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TOBACCO REGION REVITALIZATION COMMISSION

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Executive Committee Meeting

Tuesday, April 16, 2019

11:00 o'clock a.m.

Hotel Roanoke and Conference Center
Crystal Ballroom
110 Shenandoah Avenue, N.W.
Roanoke, Virginia

1 APPEARANCES:

2 The Honorable Terry G. Kilgore, Chairman
3 The Honorable Frank M. Ruff, Vice-Chairman
4 The Honorable Kathy J. Byron
5 The Honorable Charles W. Carrico, Sr.
6 The Honorable Daniel W. Marshall, III
7 The Honorable Edward Owens
8 Ms. Cassidy Rasnick
9 The Honorable Thomas C. Wright, Jr.

10

11 COMMISSION STAFF:

12 Mr. Evan Feinman, Executive Director
13 Mr. Andy Sorrell, Deputy Executive Director
14 Mr. Timothy S. Pfohl, Grants Director
15 Ms. Sarah K. Capps, Grants Program Administrator
16 Southside Virginia
17 Ms. Sara G. Williams, Grants Program Administrator
18 Southwest Virginia
19 Ms. Jessica Stamper, Grants Assistant
20 Southwest Virginia
21 Ms. Michele Faircloth, Grants Assistant
22 Southside Virginia
23 Ms. Stephanie Kim, Finance Director
24 Ms. Joyce Knight, Administrative Supervisor

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1 COUNSEL FOR THE COMMISSION:
2 Ms. Elizabeth B. Myers, Assistant Attorney General
3 Richmond, Virginia 23219

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1 April 16, 2019

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3 DELEGATE KILGORE: Good morning, everyone. I'm
4 going to call the Executive Committee Meeting to order and ask
5 Evan to call the roll.

6 MR. FEINMAN: Delegate Kilgore.

7 DELEGATE KILGORE: Here.

8 MR. FEINMAN: Senator Ruff.

9 SENATOR RUFF: Here.

10 MR. FEINMAN: Ms. Rasnick.

11 MS. RASNICK: Here.

12 MR. FEINMAN: Delegate Byron.

13 DELEGATE BYRON: Here.

14 MR. FEINMAN: Senator Carrico.

15 SENATOR CARRICO: Here.

16 MR. FEINMAN: Senator Chafin.

17 SENATOR CHAFIN: (No response).

18 MR. FEINMAN: Secretary Layne.

19 SECRETARY LAYNE: (No response).

20 MR. FEINMAN: Delegate Marshall.

21 DELEGATE MARSHALL: Here.

22 MR. FEINMAN: Delegate Morefield.

23 DELEGATE MOREFIELD: (No response).

24 MR. FEINMAN: Mr. Owens.

25 MR. OWENS: Here.

1 MR. FEINMAN: Senator Stanley.

2 SENATOR STANLEY: (No response).

3 MR. FEINMAN: Delegate Wright.

4 DELEGATE WRIGHT: Here.

5 MR. FEINMAN: You have a quorum, Mr. Chairman.

6 DELEGATE KILGORE: Fine. Do I have a motion we
7 approve the minutes from 9-19-18 and that's in your package?

8 MR. OWENS: So moved.

9 DELEGATE WRIGHT: Second.

10 DELEGATE KILGORE: All those in favor, say aye.
11 (Ayes). Opposed? (No response). The motion carries. The
12 minutes are approved.

13 Evan, new program overview.

14 MR. FEINMAN: Mr. Chairman, if you see Joyce after
15 the meeting, she has the vouchers to get your car out of the lot
16 or out of the valet parking at no cost to you. Please take
17 advantage of that, and also fill out your travel forms and get that
18 to us so we can reimburse you.

19 Mr. Chairman, I want to very quickly give this
20 Committee an opportunity to hear a little bit about a couple of
21 new programs the Staff has set up and tell you where we are and
22 we'll go over each one of those in more detail so you'll have a
23 good understanding.

24 So, right out of the gate, new programs that are ready
25 for the guidelines to be approved in this season's meetings.

1 That's our new Talent Attraction Program, which is the way in
2 which we have worked to reconfigure our Scholarship Program,
3 as well as our Entrepreneurship Program. The Talent Program,
4 we for many years were offering a lot of kids relatively a low
5 dollar scholarship so that they would be able to use that money
6 to go to a four-year institution and those were refigured into
7 forgivable loans for the last two years. But what we found is that
8 there are many, many student lenders available to prospective
9 college students. And, number two, the dollar amounts that we
10 were offering that people really were not changing their behavior.
11 So, we were spending a lot of money and spreading it very thinly
12 and, as a result, we really weren't changing who was moving
13 back to the Footprint.

14 So, we worked with a couple of folks and we actually
15 brought in some researchers, also the gentleman that spoke to
16 you at the January meeting, but we were looking at what an
17 effective amount of money would be, we looked at who would be
18 incentivized by that amount of money, and we looked at how we
19 would have the highest impact in our Footprint.

20 So, we worked with Chmura Economics to figure out
21 what in-demand careers were. And we were looking at what
22 would affect our Footprint and the jobs in our Footprint. Then we
23 decided we would offer just a couple of thousand dollars, we
24 would offer up to \$12,000 per student in student loan repayment
25 if you come back to the Footprint and work in one of these in-

1 demand jobs. Those jobs were stem educators, engineering
2 professions, and a set of health care professions. And we would
3 through the Department of Health leverage a program they
4 already had that was working to support rural health care and
5 we'd get more bang for our buck by combining our dollars with
6 theirs, as well as reducing our administrative costs by running
7 our dollars through their program. We think this is going to have
8 a high impact and much closer than what people or what some
9 people are doing in other states in an organization like ours
10 looking at how they can increase the talent pool in their region
11 and this is what they go to.

12 So, what we're going to do is have the Education
13 Committee approve those program guidelines at the Education
14 Committee meeting and recommend that to the Full Commission.
15 And we'll open that up for applications this year or this summer
16 rather. We'll have a preference for residents of the Footprint,
17 and if we get enough applications from folks who grew up in the
18 region, and, of course, they get first precedence, and if we don't,
19 we'll start attracting other folks. And I don't think that's a bad
20 outcome because we want to serve our communities for people
21 that want to come and live and work, and I think that can be a
22 high impact program. Our concern is about the way we did it
23 before, high cost, and not actually changing anything.

