

Board of Directors Annual Meeting Minutes
Virginia National Defense Industrial Authority

Virginia Economic Development Partnership
20th Floor Presentation Room
901 East Byrd Street
Richmond, Virginia 23219
January 17, 2007

The Honorable Joe R. Reeder, Chairman, called the meeting to order at 9:45 a.m. and welcomed all of the Authority Board members, staff, and guests in attendance.

Other Authority Board members present:

Gen. John N. Abrams, USA, (Ret.)	The Honorable John W. Knapp, Sr.
Mr. John B. Adams, Jr.	Dr. Roseann O'Reilly Runte
Mr. G. William Beale	Mr. Cord A. Sterling
Ms. Reta R. Busher	Mr. Kurt H. Tripp
Rear Adm. Robert R. Fountain, Jr. USN, (Ret.)	Mr. William L. Welch

Board Members Absent:

Mr. Mark D. Betts
Gen. Richard E. Hawley, USAF, (Ret.)
Mr. Alfred M Jacocks, Jr.
Adm. Donald L. Pilling, USN, (Ret.)

Chairman Reeder presented the September 13, 2006 meeting minutes for approval. There were no changes or additions noted. Chairman Reeder called for a motion to approve the minutes. Dr. Runte made a motion to approve the minutes. Gen. Knapp seconded and the minutes were approved by unanimous voice vote.

Chairman Reeder announced the appointment of two new members to the Board. Admiral Donald L. Pilling, USN, (Ret.) was appointed in late September to succeed Admiral Paul Reason. Admiral Pilling served as the Navy's Chief Financial Officer and now is President/CEO of LMI Government Consulting. Admiral Pilling could not be present at today's meeting due to illness. Secondly, General Richard E. Hawley, USAF, (Ret.), was appointed in October to succeed David B. Ashe. Gen. Hawley served as a member of the Virginia Commission on Military Bases during the Warner administration. Gen. Hawley retired as the Air Force Component Commander to Atlantic Command (now Joint Forces Command) and is now an independent consultant, and will join the Authority meeting in April.

Chairman Reeder announced the resignation of Stuart Heaton, who is relocating to Maryland with a new job assignment. His Authority seat is appointed by the Speaker of the House of Delegates, and efforts are underway to fill this vacancy.

Chairman Reeder then introduced Governor Tim Kaine to the Authority Board members. In doing so, Chairman Reeder emphasized Governor Kaine's interest and work on military affairs matters during the BRAC process even in the face of some unpopular federal decisions. He reminded the members of Governor Kaine's work as an active member of the Virginia Commission on Military Bases during his tenure as Lieutenant Governor.

Governor Kaine began by thanking the members for their public service while serving on this Authority. He is always very proud of Virginia citizens who time and again step up to serve the Commonwealth's interest without personal gain.

The Governor then observed that other states such as Florida used the BRAC process as an economic development opportunity, urging that Virginia consider this in our preparation processes for the next BRAC round. In fact, one of the purposes of this Authority is to be proactive in nature and not be relegated to a defensive posture in the future. There is a real economic development message to be realized from what we observed other states doing preceding and through BRAC 2005.

Closer at hand, Governor Kaine outlined his first hand knowledge of the major BRAC actions that are currently being addressed by the state and localities. Beginning with NAS Oceana, he discussed the DoD Inspector General's decision against Virginia followed by the negative vote taken in Jacksonville, with Florida declining to reopen Cecil Field for jets now based at Oceana. Next, he spoke about the complex transportation issues surrounding the major expansion of Ft. Belvoir. Secretary of Transportation Pierce Homer has taken a personal interest in this complex transportation and land use planning decision. The Governor followed on with the "great news" story of the growth projected for Ft. Lee and the very positive impacts that it will have on the greater Petersburg community. Lastly, Governor Kaine talked about the closure of Ft. Monroe and the opportunities that lay ahead for its re-use, now under active discussion. He talked about creating the right structure between the state and the City of Hampton to address the Ft. Monroe opportunity. Lastly, he thanked the Authority for its role in recommending and administrating the state's BRAC grant program which supported his recent award announcements.

Following the Governor's comments, the Authority Board and staff were honored with a photograph with the Governor. Chairman Reeder thanked the Governor for joining the meeting today and for his encouragement and support. He expressed the board's continued dedication to serving the Commonwealth in this capacity and urged the Governor to call on members at any time.

