

**Southwest Virginia Higher Education Center
Board of Trustees
Minutes
December 13, 2012**

Board Members/Designees Present: Senator Phillip Puckett, Senator Bill Carrico, Delegate Joe Johnson, Billy Cannaday (UVA), Andy Casiello (ODU), Kevin Crutchfield, Sim Ewing (UVA Wise), Penny Kyle (Radford), Fred Marion, Sean McMurray, Jerry Niles (VT), David Olive, Matt O'Quinn, Clo Phillips (VI), Rosalind Reichard (Emory & Henry), Ruby Rogers.

Board Members/Designees Absent: Peter Blake (SCHEV), Marcia Gilliam (Virginia Community College System), Delegate Terry Kilgore, Delegate Will Morefield, Ron Proffitt (VHCC), John Rainero, Delegate Joseph Yost.

Rachel Fowlkes, Executive Director, was absent due to the passing of her mother earlier that day.

Others Present: Jake Belue, Gerald Blankenship, Joyce Brooks, Duffy Carmack, Courtney Conner, Connie Estep, David Haney, Rebecca Harrison, Deborah Hensley, Kathy Hietala, Molly Luton, Penny McCallum, Nicky Rahley, Kim Stewart, Sonia Vanhook, Alicia Young.

Call to Order

Chairman Kevin Crutchfield welcomed everyone and called the meeting to order. A quorum was present. Introductions were held.

Public Comments

There were no public comments.

Approval of Minutes

The Chairman called for approval of the Minutes for the June 7, 2012, meeting. **They were unanimously approved upon motion by Delegate Johnson, seconded by Senator Carrico.**

Financial Report

Duffy Carmack, the Center's new Chief Financial Officer, presented the Financial Report. The complete report is available in each member's Board

folder. Mr. Carmack highlighted the following items in the FY13 operating budget:

- \$1,815,339 General Fund Appropriation approved for FY13.
- \$61,976 Employee Bonus Appropriation approved for use toward 3% bonus for employees in FY13.
- Center is at approximately 52% in income at the end of five months in actual Non-General Fund Revenues (\$361,515 of \$693,846 collected), with an additional \$500,000 billed but not yet received.
- Approximately 40% of personnel dollars has been spent through November.
- Other Than Personal Services budget includes expenses for maintenance of facility, including updating the bathrooms (retiling, repainting, new countertops); additional security cameras; upgrades to the Grand Hall (new backdrops/drapes, replacement of decorative trees, lighting options).
- Center is on target with all areas of budget for FY13.

Grant Balances

Mr. Carmack also went over the grant balances for the Higher Education Center and the Higher Education Center Foundation, a copy of each of which is contained in the board folders. Highlighted grants included:

SW VA Higher Education Center

- Developing a Knowledge-Based Workforce – Tobacco Commission grant; will be used to expand programs at the Center, including a collaborative VCU counseling program.
- Global Clean Energy & STEM Jobs – US DOE grant that will end in June 2013; funded George Hiller's Study in Germany summer programs that have been reported on to the Board.
- Burley Scholarship Programs – Tobacco Commission grant; administered by the Higher Education Center.

SW VA Higher Education Center Foundation

Tobacco Commission grants that fund the operation and construction of the R&D Center and programs operated by it:

- Compressed Natural Gas (CNG) Tank Research & Development
- Optafuel US – Biochemical Conversion of Wood, etc.
- Tazewell County Landfill – Development and Demonstration of AdvanSorb LFG™ Landfill Gas Upgrading Technology
- Cavitated Fuel Oil and Water Emulsion for Energy Efficiency and Emissions Reduction

Executive Director's Report

In the absence of Dr. Rachel Fowlkes, Executive Director, Mr. Carmack also presented her report.

•He updated the Board with regard to the construction project for the R&D Center, relating that construction is underway, footers dug and most of the block in place. Wells are being dug in conjunction with the installation of a geothermal system for heating and cooling. Steel construction above the ground will be in progress soon. Current projection for completion of the 8,000sf two-story structure is November 2013.

Once finished, it is hoped that some of the above-mentioned companies will be able to occupy some of the space. Any additional space will be available for rent or lease by companies involved in clean energy development.

The facility has a hi-tech design with representation of myriad energy sources, incorporating solar panels, a roof garden area with water retention/runoff prevention, and windmills as part of the design.

