

Minutes
Board of Directors of the Virginia Economic Development Partnership Authority
October 25, 2018
VEDP Office – 901 East Cary Street, 9th Floor
Richmond, Virginia

Call to Order/Approval of Minutes

The meeting was called to order at 9:00 a.m. by Chair, Vincent Mastracco, who noted that a quorum was present.

Members present: Secretary Brian Ball, Carrie Chenery, Dan Clemente, Heather Engel, Greg Fairchild, Bill Hayter, Ned Masee, Vincent Mastracco, Dan Pleasant, John Reinhart, Xavier Richardson, Carlos Tapias, Robert Vaughn, and Dubby Wynne

Members absent: *April Kees, Secretary Aubrey Layne, and *Jason Powell

(*) Ms. Kees and Mr. Powell share a seat on the board

VEDP staff present: Vince Barnett, Christine Bell, Lindsey Bertozzi, Nicole David, David Devan, Jason El Koubi, Kim Ellett, Stephanie Florie, Jennifer Garrett, Katherine Goodwin, Paul Grossman, Sandi McNinch, John Mehfoud, Lori Melancon, Nathalie Molliet-Ribet, Stephen Moret, Christy Morton, Jack Nelson, Jaime Preusche, Johan Salén, Lauren Stuhldreher, Tim Stuller, and Chris Ulrich

Guests present: Major James Covington, Robert Drewry, Joe Hines, Chris Kalafatis, Charles Kennington, Skip Maupai, Angela Navarro, Randy Sherrod, Cassidy Rasnick, and Turner Widgen

Public Comment Period

Chair Mastracco solicited public comments.

Mr. Pleasant introduced Maj. James Covington. He shared that Maj. Covington is a West Point graduate who served overseas with the U.S. Army. Mr. Pleasant said that he is currently working with Maj. Covington at Dewberry through a program called Training with Industry.

Maj. Covington explained that Training with Industry is a work-experience program that allows senior captains and majors to gain experience and training at civilian companies and bring those new skills and ideas back to the military. It consists of one year working with industry followed by a two-year utilization tour with the United States Army Corps of Engineers.

Chair Mastracco thanked Maj. Covington for his comments.

There were no additional public comments.

Approval of Minutes

Chair Mastracco asked for approval of the minutes from the June 7, 2018 meeting. A motion was made by Mr. Masee and seconded by Mr. Reinhart, and the minutes were unanimously approved as presented.

Chairman's Report

Chair Mastracco shared his compliments on VEDP's progress in implementing the JLARC recommendations.

Chair Mastracco stated that there was a great deal of discussion in the recent Executive Committee Meeting on the International Trade initiative, the site development effort, and VEDP's plans for consultant outreach and he is looking forward to the discussion with the full Board today on this and other important topics.

President's Report

Mr. Moret reviewed the FY18 final performance metrics. Mr. Moret stated that VEDP-assisted project totals were where they needed to be.

He shared that VEDP set a very ambitious goal for lead generation in FY18, and while VEDP did not hit the target, the actual number of leads generated was up 44% from FY17.

Mr. Moret said that VEDP's leads converted target surpassed its goal of 100, and is currently at 174% of the FY18 goal. Leads Converted is also ahead of schedule for FY19.

Mr. Moret complimented the VEDP International Trade team for a great year. He shared that they served more companies than expected.

Mr. Moret said that FY19 is off to a solid start with an outstanding pipeline right now. There is a great chance this will be one of the biggest years VEDP has ever had.

Mr. Moret reviewed the FY19 Operational Plan Progress Tracker. He stated that his only concern is major initiative # 2 which deals with creating a turnkey, customized workforce recruitment and training incentive program. VEDP is currently looking for the best leader for the customized workforce position. This initiative will be delayed until that person is in place, but he hopes to have someone in place soon and be up and running in the spring.

Mr. Moret shared notable developments since the last Board meeting. Micron was a big win for advanced manufacturing. He stated that this was one of the largest manufacturing projects in state history, and a significant win for international trade.

Mr. Moret said that substantial progress was made in BI staffing. Only a couple of openings remain out of 35 positions.

