

**Southwest Virginia Higher Education Center
Board of Trustees
Minutes
June 9, 2011**

Board Members/Designees Present: Senator William Wampler, Billy Cannaday (UVA), Terri Wheaton (ODU), Ralph Byers (VT), Peter Blake (SCHEV), Shannon Blevins (UVA Wise), Marcia Gilliam (Virginia Community College System), Bill Kennan (Radford), Fred Marion, Sean McMurray, Terry Mullins, Clo Phillips (VI), Chris Qualls (Emory & Henry), Ron Proffitt (VHCC).

Board Members/Designees Absent: Senator Phillip Puckett, Delegate Bill Carrico, Delegate Joe Johnson, Delegate Terry Kilgore, Delegate Dave Nutter, Kevin Crutchfield, Susie Ellis, Rex McCarty, John Rainero.

Others Present: Jake Belue, Joyce Brooks, Gerald Blankenship, Courtney Conner, John Dooley, Cody Davenport, Connie Estep, Christine Fields, Rachel Fowlkes, Amelia Harris, Rebecca Harrison, Kathy Hietala, Logan Jarvis, Jacob King, Nate Kiser, Penny McCallum, Jeff Mitchell, Mary Quillen, Ann Risdon, Ed Rogers, Eddie Sproles, Alicia Young, Jonathan Williams.

Call to Order

In the absence of Chairman Kevin Crutchfield, Vice-Chairman Ron Proffitt 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

Dr. Proffitt called for approval of the Minutes for the December 9, 2010 meeting; they were unanimously approved on motion by Senator Wampler, seconded by Clo Phillips.

Financial Report

Christine Fields, Budget Director, gave the Financial Report. Ms. Fields reported that since the Center's operating funds for FY12 had not increased from FY11, there would not be any significant changes; she would report the projected end for FY11 and projected spending for FY12.

State Revenues

General Fund:

- Revenues for FY11 - \$1.8 million
- Revenues for FY12 - \$1.8 million

Non-General Fund:

- Revenues for FY11 - \$807,000
- Proposed revenues for FY12 - \$933,000
- Projected carry forward - \$276,000; Center is in the process of obtaining quotes and diagrams from the architect to upgrade partitions in Grand Hall in FY12 due to age and mechanical difficulties that create a safety hazard for staff; expense anticipated to exceed \$300,000, and will be met with carry forward funds supplemented by remaining Capital Project balances.

Restricted State Revenue - \$108,000, comprised of:

- Equipment Trust Fund - \$64,575
- Maintenance Reserve - \$43,466

No Equipment Trust Fund money was released until April of this year; the Center is in the process of purchasing instruction equipment with the funds. Although it will not be spent by the end of the fiscal year, the Center will be able to spend those funds into FY12, so the proposed FY12 of \$79,385 includes the balance from FY11 as well as the FY12 appropriation.

A similar situation exists in Maintenance Reserve; about 95% of the Center's appropriation will be spent by year-end, with approximately 5% carried forward to FY12, so Total Restricted Revenue for FY12 will be \$128,971.

- Total Projected Revenue for FY11 Year End - \$2,719,996.
- Proposed Revenue for FY12 - \$2,867,226.

Breakdown of Non-General Fund Revenue Projection

- Residents' fees increased 3.4% for FY12 in accordance with the Consumer Price Index, from \$270,000 in FY11 to \$279,000 for FY12.
- Non-resident fees increased by 3.4% for FY12, from \$25,133 in FY11 to \$25,988 for FY12.

- HEC Special Events projection of \$32,136 for FY11 and only \$25,000 for FY12 due to the decision to hold the Hunting & Fishing Show every other year instead of annually.
- WALL (Weekend Adult Lifetime Learner) program eliminated due to declining enrollment.
- Total NGF Revenue for FY12 - \$656,922.

Personal Services

- Projected FY11 Year End – \$1,486,016
- Proposed FY12 - \$1,524,045; increase is due to 5% VRS increase that employees will have to pay.

