



NORTH CAROLINA MILITARY AFFAIRS COMMISSION

**Minutes of the 2nd Quarter, April 26, 2018, Economic Development Committee meeting
Craven County College, 800 College Court, New Bern, NC 28562**

MEMBERS IN ATTENDANCE:

Chair Cresswell Elmore
Frank Bottorff
David Hayden, (by-phone)
Tony Stimatz, (by-phone)
Jeremiah Daniels, (by-phone)
David "Crockett" Long, (by-phone)

ADDITIONAL ATTENDEES:

Brad Helton, EDPNC
Scott Dorney, NCMBC
Jamie Norment, ACT
Ron Massey, City of Jacksonville (by-phone)
Kelly Jackson, DMVA

MEMEBERS ABSENT:

Tim McClain
Gary McKissock

WELCOME/INTRODUCTORY REMARKS: CHAIRMAN CRESSWELL ELMORE

Chairman Elmore called the meeting to order at 10:03 am. He welcomed everyone to the meeting.

CONSENT AGENDA/MINUTES: CHAIRMAN CRESSWELL ELMORE

Chairman Elmore requested a motion to approve the minutes from the 1st quarter meeting of the committee on January 24, 2018. David Hayden made a motion to approve the minutes, which was seconded Frank Bottorff and passed by unanimous vote with no discussion. Acting Chairman Elmore stated that he did not have any old business to discuss and asked the committee if they had any old business to discuss. There was not any old business so the committee moved forward with the agenda.

ECONOMIC DEVELOPMENT FOR NORTH CAROLINA (EDPNC): BRAD HELTON

Brad Helton presented for EDPNC. He is the Defense Industry Business Development Manager for the State and works for EDPNC. His role is to interact with businesses.

Army Futures Command (AFC): The State received the AFC Request for Proposal (RFP) last Wednesday. We are in the process of updating our proposal which is due back to the Army on May 10th. The North Carolina Military Foundation and the Department of Military and Veterans Affairs (DMVA) are leading the strategic coordination and communications on behalf of the Governor. At the leadership level, we are all working in the same direction. The entire Congressional delegation is involved. We have had great cooperation from Sen Tillis, Governor Cooper, Secretary Hall and Secretary Copeland. We will send a draft proposal to the senior leadership for their input by May 4 unless that date is moved up. We

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have a very strong case for this Headquarters to be placed in NC. This is a 4-Star headquarters that would oversee all the Army's modernization and acquisition processes. This is the largest move of this type by the Army since the early 1970 when they created US Army Forces Command (FORCOM) and US Army Training and Doctrine Command (TRADOC). This is not traditional since it will not be located near an Army Base. They want to be located in a strong research and development eco system and near industry. They want to be in touch with processes that will be innovative into the future. They received 100 proposals and have down selected from 30 – 15 locations. Some of the locations are still on the list for political purposes. Our internal analysis says that Austin, Boston and a couple of other cities are our chief competitors. We have a strong case to make for each of these competitive cities. We submitted the initial proposal on Feb 1, 2018 and we received great feedback on that proposal. The Army has produced a lot of additional information since that initial proposal. We will be adding and updating our proposal. Tony Stimatz commented that he had seen information that asked the question why some of the cities still in the running were high cost of living areas. That makes Raleigh look better in that respect. Brad Helton said that Boston has a lot going for it and is comparable to Raleigh in a lot of ways but our eco system is much better. Boston is very congested and that can be a concern. We have invested in our infrastructure that will be helpful in comparison. Boston does have an impressive research and development eco system. But how are they going to insert 1000 people into the environment. The Chief of Staff and Vice Chief of Staff are from Boston so there is a connection there. We do have a lot of connection also with the University of NC and Duke systems.

