

MINUTES  
NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD  
Concord, Kannapolis North Carolina  
September 18-19, 2007

On Tuesday, September 18, 2007, the North Carolina Economic Development Board met at the Embassy Suites Charlotte-Concord. At 1:20 p.m., Chairman Whichard called the meeting to order. He thanked everyone for coming to the meeting and read the Ethics Awareness & Conflict of Interest Reminder.

The meeting started with a tour of Duke Energy's McGuire Facilities, followed by a tour of the North Carolina Research Campus on Tuesday evening. The Board members gathered for a dinner meeting at Restaurant Forty-Six. Following the meeting Secretary Fain thanked host David Murdock of Castle & Cooke. Mr. Murdock welcomed the Board members and guests to Kannapolis and he, along with Lynne Safrit gave an update and briefing on the progress of the North Carolina Research Campus. The meeting was adjourned until the following morning.

At 8:00 a.m. on Wednesday, September 19, 2007, Chairman Whichard called the meeting to order. He thanked Ellen Ruff and Duke Energy for sponsoring the McGuire Facility tour. He also thanked them for providing the meeting room and the refreshments during the meeting. He acknowledged that David Murdock & Lynne Safrit sponsored the tour of the North Carolina Research Campus and the dinner meeting on Tuesday evening.

A motion was made and seconded to approve the minutes of April 4-5, 2007, meeting as presented. The motion carried.

Chairman Whichard said that the primary topic for this meeting is the state's energy policy and its initiatives and impact on economic development. He said there would be some internal board discussions of how this Board will talk about spending time and energy and influence over the last sixteen months of serving on the Economic Development Board. Between now and the next meeting, members should be thinking about some strategic kinds of opportunities before we go into next year's legislative session.

Chairman Whichard welcomed our new members. He introduced and welcomed Representative Larry Hall, Dick Dean, Bill Blair and Lloyd Yates and Donny Hicks. He also acknowledged and thanked the Board members that were reappointed; Bill Daughtridge and Representative Bill Owens.

Secretary Fain welcomed everyone to the meeting and also acknowledged and welcomed all the new members of the Board. He also thanked hosts Ellen Ruff and Duke Energy and David Murdock and Lynne Safrit with Castle & Cooke.

He briefed the Board on Commerce activities and updates. Unemployment rates over the last twelve months stayed around 4.5 – 4.8 percent. Our workforce continues to grow faster than the national average. He talked about a recent brief by Dr. Michael Walden, North Carolina State University, which takes a look at the state's economy during the years 2000-2006 and how it relates to the nation. He noted that between the periods of 2000-2003, North Carolina grew more slowly than other southeastern states. Since that time, the state has accelerated at a much more rapid pace in both the nation and the southeast.

Commerce has activated the new Department web site and Secretary Fain encouraged everyone to visit the site to familiarize themselves with all the information that is available. He reported that the Department is in the process of selecting a vendor for a Client Relationship Management System. This software would not only help serve clients, but also partners that serve the clients throughout the state. He talked about the industry sector teams, revamping the building and sites software and the efforts of staff in working with the High Performance Roadmap. Efforts are being made in refining and bringing North Carolina's business services to all the companies in the state.

The Workforce Commission and Employment and Training have merged to form the Division of Workforce Development. The Division of Community Assistance will celebrate its 50<sup>th</sup> anniversary of service in North Carolina on September 26. In the Tourism Division, the Wine and Grape Council recently received the Mercury Award for Excellence in Niche Marketing for the promotion of our growing wine and grape industry.

Secretary Fain announced the upcoming business development trip to Asia in October. The key part of this trip will be to participate in the Southeast US Japan meeting in Tokyo, which is an annual meeting between the southeastern states and Japan. Every other year, a southeastern state hosts that meeting. It would be a great opportunity to promote North Carolina not only to the Japanese, but to a lot of business people in the southeastern United States. In October 2008, this group will be hosted in Raleigh.