Other Than Personal Services

Contractual Services:

Utilities

- Projected FY11 Year End - \$126,867
- Proposed FY12 - \$135,000 (6.5% increase)

Ms. Fields noted that, due to the leadership of Eddie Sproles, the Center has decreased the cost of utilities by 25% since 2007, when the expense was \$169,000—adding that the savings has been realized even with the 6,000-square-foot addition to the facility since that time.

Maintenance Reserve

- Balance of funds will be carried over to FY12.
- Appropriation for FY12 has been reduced.

Repairs & Maintenance/Service Contracts

- Line item increase due to reduction in appropriation for FY12, since Center proposes to spend approximately \$144,000 for maintenance-type projects.

Contractual Services - No appreciable changes

- Projected FY11 Year End - \$506,000
- Proposed FY12 - \$557,336
- Majority of increase due to 6.5% increased projection in Utilities and the increase in Repair & Maintenance Services.

Supplies & Equipment

- Equipment Trust Fund balance will be carried over to FY12.

Capital Projects & Building Improvements

- \$200,000 for FY12 will be applied to cost of partition walls. Not knowing the total cost, some funds may also have to be moved from the Center's Contingency Fund.

Senator Wampler commented on the importance of having a contingency fund, opining that it is a prudent decision to have one, especially in light of the reduction in appropriations higher education continues to receive during the current economic climate, and trusts that it will be used wisely by the staff of the Higher Education Center. Peter Blake noted it as shrewd planning. Ms. Fields responded that the Center has tried to maintain a contingency fund of around 10% (8% for the current year) of its General Fund appropriation since 2002; the funds are held back until the General Assembly session is over in March and the Center's appropriations have been established.

Dr. Proffitt called for approval of the Fiscal Year 2012 budget; on motion by Billy Cannaday, seconded by Marcia Gilliam, the budget was unanimously approved.

Following approval of the budget, Ms. Fields introduced an additional item that needed the board's approval—ARMICS, or Agency Risk Management and Internal Control Standards. She explained that, in the past, the Center has "ridden the coattails" of UVA; this year, UVA requested that the Center (and UVA-Wise) develop its own agency risk management and adopt its own individual Code of Ethics, which it has been crafting since January. Ms. Fields noted that this action is to ensure fiscal accountability and safeguard the Center's Commonwealth access.

Dr. Proffitt called for a motion to accept the proposed Code of Ethics. Clo Phillips moved for acceptance; seconded by Sean McMurray; unanimously carried.

Research & Development Director's Report

Ed Rogers reported on the R&D Center, explaining that its primary goal is to attract early-stage energy technology companies from wherever they may be located to southwest Virginia to set up their headquarters, establish

their business and, hopefully, expand the business and grow the local economy. Although the companies are all energy-related, there is some diversification; they are not all coal or natural gas. The R&D Center looks for conventional and alternative technologies—not just those that are “green.” In addition to identifying companies and convincing them to relocate to SW Virginia, the R&D Center also assists with finding funding for the companies that relocate here, as well as a revenue model that makes money for the R&D Center, since it must be self-sustaining and cannot rely upon appropriations—it must pay for itself. Mr. Rogers went on to say that the companies must be investment-worthy, with understandable technology, and market-driven business models and outstanding, talented people—the most critical component. A solid management team, smart, experienced, ethical people that are driven and resilient is absolutely essential. Understandable technologies means that low-tech would be preferable to high-tech.

As previously noted, finding funding for these companies is a primary objective, and he expressed appreciation to the Tobacco Commission’s R&D program for its support.

