don't think you can have enough
11 product. Let's go to Smyth County, a practical example for a moment. They've
12 taken it on the chin probably as hard as any locality has outside the City of Bristol
13 here lately. The problem with a lot of the vacant buildings is that the owner won't
14 let go of them. The last time I checked, there was no power to condemn nor
15 should there be someone's vacant building. We need to be preparing for two,
16 three or four years down the road and past the economic cycle we're in and be
17 ready to go. I think the Ronnie is exactly right; we need to build them differently
18 and market them for the future. I think that's the subject of the October 29th
19 meeting if memory serves me right.

20 DELEGATE KILGORE: Does anyone else have any comments or
21 suggestions about what it should be? There ought to be a good plan there that
22 when someone presents us whether it's a high tech park, high tech industrial park,
23 there ought to be a plan to deal with the park.

24 SENATOR WAMPLER: I think we adopted that at the October
25 29th meeting as a general rule that would be a site in Pennington, a new site near
26 the airport, a site in Duffield, a new site, Webber City and for us Joe in
27 Washington County there was two more sites finishing up Oak Park and another
28 site. What we ought to do is get Jerry to provide us with the minutes of the
29 October 29th meeting so we're ready to go. They're in the minutes?

30 MR. CURRIN: Yes, Bristol, Duffield, Lee County, Tazewell and
31 Smyth, Bristol, the Glades, Highland Park, the Washington and Smyth, Stone Mill
32 and Abingdon, Oak Park in Washington, and Lonesome Pine Technology Park in
33 Wise County.

34 SENATOR WAMPLER: Mr. Chairman, I make a suggestion that
35 you ought to work with our Southwest person to compile the data from the
36 October 29, meeting and have it in format so it has more detail of what we would
37 be asking for once securization or the securitized proceeds make it our way.

38 DELEGATE KILGORE: I'll work with him to do that. What
39 about workforce training facilities, education and workforce training as far as
40 GED, may throw some of that in there too. What are we going to do there? And I
41 think some of that cross-trains between this Committee and the Education
42 Committee because it's all sort of related. It's our job as a Commission or I think
43 one of our calls is to make sure our workforce is diversified and that's something
44 that we need to look at. If we have some deficiencies somewhere correct them.

1 Neil.

2 MR. BARBER: It's sort of a policy issue for the Committee. In
3 this review Committee or the staff review there were a few applications that
4 related to educational facilities. It's a thought that we may recommend or you
5 might want to consider referring those to the Education Committee but the
6 Education Committee in the past has not funded physical or hard improvements
7 and are program related activities rather than computers or computer labs or
8 additions to or renovations to workforce training.

9 MR. MONTGOMERY: - There is a course that Microsoft or
10 something else is certified but I think it's a 13-week course. I think something
11 like that and some of the other community colleges might have it and maybe
12 concentrate some money into that particular program. People that get that kind of
13 computer certification can get some pretty good jobs I would think. I think you
14 need that if you're talking about high tech and E58.

15 MR. FERGUSON: You can correct me if I'm wrong but I think
16 the Literary Foundation has used funds for promoting specific scholarships
17 awarded for those. Mountain Empire and others.

18 MR. THOMPSON: One of the things to my knowledge anyway,
19 the Education Committee or the Literary Foundation has not done is buy
20 computers for a library or for a computer lab, for renovation of a room at school
21 for workforce development center activities, they have not.

22 DELEGATE KILGORE: Well, some of these reviews or some of
23 these folks think that these should go to the Education Committee and some of
24 them are so related to economic development and we'll have to look at some of
25 them on a case-by-case basis. If we have to train people for the technology jobs,
26 then it might be good for us to be able to train some individuals in that area.

27 DELEGATE JOHNSON: Mr. Chairman, the reason why the
28 Education Committee has not done some of those things is because we had no
29 money to do it. If you'll give us the money we'll do it, do some of those things.
30 Isn't that correct?

31 MR. CURRIN: Yes, sir. The Education Committee this past year
32 or the first year they had some resources.

33 MR. FIELDS: How many of those sites that we have improved
34 and built and put a roof on, I remember specifically and we improved the
35 building. Which comes first, the chicken or the egg? I don't know.