Mr. Moret shared highlights from the state tour with Secretary Ball. He said that partners across the state continue to reinforce what the Board has endorsed in VEDP's Strategic Plan. He stated that feedback from those visits is being considered as the Governor is developing his Economic Development Policy that will be coming out later this year.

The top two priorities for the next few months are finishing strong with HQ2, as well as the completion of national searches for a leader of the new custom workforce program and Managing Director of Lead Generation.

Closed Meeting: Virginia International Trade Development Initiative, Site Development, Site Consultant Cultivation

A motion was made by Mr. Vaughn and seconded by Mr. Masee to move into a closed meeting. Mr. Moret asked that VEDP staff and legislative guests be allowed to stay for the closed meeting.

I MOVE THAT THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY CONVENE A CLOSED MEETING PURSUANT TO VIRGINIA CODE §2.2-3711(A)(5) TO ENGAGE IN A DISCUSSION CONCERNING A PROSPECTIVE BUSINESS OR INDUSTRY OR THE EXPANSION OF AN EXISTING BUSINESS OR INDUSTRY WHERE NO PREVIOUS ANNOUNCEMENT HAS BEEN MADE OF THE BUSINESS' OR INDUSTRY'S INTEREST IN LOCATING OR EXPANDING ITS FACILITIES IN THE COMMONWEALTH, AND PURSUANT TO VIRGINIA CODE §2.2-3711(A)(39) TO ENGAGE IN A DISCUSSION CONCERNING PROPRIETARY INFORMATION SUBMITTED BY A COMPANY TO VEDP FOR BUSINESS DEVELOPMENT OR RETENTION PURPOSES; AND MEMORANDA, WORKING PAPERS, OR OTHER INFORMATION RELATED TO BUSINESSES THAT ARE CONSIDERING LOCATING OR EXPANDING IN VIRGINIA, PREPARED BY VEDP, WHERE COMPETITION OR BARGAINING IS INVOLVED AND WHERE DISCLOSURE OF SUCH INFORMATION WOULD ADVERSELY AFFECT THE FINANCIAL INTEREST OF THE COMMONWEALTH, INCLUDING UPDATES TO ONGOING PROJECTS; AND PURSUANT TO VIRGINIA CODE §2.2-3711(A)(50) TO ENGAGE IN A DISCUSSION OR CONSIDERATION OF THOSE PORTIONS OF VEDP'S STRATEGIC PLAN, MARKETING PLAN OR OPERATIONAL PLAN, THAT MAY RELATE TO TARGET COMPANIES, SPECIFIC ALLOCATION OF RESOURCES AND STAFF FOR MARKETING ACTIVITIES, AND SPECIFIC MARKETING ACTIVITIES THAT WOULD REVEAL TO THE COMMONWEALTH'S COMPETITORS FOR ECONOMIC DEVELOPMENT PROJECTS THE STRATEGIES INTENDED TO BE DEPLOYED BY THE COMMONWEALTH, THEREBY ADVERSELY AFFECTING THE FINANCIAL INTEREST OF THE COMMONWEALTH.

Back in Open Meeting, Certification of Closed Meeting – Followed by a Roll Call vote:

WHEREAS, THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY HAS CONVENEED A CLOSED MEETING ON THIS DATE PURSUANT TO AN AFFIRMATIVE RECORDED VOTE AND IN ACCORDANCE WITH THE PROVISIONS OF THE VIRGINIA FREEDOM OF INFORMATION ACT; AND

WHEREAS, THE VIRGINIA FREEDOM OF INFORMATION ACT REQUIRES A CERTIFICATION BY THIS BOARD OF DIRECTORS THAT SUCH CLOSED MEETING WAS CONDUCTED IN CONFORMITY WITH THE ACT;

NOW, THEREFORE, BE IT RESOLVED, THAT THE BOARD OF DIRECTORS CERTIFIES THAT, TO THE BEST OF EACH MEMBER'S KNOWLEDGE, (I) ONLY PUBLIC BUSINESS

MATTERS LAWFULLY EXEMPTED FROM OPEN MEETING REQUIREMENTS UNDER THE ACT WERE DISCUSSED IN THE CLOSED MEETING TO WHICH THIS CERTIFICATION RESOLUTION APPLIES, AND (II) ONLY SUCH PUBLIC BUSINESS MATTERS AS WERE IDENTIFIED IN THE MOTION BY WHICH THE CLOSED MEETING WAS CONVENED WERE HEARD, DISCUSSED, OR CONSIDERED IN THE CLOSED MEETING BY THE BOARD OF DIRECTORS.