Mr. Rogers noted the following successful applications:

1. WireTough Cylinders, located in the Washington County Industrial Park, makes fuel tanks for compressed natural gas vehicles that are lighter and stronger and less expensive than existing tanks.
2. OptaFuel, located in the business incubator, converts waste wood, hay and other biomass to pure lignin (a plastic substitute), liquid fuels (i.e., ethanol) and biochemicals.
3. ReNew Fuels, Inc., located at the Tazewell County Landfill, is a landfill gas purification technology that takes methane gas emitted by the landfill, filters out unwanted elements, and injects the end product into the pipeline; effectively generates higher revenue than would an electricity project. The technology can also be used for low-level methane produced by abandoned coal mines.
4. CavitroniX, which has plans to relocate to the Abingdon area, makes a device for increasing the energy efficiency of fuel-oil fired boilers and furnaces that can save about 15% of the fuel oil used. It also reduces the emissions and particulate matter, aiding manufacturers and other businesses in satisfying regulatory requirements.

Pathway to Engineering Report

Jonathan Williams and Logan Jarvis, students in UVA's Engineers PRODUCED in Virginia program, explained how the program works.

Students complete an Associate's Degree in Engineering at any VA community college in the VCCS system and are guaranteed admission with junior standing when continuing on in the program. The remaining two years is completely at a distance, with synchronous and asynchronous online classes; students are able to participate in coursework anywhere that a high-speed connection is available, and at the community college level locally it is a cooperative effort between Mt. Empire, VA Highlands (where the program is anchored) and Wytheville. Some schools in addition to UVA have given community college graduates of the program junior standing; Jonathan said that two recent graduates at the community college level had been given junior standing at Virginia Tech and Eastern Kentucky, respectively.

Logan and Jonathan also had the opportunity to participate in a 12-day study abroad trip to Germany sponsored by the HEC and several local colleges. Both considered it to have been a valuable experience to visit companies with local ties, such as CGI and Stihl. They noted that the group was comprised mainly of STEM students—those with majors in Science, Technology, Engineering and Math.

Through the Higher Ed Center's Internship Virginia program, Jonathan and Logan will both be completing internships with local companies during the summer—Logan with OptaFuel and Jonathan with Reline America, located in Saltville. Interestingly, Reline America, which specializes in relining municipal technology, brought the technology they are using from a company in Germany and, eventually, to SW VA.

Logan introduced Dr. Amelia Harris, Academic Dean at UVA-Wise, who was one of the coordinators of the study abroad program in Germany, and commended her, along with George Hiller, the Center's Director of the International and Internship programs, for a great job.

Dr. Harris deemed the trip to have been very successful, focused on business and international education as well as STEM fields. Twenty-one students (from Virginia Intermont, Emory & Henry, VHCC and SWCC) and eight faculty members participated.

Ron Proffitt thanked Jonathan and Logan, adding that he had been a part of two schools that are partners in the Engineers PRODUCED project—Wytheville and VA Highlands—and, although there have been small numbers in these classes, the students are some of the brightest. Dr. Proffitt noted the program as a great example of what cooperative efforts can accomplish, both between community colleges and the HEC and the University of Virginia, and a great opportunity to make progress for the region.

Executive Director's Report

Dr. Fowlkes expressed gratitude to Guest Services at Heartwood for catering a delicious board lunch. Having already recognized Eddie Sproles' department for making its low target on energy savings, Dr. Fowlkes recognized Joyce Brooks and the Conference Services staff, who exceeded their department's target, and Chris Fields' department, which was on target with the budget. She thanked Kathy Hietala for the board meeting preparations, and acknowledged the assistance of Cody Davenport, a King College student shadowing Dr. Fowlkes and Kathy Hietala as an intern through the Center's Internship Virginia program. She praised the Higher Education Center's hard-working Site Directors for their innovative ideas and dedication to students.

Expanding on the work of Conference Services, Dr. Fowlkes noted:

- Total number of events increased from the previous year.
- Over 70,000 visitors (in addition to students) attended events in the building.
- Higher education events represent the majority of activity at the Center, with the remaining blend comprised of corporate, non-profit, federal, state and local agencies.
- Thirteenth Annual National Trails Conference was held at the Center in May.
- Culinary Arts program continues to grow and improve (236 students, 25 chefs this year).
- College for Older Adults (COA) continues to be largest growing program at the Center (1,013 students registered for the year).
- A testing center has been developed at the HEC, providing convenient access for local residents who need licensure certification or administration of various other tests.

