

MINUTES
NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD
Cary, North Carolina
April 4-5, 2007

On Wednesday, April 5, 2007, the North Carolina Economic Development Board met at The Umstead Hotel and Spa in Cary, North Carolina.

Chairman Whichard called the meeting to order at 8:00 A.M.

Chairman Whichard welcomed everyone to the meeting and thanked each one for attending. He thanked Sandy Jordan, Vice President of Economic Development with the Cary Chamber of Commerce and Ken Atkins, Executive Director of Wake County Economic Development for arranging the tour of the SAS and Centennial campuses on Tuesday evening. It was a great afternoon, capped off by a wonderful reception and dinner hosted by Sandy Jordan and Ken Atkins at The Umstead Hotel and Spa. He also thanked Jim and Ann Goodnight for building the fabulous Umstead Hotel.

Jim Davis, Vice President and Chief Marketing Officer of SAS was introduced by Chairman Whichard. Mr. Davis welcomed everyone on behalf of Jim and Ann Goodnight. He said that The Umstead Hotel is a magnificent facility and a strong testament to the economic growth in the area. He also said they are very proud of SAS and its international business growth. While speaking to business leaders that are contemplating making North Carolina home, Mr. Davis suggested pointing to SAS as an example of a company that has thrived here for 30 years. On behalf of SAS, he offered the assistance of himself and the company.

SAS built on about one third of the land available on the campus, but Mr. Davis emphasized there is a lot more land available for growth and they expect to take advantage of that in the very near future. SAS is a pioneer in providing an employee-friendly work environment and has been highlighted on 60 Minutes. For the tenth consecutive year, SAS was named to *Fortune Magazine's* list of the nation's 100 Best Companies to Work For. SAS is the world's largest privately held software company. They have seen revenue growth every year since they were founded in 1976.

Mr. Davis said he would like to see the youth in our state prepared for this new economy by pursuing degrees in Science, Technology, Engineering and Math. Legislation is pending in both the House and Senate that will form the pilot programs to introduce technology in public schools. He said that SAS strongly supports this legislation and thanked Representative Tolson and other members of the legislature that support this initiative. Giving students access to the state-of-the-arts technology is critical to ensure graduates can compete in the 21st Century economy.

Martin Lancaster, President of the Community College System and an Economic Development Board member announced that Erskine Bowles, June Atkinson and he are

working with SAS to develop a cross sector education data warehouse that would allow following a student from pre-kindergarten into the workplace. The data supplied would tell which schools, colleges and teachers did a good job. It will be an incredibly rich accountability tool. There is no other state in the union that has this capability.

A motion was made and seconded to approve the minutes of the January 17, 2007, meeting as presented. The motion carried.

Chairman Whichard called on Secretary Fain for an update of the Department of Commerce activities.

Secretary Fain said that the Umstead has already been a shot-in-the-arm for our economic development recruiting efforts. In the past, we occasionally have been challenged to find the right hotel for our visitors. This hotel has been very accommodating and makes a distinct impression on visitors. It is a great landmark in our area and we are pleased to say that it is a great economic development tool.

Secretary Fain mentioned our collaboration with SAS in developing a brand new economic intelligence tool that will enhance the capabilities of North Carolina's economic developers. He complimented SAS for their involvement and for staying the course for this software development process.

February 2007, North Carolina's unemployment rate was 4.5% - the lowest it has been in a long time. It approaches the 4.4% in January 2001. Using the Payroll Survey, North Carolina since January 2001 has now added 111,000 jobs, overcoming the loss of 195,000 manufacturing jobs. Substantial investments made by the General Assembly, at the urging of the Governor, enabled us to keep moving ahead – even in hard times. We are making good progress in transitioning our economy from low-skilled manufacturing to high-tech jobs.

John Silvia, Chief Economist for Wachovia and Economic Development Board member, commented on Secretary Fain's report and gave a brief overview of the economy in North Carolina. He stressed that we will never finish the job – there will always be a new challenge.

In addition, Secretary Fain talked about the different divisions that make up Commerce and how they are coming together to optimize the efforts to better serve clients and ultimately provide services in a timely and accurate manner. He said that part of Commerce's responsibility is to try to promote productivity in business in North Carolina.

Secretary Fain provided *Forbes Magazine* cover wraps with the themes of *Smart Technology in North Carolina*, *Education Fueling Success in North Carolina*, *The New Knowledge Capitol* and *The Talent Magnet*. It was noted that North Carolina ranks 8th in the nation for in-migration among young, single, college-educated people. North

Carolina became the tenth largest state as of June, 2006 and 74% of our growth for the preceding twelve months was from in-migration.

He also provided copies of the 2007-2009 Economic Development Action Items and the Economic Development Strategic Plan update of the Executive Summary for 2007.

Chairman Whichard introduced Lt. Governor Beverly Perdue. She thanked the Board for their services to North Carolina and to Chairman Whichard for his leadership of the Economic Development Board. She also thanked Secretary Fain for providing great leadership to the Department of Commerce and to the state.

During her Military Foundation presentation, the Lt. Governor thanked the Board for their contribution in helping start the military discussion in 2003. North Carolina has more troops on the ground than any other state in the country. It is an \$18 billion economy. She and Secretary Fain began to understand there was a tremendous potential if we focused differently and concentrated more on the military home land security and defense industry sector separately from the troops on the ground. \$2.69 million came to North Carolina last year in military contracts. The Lt. Governor has encouraged relationship building with officials in Washington with the advice of the members of the Military Foundation, soliciting their help in navigating the system to make North Carolina a potentially large player in the defense industry. "The potential to grow the military facilities in North Carolina is great and with the help of the Economic Development Board and others, the possibilities are endless. We need to build the mechanisms to help move the process along, including airplane service to and from Washington, roads and other infrastructure needs." Lt. Governor Perdue encourages the Economic Development Board to support these efforts in order to make this a possibility for North Carolina.