24 DELEGATE KILGORE: When is the Education
25 Committee meeting?

1 MR. FEINMAN: The Education Committee will meet on
2 May 29th, so we're looking forward to that. Does anyone have
3 any questions about that?

4 DELEGATE MARSHALL: So, could we first of all get a
5 handout for something on that to look at something like what
6 we've talked about?

7 MR. FEINMAN: We will circulate to all the
8 Commissioners the proposed program guidelines and we can give
9 you the bullet points.

10 DELEGATE MARSHALL: As far as the cost in our
11 proposed budget, if I look at the proposed budget, are we talking
12 \$10 million?

13 MR. FEINMAN: It will, and the way that it's going to
14 work is that this will replace the four-year scholarship portion of
15 the education budget.

16 MS. KIM: The first year will come out of that budget.
17 The current year is what we use to fund. The first year program
18 will be the FY19 budget.

19 DELEGATE MARSHALL: This is a four-year, so we're
20 going to fund someone for the whole four years?

21 MR. FEINMAN: The opposite of that. What we're
22 doing is that instead of, or the challenge that we had before was
23 that is giving kids money before they even went to school or
24 before they knew what they were going to study and what jobs
25 they'd be offered and where they're going to live in the hopes

1 that they would come back to the Footprint when they finish.
2 And what we realized was or trying to go home with at the end of
3 the day how can people in our region fill the jobs that employers
4 are having trouble filling. So, let's buy that rather than get the
5 front end of the pipeline, we're catching folks as they come out of
6 the other end.

7 One thing that we noticed was that there are a lot of
8 options for borrowers in undergrad. There's tons of folks that will
9 lend you money, no shortage of capital, and the policy is a
10 different issue. But the reality is that it's just not hard to get
11 loans in whatever amount you want or that you can justify. What
12 we want to do is we want people to come back, and so when
13 they graduate and are looking at jobs, we're saying rather than
14 saying we'll forgive \$2,000 or \$1,800 this year, if you come back
15 in our Footprint which, frankly, isn't enough to change
16 somebody's decision about which jobs they take and where
17 they're going to take it.

18 DELEGATE KILGORE: Does that go to pay off the
19 loans?

20 MR. FEINMAN: We're not going to require, they've got
21 to do, they've got to show us that they've got a loan debt.

22 DELEGATE MARSHALL: So, you've got \$12,000, how
23 long will they have to live in the Footprint?

24 MR. FEINMAN: Per year. It'll be per year.

25 MS. KIM: It's a two-year commitment, \$12,000

1 annually for two years. And we tell them it's renewable for two
2 years, and they can get this loan for another two years, which
3 would be a total of four.

4 DELEGATE MARSHALL: Does it include the trades, like
5 machinists or plumbers or that kind of thing?

6 MR. FEINMAN: Yes, we're trying to refigure our four-
7 year scholarship program and that's the area we focus on. The
8 way we continue to invest the trades by continuing to directly
9 allocate money to community colleges and higher ed. centers to
10 reduce the cost on the front end of that credential payment.

11 Both, because we generally don't take student loans
12 out to go to one of those institutions and because there's a much
13 more localized effect. So, very few people are traveling to go to
14 a different community college and generally you go to your
15 nearby community college or higher ed. center. We continue to
16 believe that reducing the front-end costs is going to be an
17 effective way to get folks help in paying for those certifications.

18 DELEGATE MARSHALL: There are other opportunities
19 in our region, and just like in Altavista, which isn't part of the
20 community college, I'm not sure how many people graduate
21 there, but the people that come out of that program, are they
22 included?

23 MR. FEINMAN: Well, I'm focusing on the four-year
24 program and what I would say is that we've got some
25 remarkable institutions and I think if they come to us and ask for

1 support similar to what the community colleges have, that's
2 something we would look seriously at in our workforce financial
3 aid section or education funding. We wanted to do this as
4 primarily focused on better targeting the money that we're
5 already putting out, if we're putting on four years. What we'd
6 like to do is take a look at more back-end payments as opposed
7 to front-end payments for our workforce financial aid, but we
8 could certainly look at that, and I suspect the clamor from our
9 institutions would be loud if we reduced the amount of money we
10 gave to them. But that said, that may be more beneficial if you
11 think there's quite a bit to the idea we're replacing money that
12 we're already spending, and it's very hard in a context of a broad
13 budget to know where your dollars are going.

14 DELEGATE MARSHALL: The Footprint is pretty large,
15 so what might be a high demand in my city might not be the
16 same thing in Delegate Kilgore's area.

17 MR. FEINMAN: By workforce district, we decided that
18 it's a little more complicated or complex or a little more complex
19 and our applicants could likely get their heads around, so we
20 want to break it down by Southside and Southwest.

21 MS. KIM: Actually there are some similarities. For
22 example, physical and occupational therapy, and that's pretty
23 widespread throughout the Footprint. When you consider
24 education and the teaching opportunities, we've got to try to
25 encourage the opportunity for teachers. There are places, of

1 course, where there are shortages of certain things. When you
2 consider the various workforce areas and then considering the
3 applications and when you start looking at it, it can get very
4 complicated. But we try to look at the commonality in all the
5 areas throughout the entire region.

6 MR. FEINMAN: We are being sensitive to the regional
7 areas, but we have to smooth it out a little bit. If you'd got this
8 job in this county you can apply for this other job, you can't
9 really tell folks that. Regionally, we're looking at it.

10 MS. KIM: Distributed by population, not all in one
11 workforce area.

12 SENATOR RUFF: There's a couple of conflicts in what
13 you've all said. Evan has said that he did not have to directly be
14 paid the money. You said they still had a lot of money.

15 MR. FEINMAN: They'd have to show us the debt.
16 We're not asking that they show us a receipt.

17 SENATOR RUFF: Are you encouraging them not to
18 pay down their debt?

19 MS. KIM: If they choose to and if they apply for a
20 regional, we'll know their position.

21 SENATOR RUFF: I think you need to make sure that
22 this is understood. I think you referenced a sliding scale more
23 for some skills than others. Did I misunderstand that?