The next item on the agenda was the election of the 2007 Chairman and Vice Chair. The Honorable John Knapp made a motion to re-elect Mr. Reeder and Ms. Busher as Chairman and Vice Chair, respectively. Several members voiced their gratitude for the excellent leadership both have shown during the past year. Upon a second to the motion by Mr. Bill Welch, the motion was passed by unanimous voice vote.

The 2007 quarterly meetings dates were then reviewed for discussion. The dates had been circulated earlier and no major conflicts identified. The remaining meeting dates for 2007 were agreed upon as follows:

- April 25, 2007 – Plans will be pursued with Dr. Runte to meet at Old Dominion University.
- July 18, 2007 – Location to be announced.
- October, 17, 2007 – Location to be announced.

Staff will communicate additional details and logistics as plans are finalized.

Chairman Reeder then directed members to the VNDIA Milestone Plan included in their folders. The plan had been circulated and revised based on member recommendations. Although the document will be revised and updated on a regular basis going forward, the concepts and plan of action was accepted as presented.

Chairman Reeder then introduced Capt. Vaughan Mahaffey, USN, (Ret.), representing the Fredericksburg Military Affairs Council to brief the Authority on plans for the Dahlgren Research and Education Institute. Capt. Mahaffey, Vice President of EG& G in Dahlgren since 2002, was the former Commander of the Navy Surface Warfare Center, Dahlgren. Capt. Mahaffey thanked the Authority for the opportunity to present the plans for the Dahlgren Institute, a project which has been under discussion for nearly eight years. Previous state budget problems sidetracked the project for a period of time. The goal of the project is to locate a higher educational program on post or immediately adjacent to Dahlgren to meet the academic needs of science and technology employees. Convenient access to quality educational programs is critical to the future attraction and retention of commands, projects and personnel at Dahlgren. The Institute will allow Dahlgren professionals to take classes and pursue science and technology degrees during the work day. Such a program is expected to provide a key advantage as Dahlgren competes for future commands and projects.

In 2005 BRAC, Dahlgren was clearly vulnerable and has suffered significant reductions in workforce with the move of Aegis workload to Lockheed Martin in New Jersey. A number of senior command positions have been eliminated. China Lake, California was successful in having one of the key missions from Dahlgren reassigned to its facility. That mission was the relocation of all Weapons & Armaments Research, Development & Acquisition and Test & Evaluation. What remained at Dahlgren, from this overall mission, is the Guns/Ammunition and Weapon Systems Integration. This is expected to be a continuing target for China Lake. These moves clearly demonstrated the pressure Dahlgren is under to retain and attract missions going forward. Capt. Mahaffey discussed several ongoing projects that reflect Dahlgren's role in the development of future warfare technology. These include the Rail Gun Military Construction and Aegis BMD, both of which have been salvaged through strong community efforts. Dahlgren's impact on the local economy was articulated in a recent study conducted by Virginia economist, Chris Chmura. The fiscal impact of Dahlgren was calculated at \$1.28 billion annually and included nearly 7500 government and contractor jobs.

Strong support has been received from Virginia's congressional delegation for the Research and Educational Institute. Timing is seen as favorable for development of the institute given stable economic conditions, alignment of key stakeholder interests, scheduled requests in the Commonwealth's budget cycle and the estimated stimulus of additional economic growth. Deputy Secretary of Commerce and Trade Rick Siger confirmed that seed money for the project will be included in the Governor's proposed budget. The physical design of the facility will depend on the monies available, land conveyances by the Navy, and the availability of federal grants. Mary Washington University is slated to be the owner/operator of the school, with proposed faculty support from Old Dominion University, Virginia Tech, Virginia Commonwealth University, the University of Virginia, and George Mason. Operating costs will be sustained by tuition and research funding. Dr. Runte commented that she had hosted an exploratory discussion of the project at Old Dominion University for the proposed educational partners. The plan was well received and there was general consensus on the validity and need of the program. She was willing to dedicate Old Dominion University science and technology faculty to the project at some level. Mr. Sterling reiterated the need to strengthen Dahlgren's posture for future BRAC evaluations. Chairman Reeder commented on the need to modernize Dahlgren buildings based on former visits to the base. Mr. Sterling responded that improvements are well underway both to modernize housing and update work facilities. He articulated a three-fold goal of modernizing facilities, commands and people. Capt. Mahaffey stated that the goal is to receive construction money in the next biennium and to open doors to the facility in September of 2009. Chairman Reeder thanked Capt. Mahaffey for his very informative briefing and voiced the Authority's support of the effort.

