

1 **TOBACCO REGION REVITALIZATION COMMISSION**

2 701 East Franklin Street, Suite 501

3 Richmond, Virginia 23219

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7 **TROF COMMITTEE MEETING**

8 Wednesday, September 19, 2018

9 9:30 o'clock a.m.

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13 Floyd Event Center

14 Floyd, Virginia

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1 APPEARANCES:

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3 THE TROF COMMITTEE:

4 The Honorable Terry G. Kilgore, Chairman

5 The Honorable Frank M. Ruff, Vice Chairman

6 The Honorable Daniel W. Marshall, III

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8 COMMISSION STAFF:

9 Mr. Evan Feinman, Executive Director

10 Mr. Andy Sorrell, Deputy Director

11 Mr. Timothy S. Pfohl, Grants Program Administration Director

12 Ms. Sarah K. Capps, Grants Program Administrator -

13 Southside Virginia

14 Ms. Sara G. Williams, Grants Program Administrator -

15 Southwest Virginia

16 Ms. Jessica Stamper, Grants Assistant

17 Southwest Virginia

18 Ms. Stacey Richardson, Administrative Supervisor

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20 COUNSEL FOR THE COMMISSION:

21 Ms. Elizabeth B. Myers, Assistant Attorney General

22 Richmond, Virginia 23219

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1 September 19, 2018

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DELEGATE KILGORE: I'm going to call the TROF
4 Committee Meeting to order.

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MR. FEINMAN: I see that we have a quorum.

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DELEGATE KILGORE: Do I have a motion that we
7 approve the May 22nd, 2018 minutes?

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SENATOR RUFF: So moved.

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DELEGATE MARSHALL: Second.

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DELEGATE KILGORE: The minutes are approved.

11

Evan, talk to us about the revenue return agreements.

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MR. FEINMAN: Yes, sir, Mr. Chairman. If you recall,
13 over the course of our previous process, we engaged a number
14 of stakeholder communities around the idea that the Commission
15 needed additional revenue and the strategic plan authorized the
16 Commission to seek as much as 15 percent of local tax return on
17 Economic Development projects that we funded. But the first
18 agreements we sent out were at that 15 percent level. Our local
19 partners weren't thrilled with that, but indicated they knew what
20 they were. So, we engaged in some negotiations, and we've now
21 settled a revenue return agreement that is a required part of
22 TROF and the localities' share with us is five percent of all locally
23 collected taxes on TROF-funded projects with a cap return to the
24 Commission of 105 percent of the TROF money.

25

In general, hitting that 105 percent amount will

1 require a pretty lengthy time period, some as much as 20-plus
2 years, but in the aggregate over the next decade, that'll produce
3 a pretty nice revenue stream for the Commission and a relatively
4 low percent on that. And a few of the projects we are getting to
5 the point where a locality does not think the value of the TROF
6 grant is worth 105% of the tax return that they get on the
7 project.

8 To me, it's an indicator that the project for the locality
9 is already a win without our grant. And we must insure that we
10 are targeting our TROF grant only, and if there's some doubt
11 about whether or not local partners are enthusiastic about the
12 project. I think that's a side benefit. I hadn't considered all that
13 when we initially proposed it, but I think it's certainly worth it. I
14 think it's going to be a successful endeavor. I think we'll
15 probably look in the future at what other projects we might
16 expand that to and requesting we get a percentage of the tax
17 return. But for now, I think it's a win-win situation.

18 I will say that our policy right now we are entrusting
19 our partners' commission revenue, and we're going to make sure
20 that we have verification with the localities.

21 SENATOR RUFF: How many localities have you had a
22 conversation with?

23 MR. FEINMAN: How many localities we've had a
24 conversation about the revenue return, Stacey, what is that
25 number?

1 MS. RICHARDSON: Maybe ten.

2 MR. FEINMAN: We haven't had anybody say a hard
3 no about the five percent, we've had a couple say we don't need
4 it.

5 SENATOR RUFF: If we don't do anything --

6 THE COURT REPORTER: Can you speak up, Senator
7 Ruff?

8 SENATOR RUFF: Is that correct?

9 MR. FEINMAN: We started with 15, we came down to
10 five, but my advice, where we are, and we can update it. And if
11 you want me to go back and say we need 15, I can do that.

12 SENATOR RUFF: One of the counties said they were
13 willing to do it, but probably looking at the five percent, and that
14 it involved negotiations over years, I guess.