24 MR. FEINMAN: I believe so. We have greater need
25 for some skills than others, but everybody with debt will have an

1 opportunity to receive up to \$12,000 a year regardless of which
2 occupation they're in.

3 SENATOR RUFF: They need to look at that, and I
4 know you need teachers, but you also need some other kind of
5 teachers. Have you encouraged people to and still be teachers?

6 MS. KIM: Well, we're trying to find out where the
7 shortages are and that's real important, and after talking to some
8 superintendents in various localities. They often can convert
9 somebody with a Bachelor's degree to teach something like
10 history, or they can get traditional certification, but with a
11 Bachelor's degree, I believe you can get a certificate to teach,
12 but if you're able to convert into other kinds of teachers. Now,
13 special education is something else, but superintendents have
14 indicated they, of course, want to focus in on teachers and that's
15 a particular area they're having difficulty recruiting.

16 SENATOR RUFF: I understand that. Looking into the
17 future, these math and science skills are in short supply, and
18 there'll be shortages as teachers in those areas. Just be careful.

19 MS. KIM: Well, the guidelines can be changed as we
20 go forward and we can see how this will change over the years,
21 which it will.

22 MR. FEINMAN: I would anticipate updating this,
23 perhaps not every year, but I think we'll take a look at it next
24 year, but we want to be responsive to the needs of the teaching
25 community and employers in the area, and that's what we really

1 want to focus on and figuring out where are the jobs so that we
2 can move in and fill them. If we can put enough money on the
3 table that can change some of this or I won't go to Richmond to
4 take that job or Roanoke, I'll stay here in the Footprint, whether
5 it's Danville or Abington or wherever.

6 SENATOR RUFF: I don't disagree with that at all, but
7 their shift is long, like four years, and then maybe try to change
8 direction and then you change the rules, just be careful.

9 DELEGATE BYRON: I'm trying to understand how this
10 replaces the other program. Does this have any impact on the
11 current people that have all been given a grant, is it just what is
12 given, is it only for one year, and they think they might be
13 eligible for three years after that?

14 MR. FEINMAN: It'll vary. We have essentially done
15 away with or there might be one more year left of folks who got
16 grants, but we'll move beyond that.

17 MS. KIM: They're grandfathered in for two years
18 after.

19 MR. FEINMAN: We've just been a lender for the last
20 two years. In fact, the official student loan lenders, while there
21 are some other issues with that, they actually have a lot more
22 protection than they had from us. If there wasn't a reason you
23 were in default with us and the AG got onboard, or if you went
24 into forbearance or you do a bunch of other stuff. The folks who
25 for the last two years have gotten access to our program have

1 just been borrowing from us like they would have borrowed from
2 any other loan provider, and we would have had to originate the
3 loan and tracking people down and doing everything else on that.
4 And then we were forgiving them when we had to, but this way
5 we're just going to say if you borrow from other folks, you've got
6 all those protections, and you're probably borrowing the rest of
7 your balance from them anyway, but we'll give you cash on the
8 other end and you can pay those folks now.

9 For the folks in the last two years that have gotten
10 forgivable loans, this should be an improvement because there'll
11 be more money on the table providing you're moving back and
12 doing the jobs that we need them to do, and that will reduce our
13 costs, that way we can put more money out serving folks that
14 want to be served as opposed to administering the program.

15 SENATOR CARRICO: Let me break this down. You
16 have a student that has done two years of study that lives in the
17 Tobacco Region and decides he wants to do the speech
18 pathology, which is four years after general studies, does that
19 student have to be a member of a tobacco-growing family to
20 qualify for it, or just because they're going to go into that
21 specialty, are they qualified and will that be, or what will be the
22 interest on that loan if they do 48,000?

23 MR. FEINMAN: We're not making the loan. What
24 we're doing is at the end of the year, so, no, we will give
25 preference to residents of the Footprint. If you're from the

1 Footprint, then you go to the front of the line. We're not lending
2 them the \$12,000. They can borrow that from whomever they
3 were going to borrow their student loans from, but when they
4 move to our Footprint, they take one of these jobs and live in the
5 Footprint, then at the end of their first year of living with us, we'll
6 cut them a check for up to \$12,000 or less. If they've got more
7 than \$12,000 worth of debt, we'll cut them a check for the
8 \$12,000, and they can use that to pay them.

9 Then they come in the next year, cut another \$12,000
10 check, and they can reapply after two years and still got a
11 thousand and we'll keep doing it as long as they're still working
12 that job and still living in our Footprint.

13 SENATOR CARRICO: So, it'll be up to 48,000 as you
14 cut those checks and as they apply.

15 MR. FEINMAN: Twenty-four, and then they have to
16 reapply. We want to have a check in the mill before we put or
17 before we commit that.

18 SENATOR CARRICO: As long as they're still working.

19 MR. FEINMAN: Yes.

20 DELEGATE MARSHALL: Why 12, why not 15 or why
21 not 10?

22 MR. FEINMAN: That's a good question. We looked at
23 what very high borrowers may have in terms of their balances
24 and then what their income or baseline is like, kind of a medium
25 salary, and what we found out is that the high end of that is

1 about a thousand dollars a month. To a certain extent, we were
2 also looking at how much money we need to put on the table to
3 change somebody's behavior. At the end of the day, the real
4 question is how are we going to get you to take a lower-paying
5 job in our part of the world than a higher-paying job outside of
6 the Footprint. I will admit there is a subjective effect to it, but
7 we thought an extra thousand dollars a month is something they
8 can get their heads around and considering their household
9 budget, we thought that might change people's behavior. At the
10 end of the day, an incentive is only an incentive if it advances
11 your behavior.

12 DELEGATE MARSHALL: Based on that program that
13 we're doing, what is the --

14 MR. FEINMAN: -- The inspiration is Maine, which is
15 offering a similar program, and unsurprisingly it's tough to get
16 folks to move to Maine and it's pretty cold, so we think we've got
17 it all over them. And then if we can offer some money or try to
18 win the competition.

