



VERMONT ECONOMIC PROGRESS COUNCIL MEETING MINUTES
MAY 26, 2016 AT 10:00 A.M.
VERMONT ECONOMIC DEVELOPMENT AUTHORITY (VEDA)
60 MAIN STREET, BURLINGTON, VT
BOARD ROOM, 2ND FLOOR

Members Present: Chair Stephan Morse; Michael Keane; Betsy Gentile; Kevin Mullin; Tim Briglin; Rachel Smith; and John Davis

Members Present by Phone: None

Members Absent: Warren Kitzmiller; Mary Lintermann; Shawn Straffin; and Emma Marvin

Staff Present: Fred Kenney and Kimberly Baker

Others Present: Agency of Commerce and Community Development: Patricia Moulton, Secretary; Melissa Prindiville, Geospatial and Data Systems Lead; Ken Jones, Economist; and Joan Goldstein, Economic Development Commissioner; Representative Jean O'Sullivan; Greater Burlington Industrial Corporation: Frank Cioffi, President; Curt Carter, Vice President; and Seth Bowden, Director of Business Development; Autumn Harp: David Logan, Chairman, and Hillary Burrows, Vice President Finance.

10:03 a.m. Roll Call and Agenda Review

Chair Stephan Morse called the meeting to order and requested a roll call. Members present are noted above.

Chair Stephan Morse inquired as to any additions or deletions to the Agenda, hearing none, moved to the next Agenda item.

10:04 a.m. Public Comment

Chair Stephan Morse inquired as to any members of the public present to provide public comment or announcements, hearing none, moved to the next Agenda item.

10:04 a.m. Minutes – May 5, 2016

Chair Stephan Morse inquired as to any corrections or changes to the draft meeting minutes for May 5, 2016. Hearing none, requested a motion.

- ❖ At 10:05 am Michael Keane moved to accept the May 5, 2016, meeting minutes as presented. Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.
 - ◆ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
 - ◆ Nay: None
 - ◆ Abstain: None

10:08 a.m. Sharepoint Update

Chair Stephan Morse welcomed Melissa Prindiville to the meeting. Fred Kenney noted that this Sharepoint is where Board meeting documents are securely shared and is separate from the Intelligrants system. Melissa Prindiville walked through the upgrades noting the following:

New URL: <https://vermontgov.sharepoint.com/sites/ACCD/Programs/vepc/>

User name: firstname.lastname@partner.vermont.gov

Password: Same as before

Board members have had Alerts establish so that you will receive an email when items are added/deleted/updated on the site.

The Department of Information and Innovation (DII) will notify users, on a 90-day cycle, that passwords must be changed.

The final migration will be on June 5, 2016, and Board meeting documents will be posted on the new site for the June 23, 2016, meeting.

Chair Stephan Morse thanked Melissa Prindiville and Melissa departed the meeting at 10:16 a.m.

10:19 a.m. Frank Cioffi, Curt Carter, Seth Bowden, Hillary Burrows, and David Logan joined the meeting.

10:20 a.m. Chittenden County Update - Greater Burlington Industrial Corporation (GBIC)

Chair Stephan Morse welcomed the guests and completed introductions.

Frank Cioffi provided a quick update and then departed at 10:23 a.m. along with Hillary Burrows and David Logan.

Seth Bowden provided a brief overview stating GBIC typically focuses on value-add companies in their region, as large as Global Foundries down to Whitetail Manufacturing. Companies that add value to a good product or service, exporting it outside of Vermont and hiring Vermonters.

Seth Bowden reviewed Chittenden's demographics. Chittenden produces 33-36 % of Vermont's income tax. Some of the complex and concerning trends include the total population change to 2014 in Chittenden is at 9.5% and for the state as a whole it is 2.9%. For the US, the period of growth that was lower than 9.5% was in 1930. Chittenden County is growing but still lags the national average growth. This becomes an issue when discussing aging out of the workforce and who will be entering the workforce. The under-30 age group is artificiality inflated with the number of colleges and universities in the area.

Chair Stephan Morse stated this Board receives the majority of VEGI applications from Chittenden County. How can this program be broadened, better distributing some of the economic growth in this state?

10:28 am Joan Goldstein joined the meeting.

Curt Carter responded stating Chittenden is unique because there is an airport, easy access to the interstate, good sewer and water, natural gas, colleges and universities, a younger population and have a higher level of education, and Lake Champlain. All these attributes create a climate for business growth.

Curt Carter continued noting there are two big challenges: housing and workforce. Growing businesses can attract talented people, but without housing they do not accept the positions. A recent statistic is that 55% of renters pay more than 30% of their income towards their housing.