Chairman Whichard asked the Lt. Governor to get specifics from the Military Foundation to the Board that state how the Board or individual members can help move this process forward. Lt. Governor Perdue advised Chairman Whichard to let folks know about the Military Business Center when he is visiting the local communities. They have a good training program that helps small businesses get contracts. She also recommended that the Board invite the Military leadership to be part of a meeting in the future.

Chairman Whichard introduced Don Hobart, the Department of Commerce's Legislative Liaison and Legal Counsel. Mr. Hobart made a presentation on the 2007 Legislative Updates. He passed out a current draft of the Department of Commerce's 2007 Legislative Agenda, a chart of legislation that relates to economic development prepared by Michael Haley of Policy and Research Division, and materials on the Status of the Ticknor Study Funding initiatives.

Mr. Hobart talked about the 2007 Long Session of the General Assembly. He named the members of the Finance Committee. On the House side, members with whom

the Department of Commerce work closely are Representatives Gibson, Luebke and Wainwright.

He reported the Economic Development Oversight Committee has not been appointed.

Mr. Hobart talked about the Joint Select Committee on Economic Development Incentives. This committee has been appointed. Senators Foriest and Hoyle are the chairs on the Senate side: On the House side are Representatives Owens and Weiss. The committee will review:

- How incentives are used in North Carolina and in other states, by both state and local governments, to attract new business.
- The cost of incentives and their effectiveness in promoting economic development.
- Ways to ensure that lawmakers have adequate information about potential projects when considering legislation and when tracking long-term use of incentives.
- Whether “claw back” provisions in various incentive programs sufficiently protect North Carolina’s investments in economic development.

This committee will be expected to produce recommendations, but Mr. Hobart stated that they most likely will be considered in next year’s legislative session.

Chairman Whichard asked if the Board should proactively develop some presentation that provides some underpinning for those programs. Mr. Hobart said at this point we don’t know what the committee will ultimately ask for or what form their work is going to take. It will be great to have the Board in a position to address the committee on the background behind particular incentive programs. There was much discussion on how the Board could make a contribution to this effort.

Mr. Hobart discussed the Status of Funding for Ticknor Report Proposals. He gave a detailed description of where we now stand with all the recommendations from the Ticknor study to include funding that is now needed.

Mr. Hobart thoroughly discussed the 2007 General Assembly Long Session Bill Tracking Report. He distributed a document that listed the bills, gave a summary of each, and named the sponsor and action history for each.

There was general discussion among the members regarding the status of other bills and legislation and the effects they would have on economic development. They also discussed a proposal for inspection of industrial equipment.

Secretary Fain announced to the Board that Chris Beacham has resigned from the Department of Commerce. He is going to work with a consulting firm in Carrboro. “Chris has done a great job in supporting the efforts of the Economic Development Board.”

He also announced Aaron Syrett as Commerce's new Director of the North Carolina Film Office.

Secretary Fain gave an update and discussed activities for each division within Commerce. He also thanked the Commerce staff for their efforts in making North Carolina a great place to live and do business.

Chairman Whichard introduced Libby Smith, Economic Development Board Staff Director, to present the 2007 Economic Development Strategic Plan Update. Ms. Smith explained that the 2007 Strategic Plan Crosswalk is on our website. It shows what is in the Strategic Plan and the status of the action steps. This details the executive summary progress steps that have taken place over the last year. She thanked the persons that served on the Interagency Development Groups for their assistance with this project. She also thanked Commerce staff Sara Nienow and Michael Haley for their assistance with the action steps report. Ms. Smith explained the report in detail, pointing out each goal and the progress that has been made and the in-process action steps being taken. When the plan is approved by the Board, it will be posted on our Economic Development Board website.

A motion was made and seconded to adopt and post the Executive Summary as the 2007 Update of the Economic Development Strategic Plan. The motion carried.

Chairman Whichard said that Ellen Ruff, Economic Development Board member requested some time at the next Board meeting to talk to the members about energy policy and needs in North Carolina.

Ms. Smith introduced Michael Haley with the Commerce Policy and Research Division. Mr. Haley explained the 2007-2009 Economic Development Action Items document. The report serves as a "laundry list" of actionable, manageable agency initiatives that are aligned with and in support of the North Carolina Economic Development Strategic Plan.

Mr. Haley asked the Board members to please review the list and come back with not only the 10 most important items, but the ones that the Board could put their weight behind. They were asked to send their recommendations to Libby Smith. Ms. Smith stated that there will be more items added based upon the discussions at this meeting. She will be emailing the revised list to each Board member, listing the Top 10 Action Steps along with the marching orders for getting them accomplished within the next two years.

Chairman Whichard announced that the next Economic Development meeting is scheduled for September 18-19, 2007. We have some folks that would like to host us but at this time we do not have a location set. Economic Development partners that want to make the Board aware of their activities have shown an interest in meeting with the Board. A significant part of our next meeting could be dedicated to this kind of

presentation. He encouraged folks to contact anyone that might be interested in meeting with the Board and he would attempt to get them on the agenda for the next meeting.

Ronnie Goswick announced that he would be stepping down as President of NCEDA and Donny Hicks will be coming on board.

Being there was no further business, the meeting adjourned at 11:45 a.m.