David Hayden said that he received a call from a Senior official from Department of Defense (DoD) that raised a couple of points about this project. Are we getting the 4-Star Retired Generals engaged on this matter? Also, that Governor Cooper was the only Governor at AUSA and talked to the leadership on this matter. That was important but what have we done since then? The Governor from MA met with leadership from the Department of the Army last month but has Governor Cooper met with them lately? When you look at our proposal, we want someone from the Boston proposal to be saying, NC is hammering us on all our weak points. If we know that Austin and Boston are in the shot group, then our proposal should emphasize our strong points such as economic issues, and access to major military bases. That message needs to come across in clear language. I don't know if we have any connection with McCarthy but if we do we don't need to leave any stone unturned to make that happen. Brad Helton said that the Red Team is a panel that will be getting together next week. Stewart Ruffin is responsible for the strategic coordination with the 4-Star level through the NC Military Foundation and the Governor's office. Cresswell Elmore said that the Red Team panel should know the weak spots that they are going to nail us on and we need to address those items.

Scott Dorney said that there has been a strong team working on this since October 2017. The NC Military Foundation, Economic Development Partnership for NC (EDPNC), NC Military Business Center (NCMBC), DEFTECH, and the University System. It has been a small group but effective group. All this input is very valuable and we can't hang our hat on anything like the cost of living in another city. You are correct on all the points that have been mentioned and the team has looked at this points. I think that we are low balling it, and not putting enough resources into it. We don't have anyone up in DC. I do believe that the team has put a lot of work into this project. Tony Stimatz said once we get a lobbying contract in place, I would think that the NC Military Affairs Commission (NCMAC) would in some way want to support this effort? Am I correct? Frank Bottorff said certainly but with our timeline

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right now, we will be Johnny come lately on this one. Scott Dorney said that it could be influential but we don't want to get ahead of ourselves. If all the hard work that has gone into this effort results in us making the next down-select. That is something to keep in mind. Frank Bottorff asked if we had any timeline of the different steps. Brad Helton said that he thought they would select in the next 60 days. We will submit proposals on May 10th and then they will conduct site visits to 3-4 locations. That will be done by the Vice Chief and the Under Secretary. We have already completed a draft itinerary for that event. They want the Headquarters operational by July 1, 2018.

Farnborough International Air Show Jul 16-22. We are sending a delegation next year. The Secretary of Commerce will be attending the event which will be 3 days of meetings. We have invited Senator Tillis but he is not available to attend. We have a great team of local and regional economic development partners from around the state and we will have a booth. Farnborough International Air Show is more defense focused than the Paris Show so this is the better event. We will have active projects or potential projects to compete for at this event.

AirLab Feasibility Study Phase II: Kyle Snyder, NGAT, will be conducting the phase II of this feasibility study on behalf of NCDOT Aviation from January-May, 2018. This has been delayed until July or August.

BUDGET UPDATE: FRANK BOTTORFF

Frank Bottorff said that he did not anticipate any budget adjustments for this meeting. The items that have been approved are moving along. We are putting a process in place. The 2 Community Grants have been authorized for payment and they are in some level of the process. A check has gone out for EDPNC for payment for the 1st quarter/calendar year 2018. We are still working on the invoice for 4th quarter of 2017. The NCMAC Chairman is working with Secretary of DMVA on that. Sentinel Landscape has been paid. We had 3 invoices from last year that have been paid to North Carolina State University (NCSU) for a total of \$150K. NC4ME has not been paid and there was no existing document to pay that. We are re-writing one as we speak. We are working to get the right process in place. Sentinel Landscape will need a new MOU and this was discussed at the Base Sustainability and Community Affairs committee meeting and that is in progress. We are working on setting the foundation for the future. A revision of the Grant process has been completed and handed off to DMVA for administrative and legal review in coordination with other state agencies. We plan to do the same things with the Request for Proposal (RFP) for lobbying. The main part of the RFP is complete but the state requirements for the contract are not done. We will push that to DMVA to coordinate with the other agencies. We have not started anything for the consulting side of this. There is still discussion on whether we are going to do that or not. No further discussion.

NORTH CAROLINA MILITARY BUSINESS CENTER (NCMBC): SCOTT DORNEY

Scott Dorney presented for NCMBC and had a couple of handouts for the committee.