36 DELEGATE JOHNSON: You put the money out there we'll do
37 something.

38 MR. PHOFL: Mr. Chairman, in your package you have the list of
39 grants that were submitted this year following a separate list of grants that the
40 review team recommended referring to the other committees including the
41 Education Committee. If it's the Committee's pleasure, those applications that
42 we do recommend referral to other committees will be in the package that you'll
43 get later this week. So look for a package to show up later this week. If it's the
44 Committee's pleasure to recommend funding for any of those facilities that are

1 education related then you'll have that information.

2 SENATOR WAMPLER: Tim, what are you talking about, on the
3 second page referring to economic grant applications. Business loans – grant
4 projects. Where is that on our organization chart? Where do I go to that meeting?

5 MR. PHOFL: These proposals are all basically replicating or
6 duplicating if you will, the proposals that we've been working out with the small
7 business financing authority. The \$2 million dollars that we approved in the
8 budget this year per capita access loans for business and start-ups and expansions.
9 These three specific projects very directly parallel that small business financing
10 authority.

11 SENATOR WAMPLER: Did we –

12 MR. CURRIN: Mr. Chairman, I can address that. At the June
13 Commission meeting at VIR, the Commission adopted allocating \$2 million
14 dollars for a revolving loan fund. The staff has done that and your Committee,
15 based on the review of the meeting, has been assigned to review those guidelines,
16 special projects. After that's done, the \$2 million dollars will then be available
17 for revolving loan funds to be used in both regions.

18 SENATOR WAMPLER: Administered by small business
19 financing?

20 MR. CURRIN: That's the recommendation, yes.

21 SENATOR WAMPLER: Just a couple of comments Mr.
22 Chairman. That's a healthy discussion. I'm not a huge fan of the SBA and the
23 requirements can be very difficult at times and that's not all bad but I think we
24 need to retain some flexibility to do projects that make sense in this neck of the
25 woods and not necessarily bankable under SBA guidelines in other parts of the
26 state.

27 MR. CURRIN: Mr. Chairman, I can say amen, they would be
28 administering our funds under our guidelines and not theirs.

29 SENATOR WAMPLER: I'll take that a step further, we could
30 give them a bit of seed money to see how they do with it before we and that
31 meeting will take place another day I reckon.

32 MR. CURRIN: Yes, sir. Where did you find that?

33 SENATOR WAMPLER: Under business loans and grants
34 projects.

35 MR. CURRIN: We felt they had a program in place but Senator
36 Wampler made those comments in an earlier discussion and that's the reason
37 Senator Hawkins wanted this Committee to take a crack at it. Our guidelines will
38 be the ones that would be used and not their guidelines. We have some additional
39 flexibility. I think Mr. Barber could add a couple of points there.

40 MR. BARBER: While you're on that page, you could look at the
41 technology requests also. Those are last mile requests but not community.
42 They're not directly addressed in the e58 protocol. They're on the back page
43 under technology projects and you've got the Russell County Broadband. Those
44 were recommendations because of e58. They're community based projects.

1 MR. PFOHL: Referring to the economic development at the
2 bottom of the first page or second page, Technology Committee suggested
3 referrals.

4 SENATOR WAMPLER: There's a marketing plan for 850,000.

5 DELEGATE KILGORE: Moving along here. Healthcare and
6 other direct links to economic development. I know that helps you recruit
7 industry but how much is available for that? No comments? Matching funds,
8 that's a big one. Are we going to require a minimum threshold right now or are
9 we going to require anything? Right now we have nothing, we don't require
10 anything.

11 SENATOR WAMPLER: It would be nice to have that Kingsport
12 Paper Mill Mr. Chairman. Delegate Kilgore requires matching community or
13 applying entities.

14 DELEGATE JOHNSON: Mr. Chairman, I would suggest that we
15 continue with our past practices until there's time that we feel that would be
16 advantageous to request matching funds if we do.