19 DELEGATE MARSHALL: Tell us about the Maine and
20 about their program.

21 MR. FEINMAN: They're a couple of years into their
22 program, they keep tweaking it like we do, and it has changed a
23 fair amount, but theirs is more complicated than ours. They've
24 added tax credit in many different levels. Money on the table or
25 sort of like ours. If you're from Maine or you've gone to a Maine

1 institution, but they believe that theirs is appealing and when you
2 look at other regions, some are having problems attracting talent
3 with what they're doing, but this is what people believe is highest
4 quality approach. This is when you consider borrowers leading
5 that need with a relatively high dollar opportunity.

6 DELEGATE WRIGHT: I think in the past we discussed
7 this and I've had some concerns about it. Just to make sure I
8 understand it correctly, giving money to people for a four-year
9 college and we've been doing it a long time. Now, we're doing it
10 outside and we're giving it to people to move to the area.

11 MR. FEINMAN: Perhaps. I think it's unlikely that, or
12 let me put it this way, if you're from the Tobacco Footprint and
13 you go get an education and then come back and fill one of these
14 hard-to-fill jobs, you're at the front of the line. So, the only folks
15 that we would be incentivizing, if you weren't from the region
16 would be if you ran out and we didn't get enough applications
17 from our region.

18 I also think it's wise to and certainly want to support
19 the folks that grew up in our region. If a small number of folks
20 each year are in this program and who didn't grow up in this area
21 in the Footprint but want to live in our community and support
22 our economy, I don't think that's a bad thing and I think we'd
23 want to be representing the communities and people, getting
24 them to move in.

25 DELEGATE WRIGHT: Just to follow up. I disagree

1 with that, and maybe not totally, but I think we have an
2 obligation to do this all in the Tobacco Footprint first. Then if we
3 have, and if you have hard-to-fill jobs or positions and I think
4 offering courses for people or the people in the Tobacco Footprint
5 and for their education. I think it's bad publicity for the Tobacco
6 Commission, considering our history, providing money and
7 considering the long history that the Education Committee has. I
8 think you'd have to be very careful because we've got folks that
9 are already here and parents of these students and try to get
10 them a job and want them to stay here.

11 MR. FEINMAN: We expect that to be your feeling, but
12 if you're from the Footprint and you apply to this program, you're
13 in the front of the line. It would only be if we didn't get enough
14 Footprint applicants. If you moved here when you were six or
15 are you from the Footprint if you moved here when you were ten,
16 or are you from the Footprint and your parents moved here a
17 year before, you've got to draw the line somewhere. If you grew
18 up here, you get to go first. Then if we can't get enough folks.

19 DELEGATE KILGORE: All this is going to be discussed
20 on May 29.

21 MR. FEINMAN: It certainly will.

22 DELEGATE WRIGHT: I'd make it available for people
23 in the Footprint, and any money left over, I would try to develop
24 jobs for people in the Footprint rather than going outside. I just
25 don't think that is what we should do.

1 DELEGATE MARSHALL: How many people are we
2 talking about?

3 MR. FEINMAN: We think it'll be around 400 per year.

4 MS. KIM: That concludes our program because we're
5 kind of splitting our funds into the medical profession and dental,
6 that entire area, but between the two programs, maybe 300,
7 400.

8 MR. FEINMAN: This is a new program or a new
9 approach. We'll get into the first year and see what we've got.

10 MR. OWENS: Is this the undergraduate and
11 graduate?

12 MR. FEINMAN: Yes, I think we're comfortable with
13 those. The thing is are you coming in and filling these positions
14 and particularly the health professions, and when you get into
15 that, you know you're going to need some graduate work. And if
16 you're a physician, you need medicine, and if you are a teacher,
17 say a Master's degree, as well. It's about the jobs. But each of
18 the jobs that we're talking about here requires at least a
19 Bachelor's degree.

20 MR. OWENS: How do you engage the employers to
21 getting a legitimate offer, how do you do that, is there some
22 mechanism in place?

23 MS. KIM: For the medical field, the Virginia
24 Department of Health actually works, and they work with like
25 doctors' offices, and I think that will work itself out. But for ours,

1 I think you have to work with the locality and the employers to
2 try to recruit people that they know this is an available incentive
3 and we'll work closely with our localities.

4 MR. FEINMAN: We would have to verify this through
5 VEC and other opportunities, so we would have to verify and
6 check on all this.

7 MR. OWENS: A staff person would work with the
8 industries.

9 MR. FEINMAN: From the recipient. That's our first
10 step. I envision people, the Staff talking this over around a
11 conference table, here are the people applying, where they're
12 from, then recommend attendees and send out a breakdown of
13 that, and then discuss it thoroughly.

14 MR. OWENS: If and when we approve this, we'll sit
15 down and go over all this.

16 MR. FEINMAN: We'll get as much information as we
17 can. We will also advertise broadly as we possibly can, and I
18 can't verify that we'll reach every single employer, but we can
19 certainly reach the health professions and the educators, but we
20 can get in touch with most folks and spread the word.

21 DELEGATE KILGORE: All right, what's next? I think
22 this will be somewhat less controversial, that is our program to
23 get the guidelines approved, and the Business Committee will be
24 meeting later today. This is recognizing that there's been a real
25 lack of opportunity for support for folks that live in the Footprint

1 and grow their businesses. And so what we've decided to do is
2 to, because we have this wonderful relationship with GENEDGE,
3 formerly the A. L. Philpott Manufacturing. They offer very high
4 quality consulting services and supporting businesses by figuring
5 out what their market is, how do we get market demand in
6 creating the product.

7 So, we anticipate accepting applications in the form of
8 business plans and a questionnaire. The staff will narrow those
9 applicants to the 20 that we believe are the most meritorious.
10 Those 20 folks will then come and present to the Business
11 Support Committee and it would be like a little Tobacco
12 Commission think tank, and I think you folks have seen the
13 show, *Shark Tank*. The Business Support Committee will select
14 ten, and those ten through businesses will receive at our cost
15 consulting services from GENEDGE and they'll help focus the
16 businesses on where they can best be supported, and also they
17 will receive a mentor. We're thinking members of the Business
18 Support Committee can serve and we might all discuss having
19 former Commission members or community members that might
20 be good small business mentors and, of course, if they're
21 interested. When you think of somebody who's been in a
22 business field might be able to offer somebody good advice on
23 helping to grow and sustain their business. That mentorship or
24 consulting, that will be of value to these folks and is really what
25 it's all about.