Curt continued stating GBIC is focusing a lot of time on workforce development. Assisting Commissioner Goldstein on a workforce needs survey being conducted by Economic Development. Businesses have a wide range of approaches to developing their workforce which in turn creates challenges in assisting in meeting their needs. GBIC continues to work closely with businesses on workforce development.

Kevin Mullin stated that when the Senate Economic Development Committee toured Global Foundries, they discovered that the number one workforce development issue is that they have qualified people to work but these people did not have the English language skills necessary. What is GBIC doing to address this issue?

Joan Goldstein responded that this is an emerging theme impacting many businesses in the area. Discussions have occurred to provide English as a second language on premises for technical language such as safety instructions. There are two problems, one being the incumbent employee and the other is trying to find a way to certify pre-employment. Kevin Mullin inquired as to the barriers. Joan Goldstein stated awareness and coordination. Curt Carter noted that there is a lag between learning about individual company needs, addressing the need, and getting a response in place.

Chair Stephan Morse inquired as to suggestions to grow economic development statewide and do the Regional Development Corporations (RDC) discuss, from a policy point of view? Curt Carter responded stating the RDCs meet monthly and have good exchange but find that Chittenden is a very different environment from other areas of the State.

Ken Jones stated that the census bureau came out with a study looking at the recovery from the recession. The report stated that somewhere between 70-80% of the counties in the country have not recovered from the recession in terms of the number of jobs. Where the growth is taking place is entirely around the metropolitan areas. In the 20th Century there was some urban flight, some movement out of the urban areas which allowed for economic growth to happen. We are now seeing the rebound with a lot of urban redevelopment has focused people back to metropolitan areas. It has become harder across the country, outside of metropolitan areas, to encourage growth. A large portion of the country has not seen job recovery since the recession. Tim Briglin noted that these are observations which do not answer the questions, why. Ken Jones stated the implication is that part of the reason is that millennials are now much more attracted to urban areas because the urban areas have revitalized since the 70s-80s when those urban areas became blighted. This reinforces the natural trend of more economical activity in more densely populated areas.

Joan Goldstein noted that the changes in the VEGI incentive has shown over the last year that there are many more applications from around the State.

Frank Cioffi noted that growth will happen where growth is welcome. If we cannot place a company in Chittenden County, we will place wherever we can find a spot. We sell Vermont.

Chair Stephan Morse thanked GBIC for their presentation and the great discussion.

10:56 a.m. VEGI Applications:

- Autumn Harp, Essex (Final)
- Keurig Green Mountain (Acquisition)
- Britton Lumber (Rescission)

- ❖ At 10:56 a.m. Michael Keane moved to enter into **Executive Session** to discuss VEGI applications, citing 1 VSA, §313(a)(6). Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.
 - ♦ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
 - ♦ Nay: None
 - ♦ Abstain: None

- ❖ At 11:42 a.m. Michael Keane moved to exit executive session. Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.
 - ◆ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
 - ◆ Nay: None
 - ◆ Abstain: None

- ❖ At 11:44 a.m. Betsy Gentile moved to approve the Final application from **Autumn Harp** of Essex, giving final authorization of VEGI incentives of up to \$570,225 with an estimated incentive of \$540,692, based on application data, for activity to commence in calendar year 2016, citing a determination that the applicant met the But For, met or exceeded program guidelines, and generates an estimated net revenue return of \$525,444. Michael Keane seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.
 - ◆ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
 - ◆ Nay: None
 - ◆ Abstain: None

- ❖ At 11:45 a.m. Michael Keane moved to enter into **Executive Session** to discuss VEGI applications, citing 1 VSA, §313(a)(6). Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.
 - ◆ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
 - ◆ Nay: None
 - ◆ Abstain: None

- ❖ At 11:48 a.m. Michael Keane moved to exit executive session. Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.
 - ◆ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
 - ◆ Nay: None
 - ◆ Abstain: None

- ❖ At 11:48 a.m. Michael Keane moved to reconfirm and maintain the authorizations of VEGI incentives for **Keurig Green Mountain, Inc.** as approved in October 2007, December 2009, December 2011, and April 2014, subject to annual review of VEGI claims by the Vermont

Department of Taxes and any appropriate action by the Department or VEPC, in accordance with statute. Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.

- ♦ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
- ♦ Nay: None
- ♦ Abstain: None

❖ At 11:49 a.m. Tim Briglin moved to rescind the initial approval for **Britton Lumber Company, Inc./Britton Lumber Services, LLC** on December 3, 2015. Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.