NCMBC Operations:

- Opened in 2005, NCMBC is a statewide, business development component of the NC Community College System (NCCCS) that works every day to help businesses identify, compete for, win and grow jobs through federal contracting – and to expand the economy and tax base of North Carolina

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- The NCMBC has offices at 12 community colleges statewide, to help businesses compete for contracts
- The NCMBC assisted NC businesses to **win 2,749 federal contracts**, worth a minimum of **\$8.2 billion**. These contracts generated over **\$308 million** in corporate income tax, employed over **270,000** and improved quality of life in our state. Return on State Investment in the NCMBC – **22:1**.

We do about \$2.5 billion in prime defense contracts and over \$5 billion in all prime federal contracts in NC. Our organization is charged by the General Assembly (GA) to help existing businesses expand their business with the federal government. Why is that germane to you? The NCMAC has a goal to expand the military economy in NC. The NCMBC is part of the best infrastructure in the country. We are part of an infrastructure that is designed to help the military economy. We have many groups that are a part of this and they are the NCMAC, DMVA, a state infrastructure with the economic development partnership and the Military Foundation on the private side. The NCMBC works at the organizational and tactical level. We have other organizations such as the Community College System that build good business capacity. We are fortunate in our state to have private organizations like the Military Foundation, the North Carolina Defense Business Association (NCDDBA) and the NC Veterans Business Association that were all involved in growing the military economy. There are 2 people that wake up every morning, that are charged by this state to do what the NCMAC says it wants to do. That is Brad Helton, EDPNC and Scott Dorney, NCMBC. That is an awesome responsibility. There are 2 ways to grow the military economy in our state and that is to recruit more defense contractors and to help existing businesses win more contracts. The EDPNC and NCMBC are directly tasked to do this. We count on that infrastructure both private and public to be successful. But we work every day to help businesses to do more contracting with the federal government. We support organizations like the NCDDBA, NCVetBiz and NCMAC and their goals. We have been open since 2005 but we have never won a single government contract. We help businesses connect with opportunities. Our clients have won 2,749 federal contracts, worth over \$8.2 billion. That brings a lot of tax money into the state. This good value added to the government.

Issues:

- Unserved areas - large areas of the state have excellent businesses, but no NCMBC offices to assist
- Underserved areas – other areas have part time NCMBC staff, with too many counties to serve effectively
- Unfunded opportunities – technology transition and industry sectors, with huge federal contract opportunity and significant business capacity in NC, get insufficient focus due to limited resources
- Retention - budget increases do not support raises for contract staff or recruitment to replace retirements

I have recently talked to the Community College president. I told him that we were not servicing them like we should be. We have very underserved areas in the state and some might say unserved areas. Because of a recent retirement we have no one West of Charlotte. I have great people that I could hire but I don't have the money to hire anyone. There is a lot of NC on the West side of Charlotte. We are not serving the Western part of the state at all. As I told Dr. Stats from Craven Community College, we are not serving you as we should be. We have an office in Havelock but that person works only 17 hours a week. We have very qualified people all over the state but are not able to leverage strategic

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opportunities. We have a huge demand for our resources across the state and most of our people are retired contracting officers with 30 years of service but a limited number of hours to perform their jobs. We are not able to leverage strategic opportunities to grow industries such as Aerospace, Medical, Military Construction, and Cyber Security Software. We don't have industry specialist or enough people on staff to leverage those opportunities or build relations with these industries. With support from the NCMAC we could open a defense technology transition office. That grant was great and greatly appreciated but it has ended. We are now funding that out of hide. Whether we win the AFC we need to be helping businesses do technology transition and meeting the rapidly fielding requirements for the DoD.

Needs: Increase NCMBC annual recurring funding through NCCCS by \$250,000

- Sustain current recurring funding (supports 7 full, 12-part time staff statewide): (FY18) \$1,160,124
- Restore annual recurring funding (reduced with all community college entities in 2011): \$125,000
- Replace grant (\$42,000) and increase funding (\$83,000) to enhance operations: \$125,000

Our proposed budget is \$250,000. One half of that was funding that we use to have but the Community Colleges lost 10% of their budgets in 2012 and we have not recovered that. We have had discussions with the GA who said that we need to expand our horizons. We were aiming too low with \$250,000. We think that we are going to reap with we sow.