1 SENATOR RUFF: Will there be any consideration of
2 locality, if they're all based in Scott County, that would be hard
3 for other people to get there.

4 MR. FEINMAN: The Staff will try to get a good spread.

5 SENATOR RUFF: I understand all that, but if we want
6 this to be successful, there's got to be some diversity and --

7 MR. FEINMAN: Yes, I understand that. We're going
8 to try to do that. Now, the guidelines, we don't have them yet,
9 but we will probably by the September meeting. The first and
10 you've heard about it, there's a program around our back office
11 and we're working with Ms. Rasnick to get a Governor's letter of
12 introduction to get a variety of white shoe professional services,
13 businesses in D.C., Atlanta, Philadelphia, and Baltimore, and we
14 want to encourage them to locate there. H.R., Administrative
15 I.T., these folks into the Footprint, and we need to develop a
16 marketing document and including properties across the
17 Footprint that should be of interest to them. For my money, it
18 makes all the sense in the world to say to a law firm or an
19 accounting firm how can you be so happy in a high rise in
20 Philadelphia paying what you'll pay there when you could come in
21 our Footprint and pay a whole lot less. And that's the approach
22 we're taking on that as far as recruiting.

23 Secondly, our small business or small town programs,
24 that we're going to pilot and it's staff-driven, and Sarah Capps is
25 taking the lead on that. She and Sara Williams have been

1 working on it for a while. What we're hoping to do is take one
2 Southwest town and one Southside town and see if we can't in
3 concert with our partners across state government and see if we
4 can surge some resources to them. Get some money to fill gaps
5 that other state programs can't fill and it's bringing capital and
6 small business support and a small business launch program.

7 The idea being rally a bunch of state resources around
8 one small community, and by small, I mean pretty darn small,
9 Kenbridge or Victoria or Gate City, so we're talking a little town
10 in the Footprint. Looking for a little town that might be falling
11 behind in the Footprint and we want to see if this works. But
12 right now, we're in dialogue with our partner and trying to figure
13 out the best way to structure it. If that works and what we hope
14 to do is keep close track of the ways in which we did it and what
15 was the most effective and what was least effective and see if we
16 can convince someone so we don't have to replicate it over and
17 over again, but hand the program to somebody and say do this
18 for a much smaller town.

19 We plan to bring you a nailed-down version of that in
20 the September meeting.

21 DELEGATE KILGORE: Yes, we need to get our word
22 out on that and get our press on that.

23 DELEGATE MARSHALL: So, what bucket of money
24 does that come out of and how much is it?

25 MR. FEINMAN: It'll either come from each region's

1 Economic Development money or Special Projects, one or the
2 other. That'll be up to this body or your committees.

3 DELEGATE MARSHALL: How much money do you
4 think that'll be?

5 MR. FEINMAN: I don't think it'll be high dollar. I think
6 we're talking about \$100,000 probably for each town. The trick
7 is going to be the amount of staff time. We're going to probably
8 be playing traffic cop with the other state agencies to get all
9 those other programs in and make sure that we're backfilling
10 only the gaps that the programs can do and also making sure we
11 are considering other resources. There may also be some special
12 centerpiece projects in those and we can run that through TROF
13 or Special Projects, depending.

14 Now, Stephanie is going to walk through our budget
15 and some strategies to work on.

16 MS. KIM: All right, if you'll look in your folder, the
17 proposed budget, and I'll bring you up to date on what we've
18 done. This is what we are going to do for the year, this will be
19 decided in June, and this will give you kind of a parameter outline
20 of what we'll be doing.

21 Cash going out the door for grants that have been
22 made and when we make an award, that's for three to five years
23 before the money actually goes out. The last number is
24 obviously, that's actually lower because the year is not over yet.

25 For total assets we have money in the endowment, we

1 have money in the fund, and a lot of the money in the fund is
2 obligated funds where we have made awards and are working on
3 the projects and the funds, and the funds haven't gone out yet.
4 You'll notice that there's a small portion of FY19 and that
5 represents the loans receivable, and I would imagine that would
6 be decreasing over the years. There's an initial figure with VRA.
7 Those are assets we are using and reusing.

8 So, our earnings, which increases the endowment
9 portion of the fund, we worked out with treasury, and taking the
10 earnings through February of each year and transferred to the
11 fund from the endowment and the needs for the next year's
12 budget. This year, it would be close to \$8 million, and now
13 there's health insurance and then for the calendar year. We also
14 have the restricted funds, which are the tax exempt funds,
15 unrestricted funds. The tax exempt, that's invested. We get a
16 return there. The general account, and that's basically our
17 checking account, but money that sits in there has to be
18 disbursed and through December you can see what has been
19 earned, 30,000. If you go to the fiscal year earnings, looking
20 strictly at, and just to give you some comparisons, that same
21 time period, and this will give you an idea of what some other
22 organizations, foundations for that same time period and what
23 they have earned. One of the items on the agenda about
24 investment strategies, and the idea is how to get closer to those
25 earnings.

1 Our current endowment balances is \$233.9 million.
2 We're recommending a corpus invasion of 15 percent. And
3 normally we stay under 4.4 percent, and that'll help fund the
4 FY20 budget. We're going to use the carry-forward balance to
5 help fund our administrative program budget.

6 The remaining \$25.4 million, we would like to partner
7 with another agency for which we're still looking into where we
8 could take that money so we could invest it. The Treasury Board
9 does invest and is responsible by code to invest our endowment
10 fund. These would be funds that would be taken out of the
11 endowment that would be available to us. We're talking about a
12 15 percent corpus invasion and the ending endowment balance
13 would be \$198.8 million.

14 MR. FEINMAN: That's pretty significant. We worked a
15 couple of times to see what it would look like to transfer our
16 funds out of treasury into one of those other organizations that
17 earns a higher interest rate. That's been very challenging for a
18 variety of reasons internal to government.

19 What we have currently in the code with the authority
20 to do up to a 15 percent invasion. If you'll recall at our first
21 strategic plan adopted three years ago, I was very focused on
22 not invading the corpus so could get ourselves on a more stable
23 fiscal footing, and I continue to want to do that in terms of the
24 amount of money we budget on a per-year basis for spending, so
25 you've got to start looking into these things and we've got to be

1 on offense. And that offense is earning more money. So rather
2 than talking about transferring, but we do have authority to take
3 15 percent of our funds every year. And I say we take the
4 remainder and we use our grant-making authority to invest
5 money and get the higher return and say give it back to us in a
6 couple of years with you having earned your seven or eight
7 percent and then pay a fee.