Mr. Robert Matthias, representing the City of Virginia Beach was then introduced by Chairman Reeder to give an updated report on NAS Oceana. Mr. Matthias began his comments by stating that the City of Virginia Beach is working in partnership with the Commonwealth to address the concerns and issues concerning the Master Jet Base. In response to the BRAC decisions, the City filed two law suits on November 7, 2006. One lawsuit was filed against the Secretary of Defense allowing the former Cecil Field Naval Air Station, now known as Cecil Commerce Park in Jacksonville, Florida, to be considered as an alternative location under the BRAC process. Cecil Field was closed during the 1995 BRAC and is no longer a DoD property. The second law suit was filed against the Inspector General of the Department of Defense for ruling that the City and Commonwealth's Compliance Plan failed to meet the BRAC order requirements. The suits were filed at 4:00 p.m. on Election Day so as to avoid interference with Jacksonville's referendum on the reopening of Cecil Field as a Master Jet Base. The referendum failed by a margin of nearly 2:1. Since that time, Florida has made no further attempts to comply with the BRAC Order. The two lawsuits were filed but not served. The City and the Commonwealth are considering further action on the lawsuits and are awaiting action by the Inspector General to rule that Florida has not complied with the BRAC Order. This ruling would take Florida out of contention and leave the default situation of NAS Oceana as the Navy's East Coast Master Jet Base.

The City and the Commonwealth established a very expansive Compliance Plan to meet the BRAC order, primarily addressing the issue of incompatible uses in the Accident Potential Zone (APZ). The City and the Commonwealth will spend \$15 million per year, over the next two years, to buy non-conforming lots and to relocate non-conforming uses from the APZ to other

areas of the City. The City is confident that the plan goes “above and beyond” the BRAC requirement. The City has adopted a far-ranging group of ordinances concerning land use which effectively downzones properties around Oceana and established policies for the City Council to use when interacting with the Navy. The City and the Navy are also negotiating a Memorandum of Understanding, which will help to implement interaction by laying out guidelines for a period of 12-18 months into the future on specific development proposals.

Other states have expressed an interest in acquiring some of the jets from Oceana. South Carolina has been fairly reactive in offering to locate squadrons if they need to be moved from Oceana. Staff retention rates have been very low at Beaufort Marine Corps Air Station as compared to Oceana, which continues to offer an excellent quality of life for military families. A Texas delegation has been more aggressive in efforts to move jets to the Kingsville area on the Gulf Coast. Strategically, this places the jets at too great a distance from the carriers and offers no reasonable advantages.

The Navy is pursuing construction of a new outlying field to supplement Fentress Auxiliary Field in Chesapeake. This field is to be constructed in Washington County, approximately midway between NAS Oceana and Cherry Point Marine Air Station. The Navy prepared an Environmental Impact Statement (EIS) and is in the process of a Supplemental EIS which will address issues of migratory bird interaction with high performance naval aircraft. A Virginia Beach firm has been tasked with completing the engineering and design work for the improvements in Washington County by January 1, 2008. The Navy has the necessary funding to proceed with constructing the air field and has been purchasing property within the core area of approximately 3,500 acres. Additional plans are to purchase air easements over the surrounding 30,000 acres. Developments at this property will be monitored by city officials.

There has been considerable discussion in recent weeks regarding the possibility of extensive development around NAS Oceana. The Navy has been kept well informed of the discussions. All development will consider the Navy’s concerns surrounding flight patterns.

Mr. Matthias thanked the Authority for the opportunity to participate in the meeting today and expressed his appreciation for the Commonwealth’s continuing effort to retain NAS Oceana. Based on the presentation, Gen. Abrams suggested that VNDIA strategic planning efforts look beyond the current naval strategy with an “eye to the future” in an effort to sustain Virginia’s position of leadership. Chairman Reeder thanked Mr. Matthias for the comprehensive and informative presentation.