- ♦ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
- ♦ Nay: None
- ♦ Abstain: None

At 11:50 a.m. the Board took a break and returned at 12:16 a.m.

12:17 a.m. Working Lunch: VEGI “Re-Write”

Chair Stephan Morse noted that Representative Jean O’Sullivan has been invited to provide an overview and will be joining the meeting shortly.

Chair Stephan Morse moved to the next Agenda item until Representative O’Sullivan arrives.

12:20 a.m. Implementation of H.868:

- VEGI Policy Review
- VEGI Technical Working Group
- VEGI Mandatory Criteria and VEGI Application Changes

Fred Kenney stated the initial request to legislature was to address the program sunset of July 1, 2017. The House Commerce committee decided to do a re-write of the whole program with the intention of making it in “plain language” so people could better understand it, without changing the program. As the re-write progressed through the four committees, there was an in-depth look at the program. Through this process there were some changes made to the program including the sunset. Program changes will go into effect January 1, 2017. Additionally, there are two reports due to the Legislature which could have the potential for additional changes to the program in 2017.

Fred Kenney continued that VEPC has been tasked with reviewing eight policy questions and will report back to the Legislature by January 15, 2017. As a reminder, VEPC includes the board members, staff, the Regional Development Corporations (RDC) and the Regional Planning Commissions (RPC).

Chair Stephan Morse recommended establishing Council subcommittees, which would include RDC directors, with a VEPC Board member chairing each subcommittee. Fred Kenney stated that the statute requiring the policy review gave VEPC the authority to establish subcommittees. The subcommittees can perform work outside of the regular meeting schedule and report their progress back to the full Council. VEPC also has the authority to utilize expertise from the Agency of Commerce, Department of Labor, and the Department of Taxes as needed. Michael Keane inquired as to funding for this mandate. Fred Kenney replied that there is no funding attached to this mandate for experts or other expenditures, but Board members will receive mileage and per diem for meetings attended.

At 12:25 p.m. Secretary Patricia Moulton joined the meeting.

Tim Briglin stated that some of the questions show a lack of depth of understanding of the program. Fred Kenney stressed the importance of addressing that issue in the report back to the legislature and bringing in people who have alternate views of the program or issue. It is important to be as objective as possible on each issue, present varying points of view, present the alternatives and indicating the one VEPC and the Administration support.

Fred Kenney also outlined the requirement in H. 868 for the Joint Fiscal Committee to establish and convene a VEGI Technical Working Group to review technical issues. Fred outlined the areas where the TWG and the Policy Reviews may overlap.

Michael Keane inquired as to who will be on the technical working group. Fred Kenney stated there will be someone assigned by the Joint Fiscal Committee, Ken Jones, a designee from the Department of Labor, and a designee from the Tax Department. This committee will be looking at technical issues and operates through consensus.

Fred Kenney reviewed the draft timeline for VEPC to accomplish the Policy Review work, noting that final Board approval of the report should take place no later than December 8, 2016 for submission to Legislature in January.

At 12:38 a.m. Representative Jean O'Sullivan joined the meeting and the Board returned to the VEGI "Re-Write" agenda item.

Chair Stephan Morse welcomed Representative O'Sullivan to the meeting and completed introductions. Representative O'Sullivan apologized for being late.

Representative O'Sullivan stated the rewrite was the outcome of a conversation two years ago because of her interest in changes to VEGI in favor of small business. Upon reviewing the statute, it became clear that the VEGI language was actually superimposed over the previous EATI program. The first step was to re-write the program into plain English, with the intention to not make any changes to how the program operates. The program is 10 years out and a brilliant program. In the re-write and getting new language in, added in the policy group and the technical group to really dive into the underlying financial concepts of the program and whether they work.

Representative O'Sullivan continued stating it is her belief that small businesses, 10-20 people, are the largest per capita growth industry in employment that is in Vermont. One expectation of the policy review group is to obtain a fundamental understanding of where the growth is over the state and are we getting the best return on our investments for this program. We have a roughly a 2 percent job growth in this State and we are losing population. So we need to build our population and retain our population and the way to do that is good jobs and good housing. VEGI is a brilliant program that's run wonderfully for years. We know that the jobs we are growing with VEGI are middle class jobs with benefits and people can building a family on the jobs we create with this program.

Representative O'Sullivan stated that we should move away from the "But For" clause and incentivize growth, good growth and we have defined what constitutes good growth.

