

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
January 29, 2020 1:45 p.m.
901 East Cary Street
One James Center, 9th Floor – Board Room
Richmond, Virginia

Call to Order

The meeting was called to order at 1:45 p.m. by Chair Bill Hayter, who noted that a quorum was present.

Committee Members Present: Bill Hayter, Rick Harrell, and Secretary Brian Ball

Committee Members Absent: April Kees and Secretary Aubrey Layne

Ex-Officio Committee Member Present: Ned Masee

VEDP staff present: Peyton Annoni, Lindsay Barker, Christine Bell, Melissa Cox, Nicole David, Jason El Koubi, Kim Ellett, Stephanie Florie, Bob Grenell, Mike Grundmann, Sandi McNinch, Stephen Moret, Johan Salén, and Tim Stuller

Guests present: Ryan Carter, Carrie Chenery, Dan Clemente, Heather Engel, Deborah Flippo, Chris Kalafatis, Samantha Martin, Vince Mastracco, Martha Mavredes, Diana Munoz-Scaggs, Cassidy Rasnick, John Reinhart, Xavier Richardson, Randy Sherrod, and Turner Widgen

Public Comment Period

Chair Hayter asked for public comments. There were none.

Approval of Minutes

Chair Hayter asked for approval of the minutes from the October 23, 2019 meeting. A motion was made by Mr. Harrell and seconded by Secretary Ball and the minutes were unanimously approved as presented.

FY19 Fiscal Audit Update

Chair Hayter introduced Ms. Mavredes, Auditor of Public Accounts, to share the FY19 fiscal audit report.

Ms. Mavredes said that the auditors have issued an unmodified opinion on VEDP's financial statements for the year ended June 30, 2019, and that there were no findings that needed to be brought to the Board's attention. Ms. Mavredes reported that there were no difficulties during the audit or disagreements with management and that the fiscal team was very cooperative.

Mr. Harrell made a motion to accept the audit report and send it to the full Board for approval. Secretary Ball seconded the motion and the motion carried.

Briefing on Governor's Proposed VEDP 20-22 Biennium Budget

Mr. Moret reviewed the status of the budget items impacting VEDP, as the budget winds its way through the General Assembly.

VEDP Financial Results for the Six Months Ended December 31, 2019

Chair Hayter introduced Mr. El Koubi to report on VEDP's financial results for the six months ended December 31, 2019.

Mr. El Koubi shared the report, which showed that all divisions were within budget for the first 6 months of the fiscal year. He explained that the Virginia Talent Accelerator Program continues to hire staff and that the rate of spending will be increasing through the end of the year. He said that the market-facing divisions (International Trade, Business Investment, and Marketing and Communications) increased their spending rate in the second quarter and continue to be under budget (40% combined).

Mr. El Koubi said that Projects, Pass Thru's and Grants are slightly ahead of budget (54%) through the first six months of the fiscal year. VEDP expects to pay approximately \$1.1 million in awarded Brownfield Grants and \$1.7 million to CCAM for operations and grants in the last six months of the fiscal year.

Chair Hayter asked if Brownfield Grants are in the Grants line of the budget. Mr. Grenell answered that it is and is \$2.2 million total. VEDP has paid half of that (\$1.1 million) through December 31, 2019.

Closed Meeting:

Upon the following motion made by Mr. Hayter, seconded by Mr. Harrell, and unanimously approved by the Committee, the Committee moved into a closed meeting.

I MOVE THAT THE FINANCE AND AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY CONVENE A CLOSED MEETING PURSUANT TO VIRGINIA CODE SECTION 2.2-3711(A)(8) TO ENGAGE IN A CONSULTATION WITH LEGAL COUNSEL EMPLOYED OR RETAINED BY VEDP REGARDING SPECIFIC LEGAL MATTERS REQUIRING THE PROVISION OF LEGAL ADVICE BY SUCH COUNSEL, INCLUDING VEDP HIRING PRACTICES.

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

WHEREAS, THE FINANCE AND AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY HAS CONVENED 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 ACT REQUIRES A CERTIFICATION BY THIS COMMITTEE THAT SUCH CLOSED MEETING WAS CONDUCTED IN CONFORMITY WITH THE ACT;

NOW, THEREFORE, BE IT RESOLVED, THAT THE COMMITTEE 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 COMMITTEE.

Upon the vote:	Mr. Hayter	Aye
	Mr. Harrell	Aye
	Secretary Ball	Absent for the vote

To enhance the viewpoints available to the Committee, Mr. Masee appointed Ms. Flippo and Mr. Richardson to the Committee, to serve through the end of the meeting.

Internal Audit Report

Chair Hayter introduced Chris Kalafatis with Dixon Hughes Goodman LLP (DHG) to present the Human Resources division audit report.

Mr. Kalafatis stated that VEDP has done a great job overall on addressing the Joint Legislative Audit and Review Commission (JLARC) recommendations. Mr. Kalafatis introduced Mr. Sherrod to discuss the eight findings that are included in the report. Mr. Kalafatis added that the root cause of the findings is the lack of sufficient staffing in the division.