Upon the vote:	Secretary Ball	Aye
	Ms. Chenery	Aye
	Mr. Clemente	Aye
	Ms. Engel	Aye
	Mr. Fairchild	Aye
	Mr. Hayter	Aye
	Mr. Masee	Aye
	Mr. Mastracco	Aye
	Mr. Pleasant	Aye
	Mr. Reinhart	Aye
	Mr. Richardson	Absent for vote
	Mr. Tapias	Aye
	Mr. Vaughn	Aye
	Mr. Wynne	Aye

Finance and Audit Committee Report

JLARC Maintenance Plan

Mr. Hayter discussed the Joint Legislative Audit & Review Commission (JLARC) report maintenance plan.

Mr. Moret shared that VEDP has now completed action on all 27 JLARC recommendations that called for action by VEDP and/or the VEDP Board of Directors. He explained that these are ongoing activities and best practices that VEDP plans to continue. Mr. Hayter added that in addition to the maintenance plan, VEDP's internal auditors, DHG, will also be reviewing these, so there will be a second set of eyes to ensure ongoing implementation.

Semi-annual Report on Incentives Projects and Dashboard

Mr. Hayter presented the Semi-annual Report on Incentives Projects as of June 30, 2018. He highlighted the risk rating, which helps to identify companies that might have trouble meeting their targets. Mr. El Koubi stated that this information will be available on the VEDP website for public transparency.

A motion was made by Mr. Reinhart to approve the Semi-annual Report on Incentives Projects as of June 30, 2018. Mr. Masee seconded the motion and the motion passed.

COF Progress Report

Mr. Hayter explained that JLARC recommendation #20 stated that the VEDP Board of Directors should require VEDP to report to the Board annually on the percentage of companies that fulfilled their contractual requirement to report their progress towards meeting performance requirements.

The Commonwealth Development Opportunity Fund (COF) annual progress report for FY18 showed that 82 out of 83 companies submitted a report.

Mr. Mastracco made a motion to approve the COF progress report. Mr. Reinhart seconded the motion and the motion passed.

Incentives Related Policies Progress Tracker

Mr. Hayter shared VEDP's Incentives Policy and Procedures Implementation Tracker and highlighted that all policies and procedures have been fully implemented. He stated that VEDP's Finance and Audit Committee has carefully reviewed the report. He said that a Board vote is not required.

HB222 – Income Tax Modification for Certain Companies: Policies and Procedures

Mr. Hayter shared highlights from the VEDP Finance and Audit Committee's (FAC) discussion on HB222, which he stated is a bill that offers income tax modification for certain companies.

Mr. Hayter said that during the discussion, Mr. Vaughn asked if the FAC and Board can have more details on what the law includes at the next meeting and reserve the right to make modifications to the related policies and procedures once the FAC and Board members have a better understanding of the interplay between this program and COF. VEDP has agreed to provide this information.

Mr. Hayter made a motion to accept the VEDP Policies and Procedures for Certification of Companies Eligible to Decrease Income Taxed by Virginia by Modifying Apportionment Factor(s) with the understanding that at the next Board meeting, VEDP will provide more details on how the program works with COF and the Board reserves the right to make modifications in the future. Mr. Reinhart seconded the motion and the motion passed.

Updated Verification Procedures

Mr. Salén provided an update on the VEDP Policies and Procedures for Capital Investment, Employment, and Wage Level Reporting and Verification. He highlighted an important change that allows VEDP to request both Form FC-20 and Form FC-21 directly from the Virginia Employment Commission (VEC) to verify employment numbers submitted by a company.

Mr. Hayter stated that the FAC recommends approval of the revised policies and procedures and shared that VEDP Subcommittee on Employment and Wage Verification also recommended approval at their recent meeting.