Chair Stephan Morse stated there have been many conversation regarding the "But For" and the chances of having the clause removed by Legislature is remote. Representative O'Sullivan stated that if there is a better alternative, then it would be worth bringing it to the Legislature. Secretary Moulton stated that this would have to be a policy discussion at the Legislature. Representative O'Sullivan stated we know that when small businesses are grown here, they stay here. Chair Stephan Morse stated that one of the ways you read the changes is that Legislature is questioning this Council and how it has proceeded in the last few years. Representative O'Sullivan stated that was not the intent and that this Council has the in-depth knowledge to really make the right decision.

Chair Stephan Morse inquired as to any further discussion, there being none, thanked Representative O'Sullivan for all of her travels today. Secretary Moulton thanked Representative O' Sullivan for being a champion of VEGI.

At 12:51 p.m. Representative O'Sullivan departed the meeting. Chair Stephan Morse returned to the "VEGI Policy Review."

Fred Kenney reviewed the eight policy issues assigned to VEPC.

- ❖ The Board came to consensus to establish two committees: one addressing Policy issues 1, 2, 3, and 8; and one addressing policy issues number 4, 5, 6, and 7. No later than June 3, 2016, Board members will identify which committee they will participate on and identify if they would like to take a leadership role. Fred Kenney will contact the RDCs to recruit RDC directors to participate and will coordinate the meetings and details.

Fred Kenney provided an overview of the Technical Working Group stating there are four items this group will be reviewing:

1. whether the cost benefit model is effectively utilized;
2. whether the inputs to the cost benefit model should be adjusted for those applicants who assert that the But For the incentive the scale or timing of the project would change;
3. whether the Program can integrate the use of business specific background growth rates in addition to, or in place of industry-specific background growth rates, and if industry-specific

background growth rates are recommended, a methodology to review, calculate, and set those rates routinely; and

4. whether differential rates in annual average wages or annual average unemployment, defined by labor market area, are appropriate triggers for an incentive enhancement for projects located in, or lower wage threshold for jobs created in, qualifying labor market areas, and whether the margins of error in annual labor market area wage and unemployment rates are within an acceptable range of tolerance for this use.

Betsy Gentile inquired as to the members of the Technical Working Group. Fred Kenney responded: Ken Jones, Agency of Commerce and Community Development Economic Research Analyst; Tom Kavet, Joint Fiscal Committee Economist or another designee by JFO; a fiscal analyst from the Department of Taxes, and the economic and labor market information chief from the Department of Labor.

Fred Kenney reviewed the changes to the VEGI program.

1. Elimination of education property tax stabilization as incentive.
2. Paid sick days struck from the list of eligible benefits.
3. Explicit statement in statute that VEGI will be treated as a Tax Expenditure.
4. VEGI moved in statute to new sections in Chapter 105 of Title 32, which sunsets January 1, 2021.
5. Program purpose statement in statute.
6. Changes to the cap structure for overall program cap and LMA Enhancement.
7. Elimination of the VEGI Program Guidelines and requirement for Council to have a "Finding" on five mandatory requirements.

Fred Kenney continued that these changes are effective January 1, 2017. All of the changes will require updates to program materials and some external education. Changes 1-5 are minor or do not impact the program for external entities. Change #6 is major, but is more of an internal issue. Change #7 will require the most effort and will require major changes to the next version of the online VEGI application, which must be available by September 2016 for 2017 applications. The changes will result in a much shorter application

Fred Kenney noted that we will need to make major changes to the 2017 VEGI application and instructions. The change in law completely eliminates the concept of Program Guidelines, but some of the Guidelines become mandatory. This will mean a substantial reduction in the number of forms and the amount of information required by the VEGI application, in the amount of staff research required, and the length of the staff write-up for each application.

Fred Kenney inquired as to the Board wishes regarding the information received in the staff write-up with regards to VEGI applications.

- ❖ The Board came to consensus that the information currently provided is sufficient and no additional information is required to meet the new mandatory criteria at this time.

Chair Stephan Morse recognized Fred Kenney, Deputy Secretary Lucy Leriche and Secretary Patricia Moulton for the dedication and diligence during this Legislative session.

Chair Stephan Morse noted that the next meeting is scheduled for June 23, 2016.

Chair Stephan Morse inquired as any other business, there being none requested a motion to adjourn.

- ❖ At 1:45 p.m Michael Keane moved to adjourn the meeting. Betsy Gentile seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 7-0-0.
 - ♦ Aye: Chair Stephan Morse, Michael Keane, Rachel Smith, Betsy Gentile, John Davis, Tim Briglin, and Kevin Mullin
 - ♦ Nay: None
 - ♦ Abstain: None

Minutes taken by Kimberly Baker: June 7, 2016

Revised by Fred Kenney: June 13, 2016

Approved by the Board: June 23, 2016