Results: The NCMBC will utilize this funding (\$250,000) to:

- establish operations in 3 geographic areas with no NCMBC offices (far west, west, northwest)
- expand operations in large regions currently served by part time staff (move up to 5 to full time)
- operate the North Carolina Defense Technology Transition (DEFTECH) office from the Triangle
- reinforce operations in the Triangle and north-central region of the state after opening DEFTECH
- expand industry-focused operations in 3 key industries (aerospace, medical and military construction)
- provide compensation increases for NCMBC non-community college staff members

Here is a list of the results. We want to have a presence in the Western part of the state. We need to reinforce DEFTECH. When we win the AFC, we need to be ready on the ground with an organization that is resourced to help businesses do technology transition and meet the rapid acquisition need of AFC.

What I would like this committee do to is to refer to the Executive Steering Group (ESG) and then to the Full NCMAC. That the NCMAC is prepared to support increased funding initiative in the GA for the NCMBC for what every amount the GA might find appropriate. Jamie Norment asked where will the Governor's budget revisions come out for the NCMBC? Scott Dorney said that there are not any budget revisions for the NCMBC from the Governor. We are part of the Community College System and we are not a separate line. We are on re-occurring funding. We are a line within the NCCCS budget. Our funding has remained the same since 2005 except for the 10% cut that the entire Community College system experienced. Jamie Norment said so we need to work with the GA budget chairs to get an increase. We don't want them to just move money around in the NCCCS to increase your budget and

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decrease another budget. That will not be helpful. Scott Dorney said that this is a fenced program within the NCCCS budget that needs to be resourced. Jamie Norment asked if \$250K was a start and will that make a difference? Scott Dorney said \$250K will help someone in the Western part of the state. I just did this analysis last night. I can put a part-time person out in the West and it takes about \$90K to open a part-time office. We could do a part-time person in the Triangle, we could fund DEFTECH at its currently level. That is what we could do with \$250K. Jamie Norment said the letter we could get from Craven Community College and the person in this area can only work 17 hours a week. Why not have 4 people work 40 hours a week? Scott Dorney said I understand what you are saying but when my employee retired in the Western part of the state I had to use that funding to fund other programs. My contractors have not had raises in over 2 years. We have staff that are not NCCCS employees. They are not covered when the GA so graciously is funding for NCCCS employees. That does not help our contractors or employee from a third party. Retention is an important part of my job.

Cresswell Elmore said that this topic had come up in the last ESG and the questions was had you done any educating with the GA? Scott Dorney said that as part of the state government and the NCCCS we can't lobby. We do educate members of the GA and we have been doing that the past few months. We have members of the GA that are prepared to introduce an appropriate amount of money. So, that is what we are looking for. It would be appropriate for the NCMAC, who's goal it is to grow the military economy to endorse whatever initiative that the GA comes up with. Frank Bottorff asked what is the best format for a resolution of support? But I still think that we want to be supporting a specific request of some type. That is the difficult part if we don't have a specific dollar amount. Scott Dorney said what I would appreciate since the GA goes into session around Mid-May. If the ESG took this to the Full NCMAC and passed it, I would see the NCMAC would authorize the Chairman and the ESG to draft a letter of support for whatever they felt appropriate. Tony Stimatz said you are selling yourself short in your documents. It is not clear to me in your document bullet 3 under NCMBC Operations. Is that annually or since the inception? Scott Dorney said that is since the inception of the organization. When we were determining our return on investment should be, so what we did was look at the total income tax that is generated from those contracts. That is only part of the impact of those contracts and but we can defend that number.

Tony Stimatz said that the needs statement doesn't tell me what you want. You need to be very clear. So, if my fairy godmother showed up, what do I need. So, have 3 levels. This is what we are doing now, here is what we can do at a reasonable level and third a wish list level. Frank Bottorff said what is the priority? What does it cost to fully fund DEFTECH? Is that your number 1 priority? When I think of the potential of NC, DEFTECH is more important than an office in Western NC. Scott Dorney said that when he talked to the Presidents of NCCCS that was not their priority. We do need to have a presence in Western NC. There is a large amount of defense contracting in Buncombe and other counties. We have done that analysis. Frank Bottorff said that from the NCMAC perspective DEFTECH may be our priority. If the NCMAC does a Resolution, we may want one line to be fully fund DEFTECH and then fund the regional centers. Within that Resolution there are specifics. Then they can make priority judgements. Scott Dorney said that those are some great points. The NCMAC sets policy, is very foundational and funds efforts but they are a big picture organization. Your goal is to grow the military economy in NC. One of your objectives is to support the AFC and fund DEFTECH. I would encourage the NCMAC to take the big picture perspective where you want the GA to fund a program with resources that can help you