Mr. Hayter made a motion to recommend approval of the revised VEDP Policies and Procedures for Capital Investment, Employment, and Wage Level Reporting and Verification. Mr. Reinhart seconded the motion and the report was unanimously approved.

Updated Extension Procedures

Mr. El Koubi presented suggested revisions to the VEDP Policies and Procedural Guidelines for Performance Extensions. He said that the revisions related to assessing a modest fee for second extension requests equal to 5% of the Commonwealth's part of the grant, except in an event of force majeure where the fee could be waived at the Board's discretion.

Mr. Hayter said that the FAC recommends approval of the 5% assessment and that the Board would have the option to recommend to MEI, in certain cases, that the penalty be waived.

Mr. Tapias asked how often VEDP evaluates performance of the grants. Mr. Salén answered that performance is evaluated on an annual basis.

Mr. Moret added that in almost 90% of cases now, the grant is offered at least partially post-performance.

Mr. Pleasant asked where the 5% fee goes.

Mr. Moret said VEDP will check into that.

Mr. Vaughn said that he thinks it makes most sense for the money to go back into the COF.

Mr. Hayter made a motion to accept the modified VEDP Policies and Procedural Guidelines for Performance Extensions with the addition of offering that MEI can waive the penalty. Mr. Reinhart seconded the motion and the motion carried.

Extension Requests

Mr. Hayter reviewed several extension requests that had been reviewed by the FAC at their recent meeting.

Bechtel Corporation has requested a 15-month extension. Mr. Hayter said the FAC recommends approval.

Mr. Hayter made a motion to approve the Bechtel Corporation extension request. Mr. Masee seconded the motion and the motion carried.

Green Applications has requested a second extension, which will require MEI approval. Green Applications is asking for a six month extension.

Mr. Hayter said that the FAC recommends approval and noted that the 5% penalty would not apply to this extension because the company's MOU is grandfathered in. Mr. Hayter made a motion to approve the Green Applications extension and refer it to MEI. Mr. Masee seconded the motion and the motion carried.

Tadano Mantis has requested a 15-month extension. Mr. Hayter said the FAC recommends approval.

Mr. Hayter made a motion to approve the Tadano Mantis extension request. Mr. Masee seconded the motion and the motion was approved.

Andros Foods has requested a 15-month extension. Mr. Hayter explained that the company is asking that the grant be modified. Andros Foods is requesting this 15-month extension in

exchange for a partial clawback and reduced job target and investment. Mr. Hayter said that the amount of repayment is equitable and that the FAC recommends approval.

Mr. Hayter made a motion to approve the extension request for Andros Foods. Mr. Masee seconded the motion and the motion carried.

VEDP Position Descriptions Update

Mr. El Koubi reported that 100% of employees at VEDP have updated positions descriptions, with the exception of one employee who is out on FMLA leave. He reminded the Board that this was a recommendation from JLARC.

Clawback Update and AG Referrals

Mr. Salén gave an update on clawbacks and AG referrals. He discussed Qore, which owes a \$500,000 clawback. Qore has filed for bankruptcy.

Mr. Salén shared that VEDP staff and the FAC recommend that Qore be referred to the Office of the Attorney General to enforce collection of this clawback.

Mr. Hayter made a motion to refer Qore to the Office of the Attorney General. Mr. Masee seconded the motion and the motion carried.

Financial Results

Mr. Hayter said that the FAC heard Mr. Nelson's full report at their recent meeting and Mr. Hayter offered a summary of the report to the Board.

Mr. Hayter also reported that VEDP's spending for first quarter ending September 30, 2018 is under budget. He shared that this is normal for the first quarter.

Mr. Pleasant asked if the actual cash balance is larger than the budget carry forward. Mr. Nelson answered that it is.

Mr. Hayter shared that VEDP is currently undergoing an audit by the office of the Auditor of Public Accounts. He said that the report is clean so far. Mr. Nelson stated that a report will be issued by November 1, 2018 and that Martha Mavredes will give a report at the January 2019 Board meeting.

Budget Requests Status

Ms. Morton presented the VEDP FY2020 Incentives Budget Requests and Operational Budget Requests for the 2019 GA session.