•Mr. Carmack explained that 100% of the funding for the construction of the R&D Center to date has come from the Tobacco Commission. In anticipation of future industrial development, Washington County has contributed \$68,000 toward the installation of a water line from Highway 11 up to the site. As yet, there is no money for operation of the facility after completion. It is expected that two fulltime staff will be needed at the outset—a receptionist and building maintenance employee. Mr. Carmack had recently met with the Secretary of Education and with the Department of Planning and Budget to request \$185,000 in operational funding. He

asked Sim Ewing to explain what will happen if the request is not approved in the Governor's budget.

Mr. Ewing said that normally the building would have been capitalized and funded with State dollars, and that a request for operating funds would have been submitted to the State as the building neared completion. Since the project went through the Tobacco Commission instead of the General Obligation Bond process, operational funds were not automatically included, creating the need to make the request as Mr. Carmack had done. Mr. Ewing explained that the requested authorization is actually for \$235,000, since approval is also needed to spend the private dollars the project has—\$185,000 in General Funds and \$50,000 in Non-General Funds—as well as the authorization to hire two fulltime individuals to operate the Center. He said that it is a critical funding project, so it is hoped that the Executive Budget will include it in order to avoid having to go through the General Assembly to get it added.

- Mr. Carmack then went on to discuss the HEC's other budget challenge—a request from the Governor's Office to reduce its operational budget by 4%. He said that in light of the criteria involved in making the reduction (staff was not an option; programs were not an option) and the reality of what the Higher Ed Center actually does, its options were almost non-existent. Top funding for the Center over the years has been approximately \$2.5 million, and it is currently down to approximately \$1.8 million in State funding. Once again, Mr. Carmack traveled to Richmond and met with Michael Maul in the Department of Planning and Budget to explain the Center's predicament. As a result of that meeting, the Center was advised that it could claim "small agency." Heeding that advice, Mr. Carmack submitted the Center's response to the 4% budget reduction request, advising the Governor's Office that it was not possible to do so for a number of reasons, chiefly among them the Center's budget having already been reduced from \$2.5 to \$1.8 million, the cost of inflation, the cost of doing business, as well as the Center's inability to control its revenue sources other than Conference Services dollars in the Non-General Fund area. A ruling on that response had yet to be made at the time of the board meeting.

Mr. Carmack requested a motion for approval on the proposed legislative amendment. **Motion was made by Senator Puckett and seconded by Delegate Johnson to approve the proposed legislative amendment. The motion passed unanimously.**

Marketing and Public Relations

Ms. Kim Stewart, Director of Marketing and Public Relations, shared the new logo with the Board, announcing that the Center would be celebrating its 15-year anniversary at the end of January, 2014, and felt that it would be appropriate in moving forward to update its logo. In describing the new logo and the significance of its design, Ms. Stewart explained that the different colors in the new logo represent the wide range of the Higher Ed Center's school partners and programs. A tagline has been implemented in the logo, stating: "A Partnership of Top-Ranked Universities with a Space for YOU." Serving dual purposes, the tagline illustrates the partnership of schools with a variety of classes, programs and educational activities, as well as the conference services aspect of the facility that lends itself to business meetings and social gatherings, activities and events.

Research & Development Director's Report

Although unable to attend the Board meeting in person, Ed Rogers, Director of the R&D Center, had videotaped his report previously. The complete report is contained in each member's Board folder.

Mr. Rogers apologized for his absence, explaining that he was attending a Tobacco Commission meeting being held simultaneously in Roanoke, VA, relevant to one of the R&D Center's projects.

In discussing the Clean Energy R&D Center's (CER&D) mission and purpose, Mr. Rogers made the following points:

- Seeks to bring small, growth-oriented, technology-based businesses to SW VA to the service territory of the Higher Ed Ctr.
- Is intentionally very selective in the companies it seeks.
- Is only are interested in those that are worthy of investment.

If done right, the companies will grow to hire people in positions of productive labor, and produce products that are beneficial to their customers, thereby improving their customers' lives and their customers' businesses. They will generate profits that enable more business investment, and if hearts are so inclined, these profits can enable charitable

giving and these companies will inspire future generations of SW VA entrepreneurs.

