

**Board of Directors Annual Meeting Minutes**

**Virginia National Defense Industrial Authority**

**Virginia National Defense Headquarters Board Room**

**Richmond, Virginia**

**January 11, 2012**

Chairman, Rear Admiral Robert R. Fountain, U.S. Navy (Retired) called the meeting to order at 9:58am, welcoming the authority board members, staff and guests, and led the group in the Pledge of Allegiance.

Authority board members present:

Mr. G. William Beale

The Hon. Mark A. Caruso

The Hon. James S. Cheng

The Hon. Craig Duehring

Rear Adm. Robert R. Fountain, USN (Ret.)

Rear Adm. John G. Hekman, USN (Ret.)

Maj. Gen. Daniel E. Long, Jr.

Maj. Gen. John P. McLaren, USA, (Ret.)

Col. William H. Parrish, USMC, (Ret.)

The Hon. Cord A. Sterling

Mr. Kurt H. Tripp

Capt. Leonard P. Wales, USN, (Ret.)

Mr. William L. Welch, Jr.

Authority board members absent:

Gen. John N. Abrams, USA, (Ret.)

Mr. John B. Adams, Jr.

Mr. W. Taylor Franklin

Vice Adm. James McArthur, Jr., USN,(Ret.)

Mr. Jeffrey D. Wassmer

10:00 am

Chairman Fountain introduced Mr. Keith Boswell, Managing Director of Federal Asset Strategies for the Virginia Economic Development Partnership (VEDP). Mr. Boswell gave an overview presentation of VEDP which highlighted its mission; goals target sector and synergies with the Virginia National Defense Industrial Authority (VNDIA). VEDP has a multi-faceted approach to bring federal jobs to Virginia and Mr. Boswell stated that because of the vast knowledge base and experience, VNDIA should take the lead in bringing all Department of Defense related assets and jobs to Virginia with VEDP playing a supporting role. Mr. Boswell's brief concluded at 10:21am

10:22am

Chairman Fountain then asked for Mr. Cord Sterling to deliver VNDIA's Strategic Plans Committee briefing. Mr. Sterling's brief covered the two major changes to changes related to DoD spending as a result of the National Defense Authorization Act. Mr. Sterling asserted the likelihood of widespread job cuts in Virginia and another round of Base Realignment and Closure (BRAC) are high and that the Strategic Plans Committee should start implementing measures to mitigate the loss of up to 130,000 defense related jobs in Virginia, an installation or movement of one or more aircraft carriers to the West Coast.

Capt. Leonard P. Wales, USN, (Ret.) posed the question of when and where budget cuts would affect Homeland Security and Intelligence Community assets in Virginia.

Col. William H. Parrish U.S. Marine Corps (Retired) suggested that the board begin to take a look at what national security agencies located in Virginia might be vulnerable to downsizing or cuts in the face of extreme budget cuts and that the board should focus its efforts in addition to looking at Intelligence and Homeland Security assets to helping bring Unmanned Aerial Vehicles (UAV) to Langley.

VNDIA Executive Director, Mr. R. Stanton Scott, added that the VNDIA staff has been working in conjunction with VEDP and Mr. Boswell to stay abreast of developments of the FAA to select UAV training sites.

Mr. Sterling added that Aircraft Carrier procurement is not likely to slow down however the building process will slow dramatically.

Mr. Scott reported that the Senate Armed Services Committee is meeting on the 17<sup>th</sup> and will report data from that meeting afterwards to the board.

Chairman Fountain asked for all of those with a good relationship with Washington please keep their ears and eyes tuned to the defense budgets discussion.

Mr. Sterling went on to explain that the new laws (opposed to the original legislation) regarding depot level maintenance and refueling of nuclear aircraft carriers is not favorable for any shipyards, public or private and poses some great challenges for the Navy. He said that if these laws were to remain in place they would have far reaching implications for private shipyards in Newport News.

Vice Chairman, G. William Beale asked for Mr. Sterling to clarify the details regarding the 130,000 potential cuts to defense related personnel in Virginia.

Mr. Sterling suggested that the board have Dr. Steven Fuller give a full brief about the defense related cuts. He also acknowledged the fact that the far reaching effects of the Budget Control Act are hard to quantify but that Virginia will not fare as well as it has in the past.