17 DELEGATE KILGORE: We don't want to become so rigid like
18 some agencies 20 percent or something like that.

19 DELEGATE JOHNSON: We should have some discretion, yes.

20 MR. FIELDS: In the scoring of matching funds you could render
21 the score up.

22 MR. PFOHL: Yes.

23 MR. FIELDS: I don't know if you want to term a project done if
24 they match 50 percent.

25 MR. CURRIN: We could give some preference. We could assess
26 the fact that some communities have put some sweat into it themselves, shall we
27 say, to show some strong belief in that project but we're looking for some
28 guidance here.

29 DELEGATE JOHNSON: Mr. Chairman, a good example would
30 be Washington County. The Washington County Fair Association. That group
31 put in some money and I think it was \$100,000 and matched it. There's other
32 good projects that the organization does not have money to match. I don't think
33 we should draw the line and say you got to have matching funds.

34 DELEGATE KILGORE: Or this deal closing, it could be matched
35 out if we would require additional match. In my opinion, that's something that's
36 going to have to be left sort of a moving target.

37 DELEGATE JOHNSON: Glades Springs Industrial Park, Smyth
38 County, Washington County, they did certain things.

39 DELEGATE KILGORE: We've talked about this operating fund,
40 salaries, supplies, professional services, overhead. I thought it was most of our
41 thoughts that we were not going to get into the operating funding.

42 MR. CURRIN: The long-range plan addresses it but we may
43 consider startup-operating costs. If you're comfortable with that, then we'd like
44 to have a little direction from you whether that means a year or two years.

1 SENATOR WAMPLER: Mr. Chairman, it's a problem and we
2 have to defer to counsel for this. There's a problem in using the tax-exempt
3 proceeds for start up.

4 MR. FERGUSON: There is for operating capital and I can't recite
5 what the limitations are and of course, a fairly small percentage of the securitized
6 funds will be nontax exempt but they would be available for those purposes I
7 suppose.

8 MR. CURRIN: Yes.

9 SENATOR WAMPLER: But also indemnification. That's pretty
10 scarce money to utilize and I guess we could do it but we've got to be very, very
11 careful as to how we use it.

12 MR. THOMPSON: So we're talking about in the form of grants?

13 MR. CURRIN: Yes.

14 SENATOR WAMPLER: We done it and very scary.

15 DELEGATE KILGORE: Does anyone have anything else that we
16 need to consider tonight as we go through these applications? We could sit here
17 and score them all but that's subjective. Whether it's economic development and
18 you're going to get 40 points and if it creates jobs or something like that, it's 40
19 points. What do you think we should do as far as that goes?

20 MR. THOMPSON: For my own edification, what is the thresholds
21 for the amounts that is, is there any guideline on that?

22 MR. CURRIN: Not for this one.

23 MR. THOMPSON: I see \$3,000 to \$1.7 million?

24 DELEGATE KILGORE: We have not put a limit or a maximum
25 on the amount you can request. The amount you can request, the amount you
26 request is only governed by the application you turn in.

27 MR. THOMPSON: Then the Committee disburses that as it sees
28 fit?

29 DELEGATE KILGORE: That's the way it's worked in the past.
30 That's why I'm saying does anyone else have anything that they feel we left out
31 or have not discussed?

32 SENATOR WAMPLER: We've had a hard time finding the good
33 agriculture oriented projects, we found a couple. Is this subcommittee still going
34 to entertain something like a farmer's market?

35 DELEGATE JOHNSON: You mean the Agribusiness
36 Committee?

37 DELEGATE KILGORE: I don't know, I think we have the ability
38 to address that but if a bunch of cash is going to be put in agribusiness and there's
39 excerpts in agribusiness on there, I think they might have addressed it.

40 SENATOR WAMPLER: Well maybe this will work in the short
41 term. Until such time as it's properly capitalized, we'd still entertain those
42 projects in this subcommittee?

43 DELEGATE KILGORE: That's fine with me.

44 SENATOR WAMPLER: I hate to send our farmers to a

1 committee that doesn't have any money.

2 DELEGATE KILGORE: I think we got to be aware of the fact
3 that if it were not for the farmer, we wouldn't be here and if there's a good
4 agricultural project we should be able to fund it. I agree with you.

5 SENATOR WAMPLER: I just figured the way things were going.

6 MR. BANNER: We have difficulty explaining it to the farmer for
7 funding tourism and not funding agribusiness. We have trouble coming up with
8 the rationale for that.