8 What we hope to do is get a couple of good prospects
9 for that and look in to see how low we can get that fee and then
10 we'll have them invest that on our behalf. We are interested in
11 doing that and we're very optimistic that it can be done for a
12 relatively little cost and there'll be a small fee, but the difference
13 in zero or one percent earnings and eight percent earnings is
14 very significant. Our ability to move our funds, and even if we
15 have to do it over the course of the next five or six years, our
16 ability to move our funds into an account where those funds
17 would earn a significant return is really important.

18 Now I know there are some concern whether or not
19 the long-term earnings growth of equities is very significant.
20 These funds know that and they diversify and they're very
21 careful. And, number two, and frankly when you've got a lot of
22 capital, which we still do, so it wouldn't be the worst thing if we
23 had a downturn, then we've invested all this money to get a lot
24 of equity, but we would reap the benefits of that.

25 DELEGATE BYRON: What would be the return?

1 DELEGATE KILGORE: I'd say Evan has been working
2 on this and trying to work on this and let us do what we need to
3 do to increase this.

4 MR. FEINMAN: We've got the authority that we've got
5 and this is a work, settling on the right partner and we can work
6 out an MOU with them and we just have to make sure that our
7 MOU is good. Certainly before we'd sign anything, we'd come
8 back to this body or this committee and put it all in front of you,
9 so that would be September.

10 DELEGATE MARSHALL: Stephanie, if I'm looking at
11 this, we earned \$8.9 million last year. What did you say that
12 return was?

13 MS. KIM: Restricted or unrestricted funds, this is the
14 calendar year. Unrestricted funds earned 1.2 percent; restricted
15 funds, 1.4 percent. It's not just the endowment, it's the other
16 funds that --

17 DELEGATE MARSHALL: -- So, are you saying 7
18 percent, it would be seven times this, this amount?

19 MS. KIM: We wouldn't be taking the entire
20 endowment in transfer.

21 DELEGATE KILGORE: If you took the whole
22 endowment or take everything, it would be seven times that
23 amount.

24 MS. KIM: The restricted funds are limited in what
25 they can earn if we just take the endowment.

1 MR. FEINMAN: We will very quickly get into a
2 situation in the next couple of years where the amount of money
3 we could be earning if we got a good return on our endowment is
4 greater than the amount of money we need to run our annual
5 budget. And if we can get there, then we're a foundation and we
6 can run indefinitely.

7 DELEGATE MARSHALL: So, we're going to invade
8 about \$35 million this year and end up with \$198 million, that's
9 about five years it'll take us to move money from one percent to
10 a higher return.

11 MR. FEINMAN: Yes, if we need to continue to do it
12 piecemeal, then, yes. It may be by doing this we can kind of
13 force the hand and say, look, we're going to empty the account
14 anyway or you can let us do it either way. And if it takes five
15 years, it takes five years. The bottom line is we can't continue to
16 take what we've been doing with the same size of chunks if we're
17 going to continue.

18 DELEGATE MARSHALL: Legislation dictates that it has
19 to be --

20 MS. KIM: The endowment must be invested by the
21 Treasury Board.

22 MR. FEINMAN: That's the plan and we'll get all the
23 details out to you. The idea is to bring you an idea and if you
24 like the idea, we'll figure out the details and come back to you.
25 But if you tell us no, we're happy with one percent, then so be it.

1 SENATOR RUFF: Mr. Chairman, could I go back to the
2 slide there about the community foundation. What community
3 foundation is that?

4 MS. KIM: That is the Community Foundation of
5 Richmond, and they're actually in partnership with the University
6 of Richmond.

7 SENATOR RUFF: That's the point I wanted to make.
8 The Community Foundation is over \$200 million in the
9 endowment. The University of Richmond, had a conversation
10 with them, and they had over a billion dollars. They were able to
11 jump up 15 years ago, four percent over what the Community
12 Foundation could make up, \$250 million. There is a precedent
13 there. You all know the restrictions.

14 MS. KIM: I heard today that the University of
15 Richmond investment arm and they're very active.

16 MR. FEINMAN: We'll try to get the best deal we can
17 for us and working with partners that we're very comfortable
18 with and we want it to be somebody that's got a long track
19 record.

20 MS. KIM: In our proposed FY20 budget, sources of
21 funds, \$45.2 million after the 15 percent corpus invasion. The
22 use of the funds, \$17 million for economic revitalization; \$2.3 for
23 administration, and we put in \$500,000 just for contingency for
24 new programs, then \$25.4 million for investment.

25 For the administration budget, that's a four-percent

1 reduction from FY19. We're funding 13 employees, plus half of
2 the deputy secretary's position. We've got \$50,000 for proposed
3 Business Support program, and that includes paying GENEDGE
4 for their services. We pay \$244,000 for MSA enforcement and
5 the other costs, meeting costs, travel, accommodations, food,
6 and so forth.

7 This leads us to a summary of the detailed numbers in
8 your folder. This is the carry forward, and this is what the
9 budget will look like. This is how much money the budget will
10 reflect, that's what it will look like in the coming months. So,
11 that brings us to the motions. That involves the reserve fund.
12 So, the motions for today, and this is basically your small balance
13 in the reserve fund that came back and putting that in the
14 general account so we can distribute it throughout the budget.
15 That's \$6,476 unidentified.

16 DELEGATE MARSHALL: I thought or I heard that we
17 could or was that one of these meetings that we could invade
18 more than 15 percent if you had two-thirds approval?

19 MS. KIM: I believe they changed the code to three-
20 fourths.

21 MR. FEINMAN: Three-fourth motion, we could go
22 larger. We can certainly do that at the September meeting if we
23 get there, but we want to live within our normal operation style
24 and make sure we've got a good place for it to land before we,
25 but rather than do something larger than that now, let's do our

1 15 percent within our standard operating procedure as far as the
2 budget, but if we get something solid on that, we can go big.