Mr. Morton shared that six budget amendments have been submitted and she provided a detailed update on these as well as three operational budget requests.

Internal Audit Status Update

Mr. Hayter presented DHG's findings and recommendations on the internal audits of VEDP's Research and IT divisions. He shared that of the recommendations outlined in the action plan, most of the items have been completed. Only a few are outstanding, but those are not yet due.

Mr. Kalafatis agreed and stated that there were no concerns. DHG will begin auditing the Trade division next month. The audit of the Economic Competitiveness Division will begin in 2019.

Approval of German Entity

Mr. Hayter explained to the Board that VEDP has been unable to open a bank account in Germany to support its German office. The institutions in Germany will not allow a Virginia governmental entity to open an account. VEDP needs to establish a German entity (a GmbH) that will enable efficient operation of the Europe office.

Mr. Hayter said the FAC discussed this issue at their recent meeting and feel that this step is warranted. He stated that the FAC approved a resolution at their meeting and they are asking for a vote from the Board.

M. Hayter made a motion that the Board of Directors authorizes VEDP establish and administer a German entity (a GmbH) that will enable the operation of the State of Virginia Europe Office; that Stephen Moret is authorized to represent VEDP in the formation of the GmbH, that the Co-Managing Directors of the State of Virginia Europe office and GmbH will be Jason El Koubi and Vince Barnett; and that each of the Co-Managing Directors will have all authority to establish and administer a GmbH, to open and administer one or more bank accounts in the name of the GmbH, and to take all other actions necessary to operate the State of Virginia Europe Office. Mr. Massee seconded the motion and the motion carried.

Legislation and Policy Committee Report

Ms. Chenery provided an update and reviewed the materials from the recent meeting of the Legislation and Policy Committee. She elaborated on VEDP's session priorities and the critical role the Board can play in session preparation. She also emphasized the importance of having continuity in the regions through the Board's outreach efforts. She said that VEDP staff and the Committee are working on creating materials that Board members can use to help promote VEDP's priorities when meeting with state-wide partners.

Ms. Chenery noted that several of VEDP's Board appointments are in flux, so everyone will be waiting to see how that plays out.

Ms. Chenery stated that she will be stepping down as Chair of the Legislation and Policy Committee. Ms. Chenery said that Ms. Engel will be taking over as Chair. Mr. Mastracco added that he has approved this appointment.

Executive Committee Report

Mr. Moret shared the VEDP Quarterly Partner Report for the period of July –September 2018.

Mr. Barnett discussed the Quarterly Report on the Effectiveness of VEDP's Lead Generation Program. He highlighted the lead generation targets and expenditure levels. Mr. Barnett reconfirmed what VEDP categorizes as a lead.

Mr. Tapias asked if an event is a low lead generation event, will VEDP continue to attend those events.

Mr. Barnett answered that lead generation is not the only element in these activities. VEDP may attend an event to gain industry knowledge and/or to make contacts.

Mr. Barnett shared that a new Salesforce partner survey was launched which gives VEDP direct feedback and touts quality appointments and collaboration. He said that he is very pleased with the results of the survey.

Mr. Barnett shared that in FY18, VEDP tracked its value-add offerings for 115 decisions for Virginia. 41 (36%) of these originated in leads generated by VEDP.

Mr. Masee asked how VEDP defines a decision for Virginia. Mr. Barnett answered that it is a win for us in one of our project opportunities. Mr. Barnett shared that having the Workforce and Research teams in support of these projects is critical.

Mr. El Koubi introduced the topic of the FY18 Report Regarding Implementation of JLARC Recommendation #17 which states that VEDP should develop formal mechanisms to support ongoing coordination and communication between its marketing and export promotion services and measure the success of these mechanisms.

Mr. Grossman reviewed the annual report. He stated that he and Mr. Barnett got together and identified several opportunities for collaboration.

Mr. Grossman and Mr. Barnett plan to continue to meet on a regular basis. Their initial feeling is that there is more going on on the domestic side.

They stated that, for example, Ms. Abshoff, VEDP Managing Director, Europe is a full time representative of Virginia and is responsible solely for Foreign Direct Investment versus Trade's representative who works on a part-time contract basis only when needed for a specific project.