Academically, Dr. Fowlkes reported:

- Most HEC students take 3-6 credit hours—or two courses—per semester, although many take just one.
- Very few students are full-time, because they are adults, with jobs and family responsibilities.
- VCU Nurse Anesthesia students are full-time; the only fulltime program in the building.
- Program delivery is provided by multiple methods: 1) Old Dominion courses are delivered primarily via satellite and online; they are critical to the bottom line with students because they can have one person in the class and the class can go forward, since they are combining numbers from across the country; 2) Virginia Intermont, Emory & Henry, UVa-Wise and, in some cases Virginia Tech, bring faculty to the facility; 3) Online courses are not reflected in the data, because it is challenging for the Center to capture that information.

Dr. Fowlkes called the board's attention to the brochures in their folders from the Center's Graduate Recognition Ceremony held in May.

Dr. Fowlkes recognized Terry Mullins, Kevin Crutchfield, and Rex McCarty whose terms on the board are expiring. She expressed appreciation to them for their service.

Dr. Fowlkes directed the board's attention to Performance Measure 1343 contained in their board folders. She explained that the Governor's Office establishes annually performance measures for all state agencies. For the SWVHEC one of the performance measures is the number of organizations that schedule events in this facility. Dr. Fowlkes noted the different organizations that rely on the Center for professional development, fund raising events, and economic development activities. Alpha Natural Resources, a regular client, has held 125 events, signifying their importance to the Center.

Referring the board members to the College and University section of their folders, Dr. Fowlkes asked them to take time to review those reports, as well as the enrollment report listing degree programs and number of students. She expressed her appreciation to the Site Directors.

In closing, Dr. Fowlkes expressed appreciation to Senator Wampler and other members of the SW delegation for introducing legislation in the

General Assembly to amend the Higher Education Restructuring Act to allow the University of Virginia to serve as the fiscal agent for the SW VA Higher Education Center in specific areas. These include human resources, procurement, and financial management.

At the conclusion of her report, Dr. Fowlkes introduced Jeffrey Mitchell, representing President Greg Jordan of King College, to offer a proposal to the Board.

King College Medical School

Mr. Mitchell updated the Board on the development of the King College School of Medicine. He presented a proposal requesting that the Board of Trustees of the Southwest Virginia Higher Education Center enter into a Memorandum of Understanding with King College to agree to explore a long-term strategic relationship between the two institutions that would include utilization of the Southwest Virginia Higher Education Center by King College.

Closing Remarks

Senator Wampler, who recently announced his decision not to seek reelection and, as a result, whose term of service on the Board of Trustees of the Higher Education Center will conclude at the end of the year, reminisced about the changes and accomplishments the Center has experienced since its inception. He emphasized the critical importance of the partnering institutions and the respective site directors to sustaining the Center's existence, growth and success, and stressed the need for continued strategic planning in order to perpetuate its viability into the future.

Dr. Proffitt expressed his appreciation for the opportunity to assemble with a group such as those in the room to discuss the important topics that had been brought before the Board, saying that it would not have happened in times past. He noted the cooperation and collaborative efforts that take place at the Higher Education Center, and praised those involved for their work and contributions to its success.

Ralph Byers remarked on Senator Wampler's recent announcement, and thanked him for all of his support for the Center, for higher education, health care and many other good things over the years, and told the Senator that he would certainly be missed.

Dr. Proffitt noted the changes taking place at Johnston Memorial Hospital and asked Sean McMurray, the hospital's CEO, if he would like to comment. Mr. McMurray expressed appreciation for community support and said that the new hospital will greatly benefit residents of the region. He said the new facility will open July 16th.

Dr. Proffitt called for a motion to adjourn the meeting. On motion by Marcia Gilliam, seconded by Clo Phillips, and unanimously carried, the meeting was declared adjourned.