3 DELEGATE MARSHALL: If money is sitting there and a
4 potential to get more, I think this is a wise idea.

5 MS. KIM: For FY19, and then in June of 2020.

6 DELEGATE KILGORE: All right, moving forward. Do
7 we need a motion on the 6,000? We had a motion.

8 MR. OWENS: Second.

9 DELEGATE KILGORE: All those in favor of
10 transferring, or transferring \$6,476, the reserve fund, which was
11 a program we used, the matching program.

12 We have a motion and a second to transfer that. All
13 those in favor, say aye. (Ayes). Opposed? (No response).

14 MS. MYERS: Three point two dash, 3.2-3104, it states
15 that on three-fourths vote of the Commission up to 15 percent of
16 the corpus, 3104, it states that upon three-fourths of the
17 Commission up to 15 percent of the corpus of the endowment
18 shall be paid.

19 DELEGATE KILGORE: That's where we are anyway.
20 Do we have to have three-fourths of members present? In the
21 General Assembly, we have some that are members elected and
22 some that are members present, making sure that we have the
23 right three-fourths.

24 MS. MYERS: Yes.

25 DELEGATE KILGORE: Now, a discussion on, what we

1 would be doing is working in the budget to the Full Commission,
2 so that would be a motion that we would recommend to the Full
3 Commission, the budget that's before us today. Do I have a
4 motion on that?

5 DELEGATE WRIGHT: The reduction in the amount of
6 the corpus, would that be a reduction for Economic
7 Development?

8 DELEGATE KILGORE: What you've got to look at is
9 you've got an unobligated balance.

10 MR. FEINMAN: That's the correct number, Mr.
11 Chairman.

12 DELEGATE WRIGHT: We had to reduce the number of
13 programs across the board, and recognizing your and
14 understanding of the original and the allocation of funds and the
15 intent of the Commission between Southwest and Southside,
16 trying to make sure that's reflected in the two balances we're
17 adding to the Committee. While the total number came down,
18 the ratio between Southside and Southwest is maintained.

19 DELEGATE KILGORE: Mr. Chairman, the ratio
20 between Southside and Southwest remains the same.

21 DELEGATE BYRON: Do you have an unobligated
22 balance of \$24 million? If that's not sitting equally across certain
23 areas, that might be one big, reducing that balance, the areas
24 that would be smaller would be less than they were before.

25 MS. KIM: Some have used this allocation and some

1 have not.

2 DELEGATE KILGORE: Before the actual meeting we
3 had where we asked the Full Commission to approve the budget,
4 can you provide that information to the members?

5 DELEGATE MARSHALL: We had an executive meeting
6 before.

7 MR. FEINMAN: We will.

8 MR. OWENS: When we went to change the budget, is
9 this across the board? Will everybody have an impact, and when
10 you look at Special Projects, 1.5, does everybody get the same?
11 For us to do it that way seems a little odd.

12 MR. FEINMAN: Delegate Byron, I would welcome your
13 support and reexamination of any allocations with Southside.
14 The one consistency that I got from both former directors and
15 what I got was -- or it would be a failed endeavor -- --

16 MS. BYRON: But when you look at the allocations and
17 when you have \$1,000 allocation and we won't be able to do
18 anything.

19 DELEGATE MARSHALL: Well, the question is how
20 much each locality has.

21 MR. FEINMAN: It'll be low, but I'll say that we tried to
22 take a look at what the need for each committee or I guess a
23 better way to say it is what the needs are, as well as the carry-
24 forward balance, so we can have an affecting project. So,
25 recognizing, for example, Special Projects is often asked to take

1 on the large projects and making sure there's enough money in
2 there for it to be worthwhile for that committee to function.

3 Similarly, education, and I hear it consistently from
4 this body, the Education funding is the highest priority program.
5 I tried to maintain as much of that as I could. If you want to
6 move money around, we can certainly do that.

7 Another option might be as you look for ways for
8 places from which to harvest some cash, if you were to reduce
9 the TROF balance and then make TROF discretionary as opposed
10 to the way it is now, we could save some money there. There's
11 no cuts anywhere where we don't upset someone. As I've said
12 for years, as our budgets get tighter, we're going to have to
13 make some hard choices.

14 DELEGATE WRIGHT: I just want to make a comment
15 that I just think we need to make more effort to work on worthy
16 projects and rather than cutting back restrictions and so forth, I
17 think we can be sending the wrong message and we have needs
18 in Southside and I see the direction this is going, and I've known
19 for several years that we've had to be very careful. I don't know
20 if we're going to accomplish the same thing and it seemed rather
21 slowly accomplishing these things, but I just wanted to make
22 that comment.

23 MR. FEINMAN: I try to look at what balances the
24 Committee brings forward. We do try to support all these
25 projects, but unfortunately education runs everywhere

1 throughout the years.

2 DELEGATE WRIGHT: I want to say that these
3 counties, and I think they should incentivized to keep working on
4 worthwhile projects, and many times funds aren't available for
5 these projects, I understand that, but I think this is where the
6 money should go.

7 DELEGATE KILGORE: I understand that, Delegate
8 Wright, and if one of these smaller counties has a good
9 worthwhile project, I don't think the Commission would back off
10 from funding that particular project. I think we'd all be in on
11 that.

12 SENATOR RUFF: Mr. Chairman, historically Special
13 Projects was set up to handle that for all counties.

14 DELEGATE BYRON: Mr. Chairman, just so we all
15 understand, on January 1, looking at them there, still going back
16 to that available balance, not how much of the new balance in
17 some of those smaller areas are going to have available. I
18 understand and if you have money in there, but if you just
19 recently do the small grant and now you only have less than
20 \$100,000, there's not really much worthwhile you can invest in,
21 unless you're just spending it down.

22 MR. FEINMAN: I think that's the consequences of an
23 allocation formula.

24 MS. KIM: The alternative would be to pool all the
25 money together and then go for the best project in the region.

1 MR. OWENS: Mr. Chairman, I thought we wanted a
2 level playing field, but there isn't one.

3 DELEGATE KILGORE: When you look at it, when you
4 look at Special Projects, no.

5 MR. PFOHL: Typically requires at least two
6 participating localities, but for 15 years or so, the lower allocation
7 Southside come in with Special Projects by themselves. In the
8 last year or so, we did almost a million dollar project for the
9 Cumberland Business Park and a few other of those low
10 allocation counties.