Secretary Fain told the Board that he wanted to identify a manageable number of high-impact initiatives for the Board to focus on for the upcoming legislative short session. Following is some food for thought:

1. Increase Commerce's resources to promote North Carolina as a business location as recommended by the Ticknor Study.
2. Promote the services to businesses that are available in our state. This would help make people aware of what is available and how to access the information.
3. Promote our energy policy (Senate Bill 3) and where do we go from here.
4. Affordable and quality housing is very important to our economic prosperity.

The Secretary recommended Chris Rolfe, Workforce Commission Chair, attend our next Economic Development Board meeting.

In closing, Secretary Fain advised the Board of some personnel changes:

1. Lori Jones, Secretary Fain's associate, is returning to the North Carolina Museum of Natural Sciences.
2. Peter Cunningham, Director of International Trade Division, will be leaving North Carolina to go to New York as Director of International Trade.
3. Don Hobart, Legal Counsel and Legislative Liaison, is leaving to join the Lieutenant Governor's Office as Chief of Staff.

In addition to these announcements, Secretary Fain announced that these folks will surely be missed. He said that he knows no other person that has done more to positively impact economic development in our state than Don Hobart.

He welcomed Stephanie McGarrah back to the Department of Commerce. She is working in the capacity of Assistant Secretary for Policy and Research.

Since some of the board members were not present at the beginning of the Board meeting on September 18, Chairman Whichard reread the Ethics Awareness & Conflict of Interest Reminder.

Chairman Whichard reiterated Secretary Fain's comments regarding Don Hobart and thanked Mr. Hobart for his contributions to economic development and wished him well in his new endeavors at the Lieutenant Governor's Office.

Mr. Hobart thanked the Board for the opportunity to work with them over the past 6 ½ years. He also thanked Secretary Fain and the Department of Commerce.

Mr. Hobart gave the 2007 Legislative Wrap-up on legislative activity relating to the Department of Commerce and economic development.

The 2007 legislative session adjourned on August 2, 2007, after wrapping up negotiations on the budget and a number of economic development bills.

The budget for the coming biennium is generally favorable to the Department of Commerce and economic development, and the Department was successful in getting a number of important bills enacted. On the whole, the session was a successful one.

While several of the Department's budget priorities were not funded directly in the traditional appropriations process, the budget conferees gave the Department flexibility to reallocate \$750,000 in nonrecurring recaptured One North Carolina funds to meet a number of nonrecurring needs that had been left unfunded.

The budget special provisions expanded the JDIG annual dollar cap for calendar year 2007, allowing the Economic Investment Committee an additional \$10 million in capacity to make JDIG awards in 2007.

In addition, the General Assembly extended the QBV tax credit, expanded the sales tax on construction materials to apply to aircraft parts manufacturers, created a special sales exemption for large datacenters, clarified that building inspectors do not have jurisdiction over industrial machinery, and made a number of important technical changes to various tax credit and economic development programs.

Leslie Boney, Associate Vice President for Economic Development Research, Policy, and Planning at The University of North Carolina addressed the Board.

1. Projections that in the next ten years UNC will see an increase of growth in students of about 40-50 percent.
2. UNC received initial funding for significant expansion from the General Assembly for UNC Online.
3. Significant support for the Governor's Learn and Earn program.
4. Received funding for new buildings.
5. Received significant funding for faculty salaries.
6. Funding for Competitive Research Fund.
7. Significant funding for cancer research.

Overall, the UNC System fared well during this past legislative session. The University System will be interacting with the North Carolina Department of Commerce. They will be involved with the N.C. Sector Teams, regional economic development, and how the state moves forward on economic development policies.

Leslie talked about a project that UNC has been actively involved in and that is the National Bio-Agro Defense Facility project. It would bring a tremendous amount of jobs to North Carolina. North Carolina is one of five states being considered.

Willa Dickens, Vice President of Economic and Workforce Development at the N.C. Community College System announced that she replaced Dr. Larry Keen. Ms. Dickens talked about the 2007 session of the General Assembly.

1. They received some increases in their health programs which are the most expensive programs they run.
2. They also received some funding for technology infrastructure.
3. \$550,000 allocation was received in the motorsports industry.
4. In biotech, they will continue to run their bio network; thanks to a high-level of funding that was received initially from Golden Leaf.
5. They received \$6.2 million in retraining money.