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to achieve your state-wide goal of growing the military economy. I do appreciate your support of DEFTECH and it has been fantastic. Bottom line, any amount of funding will be appropriately allocated by priorities and those priorities must support the entire state. I would encourage the NCMAC to authorize your Chairman to support whatever initiative the GA funds. Cresswell Elmore said that if we want a Resolution we need to have some specifics. We don't have any funds in the NCMAC to approve for the NCMBC. Scott Dorney said that he is not asking for funds from the NCMAC. Jamie Norment asked if the NCMAC supported DEFTECH? Cresswell Elmore said that was correct. Jamie Norment said then that is your answer if the GA asked that question. The NCMAC can advocate for the NCMBC and is an important resource and supports the goals of the NCMAC. Scott Dorney said that back in 2004 when the GA funded the NCMBC. The GA said help the state win more defense contract and did not tell us how to do that. We have leveraged that flexibility to do what we thought was the right way to achieve that objective. We were fortunate to get broad commander's intent from the beginning. We want to encourage that and reinforce the NCMBC.

Frank Bottorff said that he did not have a recommendation to go forward with. Scott Dorney said didn't the NCMAC at their last meeting agree to write a letter for the Sentinel Landscape or sign a Resolution? Frank Bottorff said that they did that but they had a specific number. Jamie Norment said that Scott Dorney could prepare a number for this Resolution. Cresswell Elmore said that he would ask Scott to prepare that number and he would take it to the ESG. Scott Dorney said that he appreciated that but he did not want to get out in front of the GA. Cresswell Elmore said that he would take this to the ESG and see where it goes from there. Frank Bottorff said that we could talk all day about the strategy to get more money but he does disagree with Scott Dorney that we need specific numbers. Scott Dorney said that it is early and the GA has not agreed to a certain amount of money. Cresswell Elmore and Frank Bottorff said that they would take this to the ESG. No further discussion.

MARINE CORPS AIR STATION (MCAS) CHERRY POINT: JAMIE NORMENT

Jamie Norment presented on issues impacting MCAS Cherry Point. Every installation in NC received some construction dollars and an increase in operations and maintenance dollars. Cherry Point has \$240 M in the President's budget request for a new hangar and related infrastructure upgrades for the Air Wing. Fleet Readiness Center (FRC)- East F35 Maintenance Hanger and a large ticket item for approximate \$165 M depending on which version that they build. Senator Tillis and Representative Jones has agreed to work with Allies for Cherry Point's Tomorrow (ACT) on moving the FRC military construction (MILCON) up to FY-19. The Depo Caucus for the House met last week and I attended that meeting. The Admiral in charge of all the FRC's was the key note speaker. He mentioned that Cherry Point was their primary focus for the next several years for construction for the 35 program. He has 5 major projects at Cherry Point, 4 were F-35 programs and 1 H53 project. All of those are moving in the right direction for economic development and new construction. FRC-East will be the heavy lift. The Marine Corps Aviation personnel and the Air Wing have told us that they are focused on the Air Wing. So, for the FY-18 budget it did include funding for Phase I of Lift Fan Test Facility, \$15.6 M. The FRC says that they need a much larger facility but they will take what they can get. The \$3M that can from the GA, then you do have a robust program that is getting off the ground and out for bid. That is tracking well for FRC. You may want someone from the FRC to come and speak to this committee or to the

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NCMAC. The leadership that they have at FRC is very strong and cohesive. Col Harper and his team are working well together. We continue regionally to seek out economic development opportunity from the private sector to relocate to the Cherry Point region. We need more presence from the private sector suppliers and others that can use the skills that we have from our labor force. No further discussion.