Chairman Reeder then asked for an update on the activities of the Grant Review and Oversight Committee from Ms. Busher. He expressed appreciation to her and the committee members for the exhaustive work they undertook in the Military Strategic Response Fund grant award process. Ms. Busher reiterated her gratitude to committee members and staff for their efforts to review and evaluate 22 application packages during the process. She then gave an overview of the process which culminated in the Governor’s announcement on January 8, 2007 of awards to 9 projects totaling \$12.5 million. Excluding the City of Virginia Beach, for which \$7.5 million in funding had already been committed, 21 applications, representing requests of over \$15 million were considered for the remaining \$5 million. The three step process began with

VNDIA staff preparing packages for the initial assessment and evaluation by the committee. The Committee convened to evaluate the applications and recommendations were then forwarded to the Cabinet members for their consideration. The Secretary of Finance, the Secretary of Commerce and Trade, and the Assistant to the Governor for Commonwealth Preparedness met with Committee Chair Busher and Executive Director Dickson to decide upon recommendations to the Governor. The final step involved the Governor's review and approval of the collective recommendations. Post announcement, staff is now in the process of finalizing agreements with recipients of first round awards. The application process for the second round will begin in April with the goal of making awards before July 1, 2007. The Grant Committee is scheduled to convene later in the day to evaluate the first round process and discuss policy issues. Mr. Sterling questioned efficacy of Arlington reapplying for funding to be dedicated to DARPA during the next round. Deputy Secretary of Commerce and Trade stated that the Governor is committed to placing funding for the project in the next biennium budget.

Chairman Reeder then asked Gen. John Abrams to present a report on the activities of the Strategic Planning Committee. Gen. Abrams presented the goals and objectives of the committee which include the development of a formal strategic plan for the Authority and a corresponding strategy to set priorities for Virginia's efforts to prepare for future BRAC rounds. He specified that such a plan should include:

- Goals and objectives to retain current missions, activities and infrastructure.
- Goals and objectives to expand DOD missions and activities on existing infrastructure and determine potential for new military bases.
- Goals and objectives for major activities in leased or government owned commercial facilities.
- To develop VNDIA priorities of effort to accomplish goals and objectives based on risk and opportunity.

VNDIA's strategy would include a comprehensive assessment of the Commonwealth's posture for the next BRAC round and associated "capture strategies." Recent BRAC lessons learned will be used to determine existing weaknesses and identify potential opportunities to shore-up DoD missions and activities in Virginia. In concert with this analysis, opportunities to gain commands through the migration of capabilities positioned elsewhere in the United States or overseas will be considered. Finally, the potential for growth from emerging new roles and missions as a result of DoD transformation will be assessed.

The committee made the following observations:

- The committee's scope of work must be scaled to the priorities decided upon by the VNDIA Board after the initial assessment process is complete.
- Economic growth priorities for western and southwest Virginia should be considered in the strategic plan.
- Vulnerable missions and activities should remain a VNDIA priority.
- Attention should continue to be given to the commercial infrastructure which was so heavily impacted in 2005 BRAC as this trend is expected to continue until security needs are met.

- DoD procurement and fielding of new tactical aircraft will have the greatest impact on stationing and training needs at Navy and Air Force bases in Virginia.

As a result of the Strategic Planning Committee's initial analysis and discussion, the following recommendations were presented for consideration:

- Approve VNDIA restated guidance and focus of Strategic Planning Committee.
- Develop proposal for VNDIA board approval to provide strategic planning committee consulting support for any necessary supporting analysis.

After a brief discussion, it was unanimously agreed that the Strategic Planning Committee should proceed with the plan as outlined by Gen Abrams.

Chairman Reeder then asked Gen. John Knapp to bring the members up to date on the work of the Local Coordination, Support and Communication Committee. Gen. Knapp presented an overview of the base visitation plan that has been developed by the committee. The purpose of on-site visits was outlined as follows:

- Mutual enlightenment of mission and responsibilities
- Establish lines of communication between points of contact.
- Develop an understanding of installation vulnerabilities.
- Explore long-term viability of the military installation.
- Discuss potential areas of assistance by VNDIA.

A schedule of base visitations for 2007 was presented and two visits have been completed to date. A list of questions being used to facilitate discussions during the visits was also provided. The only suggested addition to the list was a question regarding the process in place by base commanders and local leaders to actively seek additional missions. This is particularly relevant in locations such as Radford, where the installation property is being minimally utilized. Base visits are being conducted by committee members along with VNDIA staff.