9 MR. FIELDS: If we have good leadership in the Committee we
10 can do it.

11 DELEGATE JOHNSON: We need the money.

12 MR. CURRIN: Delegate Johnson chairs the Agribusiness
13 Committee. Mr. Fields is on it and Mr. Stallard.

14 MR. FERGUSON: Mr. Chairman, if all else fails, read the law.
15 The Code mandates among other things, defines alternative uses for tobacco and
16 to reduce farmers' dependence on tobacco. I would suggest that under the plain
17 terms of the enabling statute there are problems that need to be continually
18 reviewed by the Commission and considered among the priorities.

19 DELEGATE KILGORE: I think that's in our charge and you were
20 there when we were writing the Bill on the third floor. We definitely thought
21 about that particular side of economic development. There's some exciting things
22 happening in our agricultural community. If it's there, we need to support it.

23 MR. FIELDS: Delegate Johnson, after he sells his quota putting
24 those sheep over in Hatters Gap it would be a perfect fit over there.

25 DELEGATE JOHNSON: Mr. Chairman, I believe Mr. Currin can
26 correct me if I'm wrong, this Appalachian sustainable development that was on
27 our agribusiness agenda the other day.

28 MR. FIELDS: The Clinch Mountain farmers were also.

29 MR. PFOHL: We literally cut this section of this chart out and
30 printed it out for the Agriculture Business Committee to alert the Agriculture
31 Business Committee about the grant applications that came in under economic
32 development.

33 MR. CURRIN: At the upcoming Commission meeting next
34 month, one recommendation may be to have this Committee funded for the
35 remaining part of this fiscal year while under Special Projects Committee until we
36 can formulate a budget for '04. That was one recommendation Mr. Chairman but
37 I believe it was felt that we had some real good strong expertise on the
38 Commission about those issues and we wanted to give those gentlemen an
39 opportunity to start it off.

40 SENATOR WAMPLER: Mr. Chairman, here's the problem,
41 here's the challenge we have on the timeline. The farmer's market needs to know
42 what kind of marketing ability they have, how much produce are they going to
43 buy, Clinch Mountain farmers is unique. The Appalachian sustainable
44 development needs to know how many farmers need to sign up to go sell so they

1 can grow their products and then sell it. I think it would be of good use to take
2 some of the special projects dollars and help capitalize the agribusiness. I'm not
3 sure we can do that and then have a meeting in a timely manner and allocate
4 dollars so they can get on with their business.

5 MR. CURRIN: We can make some calls and get a sense of their
6 timing and we can put it under the Committee.

7 DELEGATE KILGORE: You think we should. I think we should
8 know that.

9 MR. CURRIN: Short of the Commission, the Commission would
10 have to support shifting funds obviously.

11 MR. FERGUSON: The full Commission has to approve any grant.

12 SENATOR WAMPLER: I think what we ought to do is see if that
13 Committee can meet again and make recommendations based on anticipated
14 funding. I don't know what the chairman of the Southside or those folks would
15 say about it but I think that or I hope by April 24th we'd be in a position to have
16 the dollars transferred to meet that.

17 DELEGATE KILGORE: To meet their recommendation? Can
18 you all meet and make some recommendations by that date before the Board
19 meeting? I just don't want to see in all good faith, I don't want to see them
20 holding the bag for us if it's a good project.

21 MR. FIELDS: Maybe meet before that, the night before the
22 meeting.

23 DELEGATE KILGORE: That would be great, April 23rd.

24 MR. CURRIN: I'll address that issue with Chairman Johnson on
25 getting to this.

26 DELEGATE KILGORE: Is there anything else we need to discuss
27 or any other areas that we need to look at as far as like what else do we need to
28 look at?

29 SENATOR WAMPLER: Two suggestions, we ought to hear from
30 some of the folks that showed up I think. I think for our next meeting and I would
31 not have it consistent with the discussion of the applications but that Jerry Fouse
32 review the October 29, 2002 minutes and put it in a better format than the
33 previous Chairman did and do that in conjunction with our meeting and tour of
34 the Eastman Operation Center. I don't know when the timeline for that is but
35 that's my suggestion.