Mr. Sherrod thanked Ms. Cox and her team for their cooperation. He shared that of the eight findings outlined in the report, two are considered high findings and six are considered medium level findings. Mr. Sherrod reviewed each of the findings and DHG's recommendation(s) for

addressing them. He explained that VEDP has concurred with each of the recommendations and has committed to developing and implementing an action plan by June 30, 2020. He added that it may take a few additional months for DHG to verify that the new processes are working.

Mr. Richardson made a motion to accept the report and send to the full Board for final approval. Mr. Harrell seconded the motion and the motion was approved.

Semi-annual Reports on Incentive Performance

Chair Hayter introduced Mr. Salén to present the semi-annual reports on incentive performance.

Mr. Salén reviewed the reports, stating that there are not a lot of notable updates. He explained that the team still struggles to get information and clawbacks on projects prior to 2016, but that for more recent projects with post-performance grants, targets are more consistently being met.

Mr. Salén said that seven clawback cases have been referred to the Office of the Attorney General as of December 31, 2019, with two of seven, Axon Ghost and Telos, being referred since the last report to the Committee. Mr. Salén said that he anticipates there will be less clawback cases being referred to the Office of the Attorney General in the future due to grants being paid post performance.

Mr. Richardson made a motion to accept the report and send to the full Board for final approval. Mr. Harrell seconded the motion and the motion was approved.

Extension Requests

Mr. Salén presented 5 extension requests for the Committee's consideration.

TeleTech Services Corporation has requested a first extension for 15 months. The company has not yet met its employment and investment targets. They feel with the extra time they can meet their investment target, but they could still be under on jobs. Mr. Salén explained that if they do not meet the investment target, repayment of the entire grant will be expected.

Solid Stone Fabrics has requested a first extension for 15 months. The company has not yet met its employment and investment targets. They have recently partnered with Williams Sonoma and all divisions of Pottery Barn and they believe that the new business will help them reach their targets.

Mr. Clemente asked if VEDP verifies information like the Williams Sonoma partnership. Mr. Salén answered that VEDP relies on the locality for this confirmation.

Constellation Brands/Ballast Point/Home Brew Mart has requested a first extension of 15 months to meet its employment and investment targets. Mr. Salén provided an update to the summary provided, stating that VEDP's Project Review and Credit Committee (PRACC) approved the extension request at their meeting on January 28, 2020.

Ms. Chenery asked if VEDP is setting new rules for when these extension requests are being accepted and if VEDP is asking that they be submitted prior to the performance date.

Mr. Salén answered that VEDP has put in controls to follow up with companies three months out and two weeks prior to their performance dates.

Ms. Ellett added that we highly encourage companies to submit extension requests before the performance date, but they do not always comply.

Mr. Mastracco said that it seems like the localities need to be involved in the reminders, too. Mr. Salén said that the localities are included on the reminders to the companies.

Continental Automotive Systems has requested a first extension request of six months to meet their employment target. They have already achieved their investment metric. The grant for this project was made prior to the inception of performance milestones; thus, the company has already received the funds.

Hardide Coatings has requested a second extension of 15 months to meet its employment and investment targets. Mr. Salén stated that the company is falling short on jobs, but that they are projecting to be above the statutory minimum of 15 jobs before the end of 2020.

Mr. Harrell made a motion to recommend approval of the extension requests to the full Board. Mr. Richardson seconded the motion and the motion was approved.

Proposed Consolidated Incentives-Related Policies and Procedural Guidelines

Mr. Salén provided background on the idea of consolidating VEDP's incentive-related policies and procedural guidelines. He explained that VEDP would like to consolidate 10 documents into one single document with a table of contents and an opening section that includes the purpose of the document and guiding principles. This consolidated document would be 62 pages, instead of over 90 with the current format.

Chair Hayter added that DHG will be auditing this document as part of their JLARC recommendations audit.

Mr. Moret said that consolidating these documents has been an aspiration of VEDP for a while and he is pleased with the proposal.

Mr. Harrell made a motion to recommend approval to the full Board of consolidating the incentives-related policies and procedural guidelines. Mr. Richardson seconded the motion and the motion was approved.

Clawback Updates and AG Referrals

Mr. Salén stated that there have been no proposed new referrals of clawback cases to the Office of the Attorney General.

Mr. Salén reported that over \$2 million in clawbacks have been received since October 24, 2019.

Other Topics, Adjournment, and Next Meeting

Mr. Reinhart asked if VEDP was preparing for the new investment rules in Governmental Accounting Standards Board (GASB) 31.

Mr. Sherrod answered that DHG has written a knowledge share document, so they feel they can help with navigating this new reporting.

The next meeting of the Finance and Audit Committee will be held on March 18, 2020 at VEDP in Richmond, VA, exact time to be determined.

There being no further business, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,

Nicole David

Acting Recording Secretary