15 DELEGATE MARSHALL: Did I hear you say that five
16 percent of the TROF?

17 MR. FEINMAN: Five percent of the local and the
18 property tax.

19 DELEGATE MARSHALL: That's for the whole locality?

20 MR. FEINMAN: No, from these projects.

21 DELEGATE MARSHALL: But when we do a TROF
22 project, we get five percent of the TROF project?

23 MR. FEINMAN: Of the tax.

24 DELEGATE MARSHALL: So, then B and C are separate
25 from A.

1 MR. FEINMAN: Yes.

2 DELEGATE MARSHALL: So, the timeframe would be
3 separate?

4 MR. FEINMAN: Yes.

5 DELEGATE MARSHALL: So, when A matures and goes
6 away, you still have B and C?

7 MR. FEINMAN: Yes.

8 DELEGATE MARSHALL: Just wanted to make sure.

9 DELEGATE KILGORE: Do I have a second for that?
10 Any other discussion?

11 DELEGATE MARSHALL: What is the motion?

12 MR. FEINMAN: The motion, as I understand it, is to
13 fix the revenue return percentage at five percent until further
14 Committee action. And if there's any negotiation around that
15 rate of return, around that time period.

16 SENATOR RUFF: That's the five percent.

17 DELEGATE MARSHALL: What about the loans?

18 MR. FEINMAN: What we would do if we made the
19 loan, if we made the TROF loan, we'd still request that that five
20 percent of tax return back, even it was not an associated grant.
21 There's still value in the use of the capital. But the amount that
22 we get paid back is independent of the amount in the grant.

23 DELEGATE KILGORE: We have a motion and a
24 second. All those in favor, say aye. (Ayes). Opposed? (No
25 response.

1 DELEGATE KILGORE: Next is the TROF balance
2 discussion.

3 MR. FEINMAN: That's a good problem for you. We've
4 been doing a lot of TROF grants, and that's all across the
5 footprint, and obviously it's up and down through every locality,
6 and it's growing as fast as we think it should be, but we've seen
7 an increase in TROF activity in the last year. And as a result, we
8 drew down from the TROF balance back. A couple of projects
9 may not materialize and we can de-obligate that money, but I
10 am concerned close to the fiscal year.

11 So, my request is that the TROF Committee make a
12 request to the Executive Committee to authorize the Executive
13 Director to draw down prospect incentive funds, which serve very
14 similar purposes. You'll recall that's a fund that we keep in
15 reserve. But if we can make sure that those transfers from that
16 fund to the TROF account keep the TROF grants flowing. Of
17 course, if we're ever in a situation where projects where some
18 significant project comes to fruition, we'll call the Full
19 Commission back in any event to make that sort of payment.
20 So, we'll be able to re-budget at that point and make sure we're
21 able to meet the needs of any giant project.

22 DELEGATE MARSHALL: So, as of July 31, it shows
23 \$3.6 million.

24 MR. FEINMAN: More of that is obligated, maybe about
25 one million now, and we're pretty early in the fiscal year, so,

1 again, we don't see every TROF that we obligate money for
2 actually happen or a clawback on a regular basis. But rather
3 than hit zero and not have an opportunity, I think we should
4 keep the program or have a backstop for these programs so they
5 can keep running.

6 DELEGATE MARSHALL: Have we looked at reducing
7 the amount of money we have put on the table?

8 MR. FEINMAN: We have not really altered the formula
9 since the first year I got here. When we tried to make it a little
10 more tightly reflective of the relative access to the locality, but I
11 think we've done a pretty good job there, but we can certainly
12 change some of the multipliers to make it somewhat less
13 generous.

14 Another alternative, Virginia remains a low incentive
15 state relative to our competitors. One of the things we have had
16 as far as the incentives in the TROF fund, we'll offer the formula-
17 driven incentives and we can match that with a five-year loan
18 that we could run out of the Commission. Not so much to get
19 bigger numbers on the table, but that way we can stay
20 competitive and sometimes we don't win a lot of them, but we
21 have gotten an indication that sometimes this is helpful and our
22 corporate cousins are happy with that.

23 But if the Commission wanted to go in that direction,
24 what I would advise is that we run a scenario that can get, and I
25 can get with Michael Gilbert, and I can present you with some

1 different options with these projects and what formula to put out.
2 Without consulting with him and looking at our tax returns,
3 formulas, to see what the impact would be, I hate to say
4 something on the fly. We don't have like 10 or 15 years' worth
5 of data yet.