OPEN DISCUSSION:

Scott Dorney said that the NCMBC, EDPNC and NC4ME all appreciate the support of this committee and the NCMAC. I think this committee and the Commission has demonstrated that it is committed to doing whatever it can to grow the military economy in NC. What Chairman Elmore had asked was are there any ideas out there from committee members about what this committee could focus on for the future. I would open the discussion to see what ideas are out there. David Hayden said that he thinks the number 1 priority short term is the AFC. The second thing is our support for the NCMBC. The NCMBC has a great impact. I send many clients to the NCMBC as they are an outstanding organization. Scott Dorney said that they had a Defense Contractor Academy last week at Wake Tech. We had 57 companies there for 3 days of advance training. We bring in organizations to conduct the training. He also mentioned that David Hayden had mentioned before about the State and this Committee should support the state establishing a DoD Urgent Needs Response Center or Research and Development Center in NC. The response center would react quickly to the needs identified by Commands in NC or elsewhere and find proposed solutions in industries hopefully in NC. Connect companies with that solution appropriate Command. I think that DEFTECH does a lot of that.

One of the other things that you have talked about is a Research and Development (R&D) Center in NC that is focused on a unique military mission in NC with a corresponding industry capacity. The R&D center could be focused on strategic development and forcible entry operations or cyber security. DEFTECH is an example of an immediately needs and this would be a long-term R&D center. David Hayden said that this was a UNC systems idea. That we have such great research capabilities and academic institutions in the Triangle that we may need to strongly advocate for federal elected officials to put a R&D Center in NC. When I heard about the AFC I thought that may be close and we should advocate to get that here. But the whole idea behind a R&D Center is the genesis for government business. Once you put a flag somewhere on the R&D Center you will have a lot of other government contracting that is going to generate from that. You will then have a lot of defense contractors that must be present and placing their flag there also. I think there is a lot of support to do that. At the time that I was advocating for that there was not a lot of our federal delegation speaking with one voice. We finally did get a letter from our federal delegation when they were opposing the 440th Air Wing deactivation at Pope Field. That is how they need to operate. I think the AFC will help but there are other areas of expertise whether it be Cyber Security or something in the Health Field. A R&D Center in NC should be on a long- range radar. Our legislative delegation does not always think about the second and third order affects. Cresswell Elmore said that was an option. The goals need to be readjusted. Frank Bottorff said who would we be supporting and focused on impacting? Cresswell Elmore said the UNC Systems. Scott Dorney said that we also have the Army Research Office (ARO) here also. The ARO is also a positive for the AFC and R&D center. David Hayden also said that we have a large National Security Agency (NSA) presence at the Centennial Campus at NC State University that continues to grow. Scott Dorney said that maybe the next step is to work with Kathy Sidner at the University System. Another idea and trend

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in DoD is the growth in Public/Private Partnerships. How can private industries help a command be more successful? There are good examples of this. I think that there are a lot of opportunities out there.

Tony Stimatz gave an update from Elizabeth City. Currently the Coast Guard has out for bid the C-130 depot level and long term inspection program. They have taken some steps and purchased the facility that was formerly owned by a contractor. They are in the process of purchasing the land which belongs to the Airport Authority. The people that are bidding on this have said that they are looking beyond that and they are looking to build a paint strip hanger in the Aviation Research and Development Park. The problem that the Coast Guard does not have any 4P authority. So, we are working behind the scenes to get than inserted someplace so we can have the same language that DoD has. We are working those issues as we speak. Another item is the One Department of Homeland Security (DHS) concept. A study was done a couple of years ago that showed a significant saving if DHS put all their aircraft in one place and did all the maintenance there. The logical place would be in Elizabeth City. That is still working. Those are some things that are happening for the Coast Guard

NC COMMUNITY COLLEGE SYSTEM UPDATE SENATE BILL 761

Hand-out for the Committee to review.

ADJOURNMENT:

Chairman Elmore requested a motion to adjourn the meeting. Frank Bottorff made a motion to adjourn the meeting, seconded by David Hayden and passed by unanimous vote at 11:28.