They also noticed that there is more opportunity for referrals domestically versus internationally.

Mr. Mastracco made a motion to approve the FY18 Report Regarding Implementation of JLARC Recommendation #17. Mr. Masee seconded the motion and the report was unanimously approved.

Ms. Molliet-Ribet gave an overview of the results of the partner survey on collaboration and coordination. VEDP's goal is to improve communication with its partners.

Ms. Molliet-Ribet shared that of the 150 survey respondents, 123 completed the survey. The majority are with local economic development organizations. 55% of the participants stated that communication with VEDP has improved and 56 people gave specific feedback on collaboration. She said that the results show that a strong majority of VEDP's partners are

overwhelmingly satisfied with the VEDP managers they work with on projects. 81 of the respondents are generally satisfied with the quarterly partner report.

Media Articles and Anticipated Topics for 1/24/19 Board Meeting

Mr. Mastracco suggested, in the interest of time, looking over the media articles and having a discussion at the January Board meeting.

Mr. Mastracco asked if each Board Member would share anything they would like the Board to know about what is going on in their region.

Mr. Clemente started the discussion by mentioning that millions of square feet are under construction at Tyson's. He said we are "building a new city."

Mr. Reinhart discussed the inter-regional meeting last week between Hampton Roads and Richmond. He said it was the best energy and collaboration yet between the two markets. He shared that the President of the United States signed the Water Resources Development Act which allows the Port to move forward on major dredging projects with exceptional speed.

Mr. Tapias stated that New River Valley has a great economy and everybody is hiring.

Mr. Masee mentioned the continuing education issue that was discussed earlier in the meeting.

Mr. Hayter discussed the Bristol Compressors issue and that it looks like Virginia will lose 450 jobs due to the lack of a buyer. He also said that there is talk of turning a vacant mall in Bristol into a casino with a \$150 million dollar investment. At the next Board meeting, Mr. Hayter said he would like to discuss the risk tolerance on deals, and if the zero-risk policy is costing us deals.

Mr. Vaughn shared kudos on the creative approach taken by Stephen Moret, Secretary Ball, et al on the Micron project.

Ms. Engel talked about the significant changes in the types of training needed in the tech space (cyber security). She stated that more follow up is needed in future Board meetings with reference to supply and demand in this area.

Mr. Pleasant shared that Mr. Moret was recently the keynote speaker at a regional summit in Pittsylvania County and that he was very well received. Mr. Pleasant mentioned that the investment in pad-ready sites in the area has led to an increase in interest from prospects. He also said that Danville Community College has a world-class machining program that the region continues to promote.

Mr. Fairchild stated that Central Virginia continues to grow well. Unemployment is very low. The University (UVA) are very focused on responding to the needs of the labor market.

Mr. Vaughn mentioned that there needs to be much more focus in the General Assembly on workforce. New money for higher education is all focused on growing STEM-H degrees. More and more focus will be on growing computational science, cyber, etc.

Mr. Mastracco said that Virginia Beach is benefiting from extensive activity from Google and Microsoft. He also mentioned that the region is dealing with a major blow with the news that Norfolk-Southern is expected to leave the region for Atlanta.

Ms. Chenery mentioned the direct flight to Chicago has been a real game-changer in her region. There will also be daily flights to Dulles. I-81 is a continuing challenge that has galvanized the

business community as a lobbying voice. She suggested that going forward, VEDP should maximize Board and staff time by focusing on things where we can take action and not so much on box checking.

Mr. Richardson discussed increasing the focus on workforce development. He suggests training staff and members at the community colleges. He said that he would like to see strategic plans developed that will have graduates ready for workforce.

Adjournment and Next Meeting

Mr. Moret thanked everyone on the Board, and discussed the transformational goals for VEDP.

The next Board meeting is scheduled for January 24, 2018 and will be held at VEDP in Richmond. More details will follow.

Mr. Masee asked if there would be a chance to get out of Richmond for a few Board meetings in 2019. Mr. Moret answered that we are exploring options and will have more to report at the next Board meeting.

There being no further business, Chairman Mastracco adjourned the meeting at 12:37 p.m.

Respectfully submitted,



Stephen Moret

Secretary