11 MR. OWENS: Of the 15 percent corpus invasion, 4.1
12 percent is used to fund the budget.

13 MR. FEINMAN: Mr. Chairman, per our strategic plan,
14 we try to stay under 4.4 percent. We came up with 4.1. We
15 wanted to even up the number, but then that offered us the
16 opportunity to put more money. But I believe these were
17 adequate balances for our committees to do full and significant
18 work in the coming year and the more money or the larger
19 amount of the 15 percent corpus invasion, being able to get that
20 into an interest-bearing account, the more money we'll have,
21 every dollar we don't spend ultimately gives us the ability to
22 being able to serve the region for a longer time. So, I offer that
23 budget from our self-imposed cap for that purpose, but if you all
24 change your mind, that's why we have meetings.

25 MR. OWENS: I've heard members of this Commission

1 say the need is now, and I believe in putting money away for the
2 future, but we have needs right now. This is inadequate, the
3 budget as presented is inadequate, because we have needs right
4 now.

5 DELEGATE MARSHALL: I would agree with the mayor,
6 the timing right now, and we don't know what's going to happen
7 in the next two or three years, so I think opportunities that come
8 about and especially Southside needs to have the funds. I know
9 in my area, people say waiting for the big ship to come in and to
10 be able to use that money for those purposes.

11 SENATOR RUFF: Mr. Chairman, as we have invaded
12 the corpus, that money could be used if there was a project that
13 was of value, is that not correct?

14 MR. FEINMAN: The money is granted to, of course,
15 would be obligated for that, but let me just say that in my
16 experience having worked with you all for a few years now, each
17 region has an eye for good projects and we've never been
18 adequate to meet the needs of truly good projects. So, I would
19 suggest that we more often than not fund something like 100
20 percent of the good projects. I don't think we will be unable to,
21 the needs of any significant and important new projects coming
22 before us. Part of the reason why I did suggest another 1.5 into
23 Special Projects is so we can retain that flexibility. I'd also point
24 out our prospect incentive fund, and that fund is to be used in
25 case we get those whales landing. And to be honest, it would be

1 inadequate to some of the projects we've got, and that's talking
2 about some of the large projects on deck.

3 We'll always be flexible and we can change our budget
4 at each meeting. So, if there were ever a huge project that
5 needed our attention, we can move things around and have a
6 special meeting, if necessary, especially if there was a significant
7 opportunity that we didn't want to miss. But when you look at all
8 the projects that we've funded, I think sometimes we say yes
9 more frequently than we ought to, and I don't think it's very
10 often that we send a meritorious project back.

11 MR. OWENS: If you take this money and put it in, it's
12 going to be tied up for a certain amount of time?

13 MR. FEINMAN: My ideal proposal to our fiscal partners
14 would be that we receive something akin to a CD and it might
15 cost us a little more on the fee side and the flexibility might be
16 worth it. And certainly when you talk about moving a large
17 amount of money to the same fiscal partner, it would make
18 sense for that to be the same as opposed to having it locked
19 away for a fixed amount of time.

20 MS. KIM: We're about to end June 30th with this
21 corpus invasion, so if something really did come up, we would
22 have an FY20.

23 DELEGATE KILGORE: If you decide that you wanted
24 to move something around, is the date June 5th the Executive
25 Committee could come forward with it.

1 MR. FEINMAN: We could change the numbers around
2 if need be.

3 DELEGATE KILGORE: Stephanie, could you send that
4 information to the members of the Executive Committee, that
5 spreadsheet, and if you have to copy and move numbers around.

6 MR. FEINMAN: Don't fool with anything in the formula
7 line.

8 SENATOR RUFF: Mr. Chairman, how much have we
9 actually used from the TROF fund?

10 MS. KIM: How much have we loaned out?

11 MR. FEINMAN: Of total use, we used all the funds
12 from the TROF fund and then some.

13 MS. KIM: Transferred five million from that fund.

14 MR. FEINMAN: I do hope to bring the TROF
15 Committee together. We had some changes, TROF could be fully
16 discretionary, but every project is meritorious and deserves
17 TROF, one might be because we don't have the funds to do it;
18 and, two, the economy is stronger; and, three, going back to our
19 incentive conversation. If we want to really look at something
20 that's going to be a game changer, it's really competition for
21 projects.

22 DELEGATE KILGORE: We did the reserve funds for
23 the general account. All right, do I have a motion that we
24 recommend the FY20 budget?

25 DELEGATE MARSHALL: So moved.

1 SENATOR RUFF: Second.

2 DELEGATE KILGORE: I have a motion and a second.
3 All those in favor, say aye. (Ayes). Opposed?

4 DELEGATE WRIGHT: No.

5 MR. OWENS: No.

6 DELEGATE KILGORE: Do I have a motion that we
7 approve the 15 percent corpus invasion?

8 DELEGATE MARSHALL: So moved.

9 MR. OWENS: Second.

10 DELEGATE KILGORE: I have a motion and a second.
11 All those in favor, say aye. (Ayes). Opposed? (No response).

12 MR. FEINMAN: We have two very large projects and
13 talk about it one on one, there's some confidential details. One
14 is a major electronics manufacturer interested in a Southside
15 location, 3,400 jobs, \$2 billion on one site. That one, I think
16 frankly is getting away from us.

17 The second is a \$400 million project, but the
18 important thing here is they're looking at a Southside or a
19 Southwest location, a slightly smaller expansion in the
20 Southwest, 4,200 jobs in Southside, and an average wage,
21 \$75,000 per employee. So, that certainly would have an impact
22 on the economy and a very large presence. I don't have any
23 other details on that.

24 DELEGATE MARSHALL: Just south of South Boston,
25 the megasite there or manufacturing, so with the help from the

1 state, who knows?

2 MR. FEINMAN: That's all the business I have for you,
3 Mr. Chairman.

4 DELEGATE KILGORE: Any public comment? (No
5 response). With no public comment, 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, Executive Committee Meeting**, when held on Tuesday, April 16, 2019, at 11:00 o'clock a.m., at the Hotel Roanoke and Conference Center, Roanoke, 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 1st day of May, 2019.

Medford W. Howard
CCR