Upon completion of standing committee reports, Chairman Reeder asked Mr. Sterling to discuss the federal MilCon '07 budget approval crisis. Mr. Sterling reported that Congress has not yet moved to approve funding of the military construction budget for 2007. Instead budgets are currently confined to '06 funding levels under a continuing resolution. Virginia projects slated for funding in this budget cycle total \$343million, not including BRAC related construction. Given the critical nature of needed action on this issue, Mr. Sterling suggested that VNDIA ask Governor Kaine to send a letter to each member of the Virginia Congressional Delegation urging their support and approval of an appropriation at '07 budget levels to adequately support military operations. Legislation is currently pending in both the House and Senate to force appropriation. A motion was made by Gen. Knapp to make this request to Governor Kaine. General Abrams seconded the motion, and the voice vote was unanimous. Chairman Reeder instructed VNDIA staff to pursue the request with the Governor's office.

Chairman Reeder then called on Executive Director David Dickson to present an overview of the 2007 General Assembly Session. Mr. Dickson reported the following:

- This year’s session is known as a “short session” which is scheduled to last 7 weeks. The Session convened on January 10, 2007 and is scheduled to adjourn February 24, 2007.
- As usual there will be a large number of bills and resolutions considered. In fact over 2,000 bills have been introduced thus far, along with over 300 resolutions. Transportation and land use planning issues, as well as tax matters are expected to dominate deliberations.
- Because the Budget Bill is a two year document, there will only be amendments offered to that key piece of legislation. One amendment proposes \$500 million for select transportation improvements.
- Bills of immediate concern:
 1. *House Bill 1705* - Del. Lingamfelter, VNDIA housekeeping legislation to provide employees benefits such similar to state employees’ health insurance and membership into the retirement system. We now have those benefits but the language is in the Budget Bill which expires on June 30, 2008. We need to get this language into our enabling legislation.
 2. *House Bill 2307* – Del. Lingamfelter, adds the Adjutant General to this Authority Board. Currently, this is held by General Bob Newman, 2 star Air Force General.
 3. *House Bill 2431* – Del Albo, authorizes the Commonwealth to take title to federal lands containing environmental contamination if the United States agrees to indemnify the Commonwealth for associated liabilities and clean-up costs. This is being put in to find a remedy to building the Fairfax County Connector through the Engineer Proving Grounds.
 4. *House Bill 1822* – Del. Suit, provides reduced tuition for active duty members, activated guard or reservist members mobilized for six months or more. Tuition rate to be either the school’s in-state tuition rate or the amount covered by the military service Tuition Assistance program, whichever is greater.
 5. *House Bill 1700* – Del. Lingamfelter, creates the Virginia Defense Facility and Transportation Improvement Fund and program. This essentially creates a \$36 million fund to fund transportation improvements for defense related facilities growing as a result of the federal BRAC decision. Funding would come from the annual state recordation taxes.
 6. *House Bill 2496* – Del. Albo (et. al. NOVA Representatives), to create a “Special Transportation Fund for Northern Virginia” to be administered by the Northern Virginia Transportation Authority. This is a broad bill designed to address transportation issues in NOVA. This is an involved bill that provides for tax and fee revenue streams to provide a revenue stream to fund transportation projects.

Fees include; \$100 increase to drivers license, 2% lodging fee, NOVA congestion relief fund, local rental car fee, and commercial real property tax.

7. *Senate Bill 1335* – Sen. Colgan, this bill is similar in purpose to HB 2496. This bill sets forth a dedicated revenue stream to pay for projects based on increasing the Sales and Use Tax by 1 %. Entitled the “Northern Virginia Transportation Authority Sales and Use Tax Fund.”

Mr. Dickson stated that staff will continue to monitor legislation throughout the session and report all relevant findings.

As the final agenda item, Chairman Reeder asked Ms. Cindy Arrington, Communications Manager, to provide a brief overview of the recently launched VNDIA website. Ms. Arrington thanked the members for their suggestions and recommendations during the final design phase. The web site was designed and constructed by a small, woman-owned business in Richmond – WebWorx, Inc. The site has been received about 3,500 visits since the January 3, 2007 launch date. The site provides access to comprehensive information regarding VNDIA and its public meetings, complete details on 2005 BRAC actions, links to DoD service branches and departments, Congressional contacts, a directory of local and regional BRAC organizations, and a comprehensive guide to community assistance. Staff has the in-house capability to update and maintain the site going forward.

Chairman Reeder asked members if there were any further comments or items to be discussed. There being no further business, a motion was made to adjourn by Adm. Fountain and seconded by Gen. Abrams. The meeting was adjourned.