36 DELEGATE KILGORE: You're not asking we do that before
37 April 7th?

38 SENATOR WAMPLER: No.

39 DELEGATE KILGORE: As far as hearing from people that are
40 here tonight, we weren't going to have comments tonight because of the time
41 constraints and this was to be a workshop and I don't want to violate the Freedom
42 of Information Notice that we sent out.

43 MR. FERGUSON: I think it's difficult to move forward and
44 voting on particular grants.

1 DELEGATE KILGORE: I don't want to violate the Freedom of
2 Information. I want folks who have a public comment to be able to come at our
3 April 7th meeting. We weren't going to discuss specific grants tonight. This was
4 to get a gauge on where the Committee is going and what we were looking at and
5 things of that nature. The April 7th meeting will be right here at 4:00 o'clock and
6 that will be two weeks from today.

7 MR. BANNER: Mr. Chairman, it would appear through this list
8 that we got approved most everything is coming to us for review. The guidelines
9 are not restricted. We said no recommendations for them tonight so the items
10 we're looking at or most of them will be to us for review and then what?

11 DELEGATE KILGORE: Then you're going to have to make a
12 decision what meets the goals of the Commission, are we meeting what the
13 Commission was set up for? That's what we're all here to do.

14 MR. BANNER: If you had five projects in a particular category
15 like agribusiness or tourism or whatever then it's up to the Committee to look at
16 those where we have guidelines and try to fit that in and where guidelines are
17 non-existent –

18 DELEGATE KILGORE: We want to hear from the individual
19 applicants and see if you believe that's a good way to spend the money for the
20 Tobacco Commission. That's the way it usually has been going. People talk
21 about return on investment. I guess that's what we need to look at. That might be
22 a year or two years down the road or five years. Those that are going to bring 15
23 years down the road obviously we should be investing in. That's ultimately a call
24 that's going to have to be made here on the 7th. That could be a long meeting and
25 those meetings are pretty long. Bring your calculator. I want to give the people
26 who are there and who have an application, I wanted to give them a few minutes
27 to those people to make their pitch to us and make their pitch as to why their
28 project meets our guidelines and meets the law of the Tobacco Commission as far
29 as the criteria that were set up. We'll set there and discuss it in open and try to
30 come to some resolution. Be thinking about it and everybody needs to read the
31 applications and think about how much you think we should hold back for
32 something that may come along down the road.

33 MR. BANNER: Our recommendations will be passed off to the
34 full Commission at the April 24th meeting?

35 DELEGATE KILGORE: Yes.

36 MR. CURRIN: This week you'll be getting staff recommendations
37 on each application from Southwest.

38 DELEGATE JOHNSON: Mr. Chairman, the Committee work is
39 normally approved by the full Commission.

40 DELEGATE KILGORE: That's right.

41 DELEGATE JOHNSON: If it's not approved by the Committees
42 then the chances of it being passed or approved by the full Commission is slim to
43 none.

44 MR. FIELDS: With the exception of that education subcommittee.

1 DELEGATE KILGORE: I hope you all think we had a productive
2 meeting. There's a lot of things out here and where we're going and what we
3 need to do. If you all would read the applications that will be helpful. Does
4 anyone else have anything to come before this Committee at this time? If not, do
5 I hear a motion we adjourn? It's been moved, all those in favor say aye (ayes).
6 Thank you all a lot.
7

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9 PROCEEDINGS CONCLUDED
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18 CERTIFICATE OF THE COURT REPORTER
19

20
21 I, Medford W. Howard, Registered Professional Reporter and
22 Notary Public for the State of Virginia at large, do hereby certify that I was the
23 court reporter who took down and transcribed the minutes of the Tobacco
24 Indemnification and Community Revitalization Commission public meeting,
25 Southside Economic Development Committee when held on Monday, March 24,
26 2003 at 6:30 p.m. in the Southwest Virginia Higher Education Center, Abingdon,
27 Virginia.

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

30 Given under my hand this 31st day of March, 2003.
31

32
33
34 _____
35 Medford W. Howard
36 Registered Professional Reporter
37 Notary Public for the State of Virginia at Large
38 MY COMMISSION EXPIRES: October 31, 2006
39
40