6 DELEGATE KILGORE: The problem we have is that
7 Virginia is already a low-incentive state when we compete with
8 other states and some of our incentives, we'd be off the table
9 with some of these bigger projects.

10 DELEGATE MARSHALL: So, the loans, a loan coming
11 out of the same account, TROF, so aren't we in effect double-
12 dipping now in there, but we were not doing that a few years
13 ago.

14 MR. FEINMAN: Yes, it will start picking back up when
15 these loans get repaid. A loan may come in, say 10 percent of
16 the principal, and we get paid back say in five years. Zero
17 percent interest and you will see over the next four or five years,
18 and as those loans come back in, and then, of course, we'll also
19 get taxes. So, over a very long term, and here you're talking 20,
20 25 years. The TROF balance will probably not be over capitalized
21 the next four or five in the Commission budget --

22 DELEGATE MARSHALL: So, the TROF agreement or
23 grants the locality signs off on loans and the guarantee, that's all
24 considered?

25 MR. FEINMAN: Yes.

1 SENATOR RUFF: So this money I think we have to
2 remember that, we've just got to keep in mind that, and we have
3 to remember that this money can serve a lot of smaller
4 communities far better, and we have to consider the terms of
5 these loan agreements. And I so move.

6 DELEGATE MARSHALL: I second.

7 DELEGATE KILGORE: All those in favor, say aye.
8 (Ayes). Opposed? (No response). All right.

9 Types of projects funded. We'll need to go into
10 executive session to talk about a couple of projects and a couple
11 that have raised the issues we just talked about, so we could do
12 that in executive session.

13 DELEGATE MARSHALL: I move that we go into a
14 closed meeting in accordance with the Virginia Freedom of
15 Information Act. The purpose of this closed session is to discuss
16 Project H and Project Surprise and Project 3476 and Project
17 3477. The subject of this closed session is to discuss confidential
18 information, Section 23 and Section 2.2-3711 (A)(43). This is
19 related to certain grant allocations.

20 DELEGATE KILGORE: Is there a second?

21 SENATOR RUFF: Second.

22 DELEGATE KILGORE: All right, we're now in executive
23 session. I'd ask everyone to leave except the Commission
24 members and staff.

25

1 NOTE: Whereupon, the Committee is now in closed
2 session. The Committee is now back in open session.

3

4 DELEGATE MARSHALL: I move that we vote on and
5 record our certification, that, to the best of each member's
6 knowledge, only public business matters lawfully exempted from
7 open meeting requirements under this chapter and only such
8 public business matters as were identified in the motion by which
9 the closed meeting was convened, were heard, discussed, or
10 considered in the closed meeting. A recorded roll call vote is
11 required.

12 MR. FEINMAN: Delegate Kilgore.

13 DELEGATE KILGORE: Aye.

14 MR. FEINMAN: Delegate Marshall.

15 DELEGATE MARSHALL: Aye.

16 MR. FEINMAN: Senator Ruff.

17 SENATOR RUFF: Aye.

18 DELEGATE KILGORE: Now, we have a motion on.

19 SENATOR RUFF: On 3477.

20 DELEGATE KILGORE: Now, we have a motion on
21 \$315,000. All those in favor, say aye. (Ayes). Opposed? (No
22 response).

23 DELEGATE MARSHALL: 3477.

24 SENATOR RUFF: I move we approve that.

25 DELEGATE KILGORE: All those in favor, say aye.

1 (Ayes). Opposed? (No response).

2 MR. FEINMAN: The question is did you want to make
3 any policy changes based on the projects before you?

4 SENATOR RUFF: Mr. Chairman, I would move that
5 that the Staff review whether we should change the formula in
6 any way as far as loans and qualifications?

7 MR. FEINMAN: I can present you with the numbers in
8 January on eligibility.

9 DELEGATE KILGORE: Just to get it straight, we're
10 asking the Staff to come back to us in the January meeting with
11 the recommendations. All those in favor, say aye. (Ayes).
12 Opposed? (No response).

13 DELEGATE KILGORE: Any public comment? All right,
14 thank you. Then we're adjourned.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Tobacco Region Revitalization Commission, TROF Committee Meeting**, when held on Wednesday, September 19, 2018, at 9:30 o'clock a.m., at the Floyd Event Center, Floyd, 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 25th day of October, 2018.

Medford W. Howard
CCR

MY COMMISSION EXPIRES: October 31, 2018.