Chairman Fountain stated that the Navy's number one priority is replacing the Poseidon Submarines. The Navy has recently decided to purchase and build 2 attack submarines annually. If these priorities were to shift and submarine construction is cut, Newport News would feel the effects immediately as it is one of only two shipyards in the country building submarines.

Rear Adm. John G. Hekman, USN (Ret.) suggested that the board take a look at Virginia's most vulnerable military, security and intelligence assets and work towards protecting and mitigating any critical loss.

The Strategic Plans Committee briefing was concluded at 10:54 am.

10:55am

Chairman Fountain introduced and welcomed Mr. William Harvey of Public Private Solutions Group, a strategic research partner of VNDIA.

Mr. Harvey provided an overview of work his firm has completed for VNDIA and an analysis of what other states are doing to support the military and bring additional military assets to their respective states in comparison to Virginia. He noted that most successful states mirror VNDIA's organization, location in state government and responsibilities by:

- Using permanent, stand-alone, proactive organizations and strategies;
- Working closely with host community/regional support groups;
- Focusing on economic development;
- Providing access to their Governors and his/her leadership team

Rear Adm. John G. Hekman, USN (Ret.) asked the effectiveness of California's partnership with other south western states in order to bring additional military assets to the region.

Mr. Harvey stated that while there may have been some military assets moved out to the southwest, the decision to move was not influenced by the regional partnership. He asserted that because states even when in regional partnerships tend to compete for those assets.

Maj. Gen. John P. McLaren, USA, (Ret.) asked Mr. Harvey for his recommendations as to what best practices he has seen to preserve military assets in a state.

Mr. Harvey said that VNDIA's continual efforts to conduct strength, weakness, opportunity and threat (SWOT) analysis on installations within the commonwealth is among the best practices around. It provides an organization with a comprehensive analysis of what they must safeguard against and what installations have great growth potential. In addition to a SWOT analysis, Mr. Harvey stated that having the right players in your organization is absolutely critical for a state's success in attracting more defense investment to a state.

Mr. Harvey stated that the DoD is not only interested in relative low cost of business. The DoD is just as interested in the business climate, proximity to command elements, educational opportunities for children, spouses and service members; and jobs for spouses. While machine gun ranges and return on investment are important in the decision making process, Mr. Harvey believes they are not the most critical decision making points for the DoD.

Mr. Harvey's presentation concluded at 11:25 am.

Chairman Fountain then asked then asked for members to consider approving the minutes for the October 19<sup>th</sup> 2011 meeting minutes.

Rear Adm. John G. Hekman, USN (Ret.) motioned to approve the minutes and Vice Chairman Beale seconded the motion. The motion to approve the minutes was approved by unanimous vote by all members in attendance at 11:25am

Chairman Fountain then addressed the Case for Continuance of VNDIA, a document he created to fully inform members of the General Assembly before they are faced with a decision. He also mentioned that the staff had prepared letters to Delegates and Senators about military installations in their Districts.

Secretary of Commerce and Trade, James Cheng then asked to address the board members regarding the Governor's decision to dissolve the VNDIA board. He expressed his and the Governor's appreciation for the work the members of the board and the staff have completed to

date and stated that the Governor is committed to continuing this mission through the Office of the Secretary of Veterans Affairs and Homeland Security. In closing, Secretary Cheng said the mission is important and will be a full time function.

Chairman Fountain thanked the Secretary Cheng for attending the meeting and for his words then went on to say that members of the VNDIA board want to be certain that the General Assembly makes an informed decision regarding the dissolution of the VNDIA board. He stated that any real savings would have to come from removing all staff functions completely however, in doing so, the experience and institutional knowledge of the staff would be lost. In addition the loss of the institutional knowledge of the staff, the Commonwealth would be losing the Pro-bono expertise of the board members when VNDIA goes away.

Secretary Cheng then said he would be happy to talk to the board members off-line and recognized the members for their expertise and thanked them again for their service to the Commonwealth of Virginia. Secretary Cheng then excused himself from the meeting.

11:36am

Chairman Fountain addressed a previous discussion from the October board meeting in which members were asked to submit interest in one of the committees they are not assigned to one or feel their board would be better served if they were a part of a different committee. Committee assignments will be postponed until the April meeting.

11:38am

Discussion regarding HJ49 took place and members discussed what should happen if the board were to survive this session of the General Assembly.