She spoke of non-recurring funding for equipment and its importance to the Community College System. The level of funding needs to be increased for the continuing education (non-credit) programs that put people back to work in a hurry. She stated that the need to get the message out that not only are there workforce programs in place, but there are jobs that are not necessarily dirty that pay well and training is in place for them.

Ms. Dickens thanked the Board for all that had been done for the Community College Systems and she looked forward to working more in the future with everyone.

The 2008 Emerging Issues Forum presentation was given by Anita Brown-Graham, Director, Institute for Emerging Issues. Ms. Brown-Graham talked about NC's energy challenges, overall energy trends, transportation trends, historical energy trends, projected peak load demand, NC's new energy economy, opportunities for NC and the Institute's program of work on energy. She also talked about the 2008 Emerging Issues Forum and the topics that will be discussed.

Ellen Ruff, President, Duke Energy Carolinas thanked the Economic Development Board for taking an interest in North Carolina's energy needs and allowing the opportunity for all the presenters to talk about it. She has spent a lot of time with their industrial customers and a lot of time being involved with economic development. She said the nuclear plant is the least expensive for the customers and the most predictable over the life of the plant and has kept Duke's rates more than 20% below the national average. When industrial companies are looking to expand or relocate, they look at the energy rates along with labor and other issues, but energy is usually a significant portion of their cost.

Ms. Ruff noted the focus for the future is not just energy efficiency but what kind of generation do we want in this state and the impact it has on economic development. She talked about Duke's efforts in attaining clean air. Energy companies have an obligation to supply energy at the least cost. Gas plants are the way to go for the next 5-6 years while trying to get Nuclear Plants up. Nuclear Plants are the only carbon-free generation that exists today on a wide scale. It takes 7-10 years to bring nuclear plants on line. She explained why there is a difference in energy rates in North Carolina and South Carolina and the recovery of investment costs. There was much talk about renewable energy and its effects.

Lloyd Yates, President and CEO of Progress Energy Carolinas and one of the newest ED Board members, gave a briefing on the efforts of Progress Energy to meet the growing need for electricity now and for the future. He discussed residential and commercial uses and where a typical home owner's energy is used and suggestions on how to conserve.

Mr. Yates also talked about renewable and alternative energy technology/fuels, the construction of new baseload plants, fuel cost projections, improved environmental controls the Carolinas' clean air efforts and transmission capacity.

Bob Schwentker, General Counsel and COO, North Carolina Association of Electric Cooperatives gave a presentation on "North Carolina Electric Membership Cooperatives" "Live" After Senate Bill 3. There are 27 local distribution electric cooperatives that serve 2.5 million consumers and they serve in 93 of the 100 counties. He talked about future power needs, cooperative provisions, energy efficiency and conservation.

Clay Norris Sr., ElectriCities Vice-President for Planning and Marketing gave a presentation on Strategic Energy Issues. He talked about ElectriCities' services, electric industry trends, rising prices, rising red tape, complexity, volatility and rising response to C02. He explained the opportunities, efficient growth and technology response.

Chairman Whichard asked for any questions from the members regarding any of the previous presentations. After a brief discussion, he talked about the Economic Development Board 2008 agenda. The next administration starts in January 2008, therefore there will be a different agenda. This Board has a limited amount of time left to make a difference in the current administration.

1. Chairman Whichard noted the Board's successes during the six years of service.
2. Substantial progress has been made with the Board's Strategic Plan. A significant impact was made with the incentives toolbox. The legislature came up with the JDIG program and the Board helped participate in the redevelopment of the William S. Lee Act.
3. The Ticknor Study was successful. As a Board, funding was received from Duke Power. Over the last three sessions of the legislature the Board provided some funding in critical areas in the Department of Commerce.

Chairman Whichard asked the Board for their recommendations on identifying projects the Board should focus on for the remainder of the term. He asked for volunteers to meet between now and the November 29-30, 2008 Board meeting to come up with these recommendations. Several members suggested ideas for the Board to consider and there was much conversation about how these ideas/recommendations could be accomplished.

As there was no further business to come before the Board, the meeting was adjourned at 12:15 p.m.