Mr. Rogers related one specific opportunity the R&D Center had to assist SW VA industry. He said that in 2011, Governor McDonnell announced an unprecedented plan to selected proposals to convert the State's fleet of 16,000 trucks and cars to run on alternative fuel; e.g., electric, ethanol, liquid propane, natural gas, etc. The Governor's Office was just looking for the best proposal that private industry would bring forward. CER&D saw this as an opportunity for the SW VA natural gas industry and one that could involve some of its young companies, so Mr. Rogers arranged to have a meeting with a Senior Executive Team Management Member of Clean Energy Fuels Corporation. The company is based in California, is the largest builder, owner and operator of compressed natural gas, liquefied natural gas fueling stations in the country, including multiple subsidiaries in the state. The pitch was basically this—that natural gas vehicles made the most sense for VA; that Clean Energy Fuels Corporation was in the best position to help VA in this area, but that Clean Energy Fuels was going to need help to craft and to sell a winning proposal to the State. Ultimately, Clean Energy Fuels hired the Clean Energy R&D Center to assist them. What started as approximately 50 companies vying for the State deal eventually coalesced into 16 very extensive, comprehensive formal written proposals to the Commonwealth. After a lengthy process, two months ago, Governor McDonnell publicly signed a long-term contract with Clean Energy Fuels for natural gas vehicles and fueling stations. This means more natural gas will be sold in VA without competing with coal, and there might be new opportunities for at least two of our young energy technology companies. Mr. Rogers said that the best part is this: The contract with Clean Energy Fuels grants the HEC's Foundation a royalty on each unit of fuel that the company sells in VA. It is an attractive royalty that will last for up to 15 years, with the first payment occurring in March 2013. He said that it will not be large, because the period it covers will be October through December, and because CEF is still building out its infrastructure in the state, but that it is a good start.

Additional Reports

In other business, Mr. Carmack reported the following:

- Referred Board members to their folders for the Conference Services, Information Technology and College Reports.

- Informed the Board of the temporary absence of Eddie Sproles, the Center's Property Manager, due to a serious motorcycle accident in October. He assured the Board that Mr. Sproles is on the road to recovery and anxious to return to work.
- Expression of appreciation to Higher Education Center staff for their work.
- Congratulated Penny McCallum, Site Director for Virginia Tech, for her exceptional work in bringing over 30 events to the HEC in addition to VT's normal credit classes.

Health Care Reform Act – Implications for the Region Report

Sean McMurray presented an in-depth and informative overview of the Affordable Care Act.

He asked those present to remember one key point: Health care reform is not just something being forced upon citizens by the government. There is pressure from many sources to change the way health care providers do business. Health care accounts for 18% of the country's Gross Domestic Product, as compared to less than 4% for China, less than 3% for India, and less than 1% for Malaysia. The bottom line summary is that, for a number of reasons—including its aging population—the US spends more than it has, and does not have enough money to pay for health care the way it is delivered today. Therefore, change is an imperative. The health care industry faces many challenges. Among them, it must move from pay for volume to pay for value; move from episodic care to managing population health; focus on better managing chronic conditions, which are responsible for the majority of health care spending; provide expanded coverage—or, in a word, the industry must become more *accountable* in providing care.

Special Presentations

Mr. Carmack recognized Roz Reichard, retiring President of Emory & Henry College, and presented her with a gift of appreciation for her service to the region and on the Higher Ed Center's Board.

President Reichard said she will retire on July 1, 2013.

Preview of the 2013 General Assembly Session

Senator Carrico said that he believes the upcoming Session will be an interesting one, primarily focused on the health care changes Mr. McMurray had reported on earlier, education reform, and transportation accountability.

Senator Puckett said that it will be a short Session, and believes it will be nearly impossible to get through 2000+ pieces of legislation during the 45-day term, including the topics mentioned by Senator Carrico. Speaking for the SW delegation, he assured those present that they would do all they could to make sure the region is not shortchanged.

Closing Remarks

In closing, Mr. Carmack:

- Recognized Don Reichard, husband of President Rosalind Reichard.
- Reminded the Board members to save the proposed date for the next meeting: June 6, 2013.

The Chairman called for a motion to adjourn the meeting. **Upon motion by Delegate Johnson and seconded by President Phillips, the meeting was adjourned.**