Chairman Fountain suggested that communication with the members of the General Assembly needs to improve dramatically in order to catch all of the issues germane to the VNDIA mission. He also suggested that the Strategic Plans Committee needs to be strengthened with officers who have direct contact with those in Washington.

11:50am

Election of Officers

Col. William H. Parrish, USMC, (Ret.) motioned to keep both Rear Adm. Robert R. Fountain, USN (Ret.) as Chairman of the board and Mr. G. William Beale as the Vice Chairman. Capt. Leonard P. Wales, USN, (Ret.) seconded the motion. The motion was passed by a unanimous vote of all members present at 11:51am.

11:52am

VNDIA Executive Director, Mr. Stan Scott delivered his report covering due dates for board member financial disclosure forms, General Assembly legislation pertaining to the VNDIA mission, upcoming conferences for members to attend, update on BRAC and the efforts of the staff to track the impact of the changes, partnership with regional military affairs groups, joint land use studies update and a discussion regarding encroachment mitigation at Langley.

Mr. Scott reported the Langley has asked for money to deal with potential future encroachment issues. Hampton Roads would like to purchase land around the installation to keep incompatible businesses and buildings from be constructed close to the installation. Mr. Scott also stated that the Air Force has also stated that they will match up to \$6 million though the Air Force Encroachment Mitigation Program.

Following the discussion about encroachment mitigation, Mr. Scott went on to report on the development of metrics to measure VNDIA's success. He determined that VNDIA's success can be quantified by the support and desire of regional military affairs councils to keep VNDIA's mission alive. He also mentioned that further metrics should be implemented in the future to ensure the organization is functioning at a high level of success but that at the moment all programs and products are being conducted with great success.

Mr. Scott then brought to the attention of the board that the FAA is looking at 6 tests sites for Unmanned Aerial Vehicles (UAV) and that Virginia is a hot bed of potential sites. Wallops Island, Fort A.P. Hill, Langley and Fort Picket are all being considered as prime locations for a test range however a place called Lonesome Pine in Southwest Virginia is also a very attractive area with functional terrain to test the capabilities of the UAV's.

Chairman Fountain said that the military and the FAA ought to be looking at sites where UAV systems will be tested in the environments they will be operating in.

12:20-12:33

Members gathered their lunches and returned to the meeting.

12:33

Mr. Tom Waterworth gave a brief overview of the legislation tracking chart used to stay up to speed on the progress of bills in the General Assembly.

12:35

Chairman Fountain delivered the Local Coordination, Support & Communication Committee report. From October until January 11<sup>th</sup> VNDIA conducted two installation visits. The first visit was a November 9<sup>th</sup>, 2011 staff visit to Military Sealift Command (MSC) at Naval Station

Norfolk (NAVSTA Norfolk) by Defense Research Manager, Mr. Tom Waterworth. The second installation was a full committee trip to Naval Weapons Station Yorktown (WPNSTA Yorktown) on the November 21<sup>st</sup>, 2011. The WPNSTA Yorktown trip was attended by RADM Robert R. Fountain, Mr. Craig Duehring, Mr. Jeffrey Wassmer, Mr. Keith Boswell as well as VNDIA staff members Mr. Stan Scott and Mr. Tom Waterworth. The committee will visit Fort Lee on February 10<sup>th</sup>, 2012.

The LCS&C Committee report was concluded at 12:49pm

12:50

Mr. Kurt Tripp delivered the Grant Review and Oversight Committee Report. Mr. Trip reported that all audits had passed and the committee had administered \$67 million with \$53 million already reimbursed. Virginia Beach has completed round 4 of their grant with round 5 reimbursed. \$2 million of round 5 is left over but will be spent by the end of the quarter. Arlington County's BRAC Transition Centers grant is 90% completed. The Mahone Gate at Fort Lee remains unfunded; however it should be resolved by the end of the quarter as well with \$1.5 million. The creation of the public/private Defense Community Opportunity Fund is pending until the future of the authority is determined.

The Grant Review and Oversight Committee report was concluded at 12:53pm.

With no remaining business to be conducted Mr. Craig Duehring moved to adjourn the meeting. Maj. Gen. John P. McLaren, USA, (Ret.) seconded the motion. The motion to adjourn was passed by unanimous vote at 12:56pm.