



NORTH CAROLINA MILITARY AFFAIRS COMMISSION

**Minutes of the 1st Quarter, January 31, 2019, Economic Development Committee meeting
Department of Commerce (DOC), DOC Large Conference Room, 301 N. Wilmington Street, Raleigh, NC**

MEMBERS IN ATTENDANCE:

Chair Cresswell Elmore
Frank Bottorff
David Hayden
David "Crockett" Long (by-phone)
Timothy McClain

MEMEBERS ABSENT:

Tony Stimatz
Jeremiah Daniels

ADDITIONAL ATTENDEES:

Brad Helton, EDPNC
Scott Dorney, NCMBC
Will Best, Department of Commerce
LTC David Baker, NC National Guard
Jamie Norment, ACT
Chris Chung, EDPNC
Representative George Cleveland, NCMAC
Larry Hall, Secretary, DMVA
Kelly Jackson, DMVA

WELCOME/INTRODUCTORY REMARKS: CHAIRMAN CRESSWELL ELMORE

Frank Bottorff called the meeting to order at 10:15 am. Chairman Cresswell Elmore was running late and asked them to start the meeting.

OLD BUSINESS: CHAIRMAN CRESSWELL ELMORE

Frank Bottorff asked if there was any old business that needed to be discussed by the committee. There was no old business to discuss.

CONSENT MINUTES: CHAIRMAN CRESSWELL ELMORE

Frank Bottorff requested a motion to approve the minutes from the 4th Quarter meeting of the committee on October 19, 2018. David Hayden made a motion to approve the minutes, which was seconded by Timothy McClain and passed by unanimous vote.

BUDGET UPDATE: FRANK BOTTORFF

Frank Bottorff said that the NCMAC had submitted the budget worksheets through the Department of Military and Veterans Affairs (DMVA) to the General Assembly (GA). There had been some questions on the nature of our request and the amount that we still had in our account. We responded to their questions by what had been obligated, what had been dedicated and the planned expenditures that we know of today. I think they have an accurate vision of the things that we plan to spend our funding on through the remainder of the fiscal year if things go as planned. The reality is that we do have a sizeable amount of funds in our account. The plan for next year is about identical to what we got the last budget session. If it continues through as requested. The only large budgetary items we have is the lobbying contract. We have gone through the first stage of review of the submittals and then we will have interviews with a couple of the selected firms next week. We will make a recommendation to the Full

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NCMAC at the February 19 meeting. Any questions about the budget? Not much has changed since last month. No further discussion.

MARINE CORPS AIR STATION (MCAS) CHERRY POINT AND FLEET READINESS CENTER EAST (FRC EAST)

UPDATES: JAMIE NORMENT

Jamie Norment gave the committee a presentation on a regional approach to Defense Economic Development.

Fleet Readiness Center East (FRC East) and the Global TransPark (GTP) are exploring opportunities between the two groups for networking, labor training and work site locations. This is all very new and we are helping to facilitate this as we can through the GTP Foundation and the GTP Board of Directors. Ms. Marybeth Parnell who spend a lot of time as a Navy Civilian at FRC East is now on the Board of Directors for GTP Authority.

Related to that Mark Poole was the Economic Developer for Lenoir County had has moved to Wayne County and has done a lot of work with GTP and recruiting business to the GTP. He is now the Economic Developer for Wayne County. He wants to push the whole Regional approach and that there is an Aerospace and Military Aviation opportunity here. Robin Hauser, EDPNC along with John Loyack and Brad Helton are looking at opportunities for FRC East. We are seeing a lot of interest related to the F-35. Follow on work for the F-35 at the Depot should generate work outside the gate in terms of distribution or warehousing.

The Department of Transportation (DOT) is also taking a Regional Approach to Economic Development related to the Military. Sec Trogden had his first tour and briefing at FRC East. The Governor also brought his Cabinet to New Bern for their Cabinet presentation. In the morning took his senior Engineers on a tour and briefing of FRC East. They talked about transportation issues and the 4200 civilians and contractors that work at Cherry Point. The moving on and off the base is a logistical challenge. The DOT has invested a significant amount of funding on the Slocum Road improvements and the Main Gate Road improvements. There will be improvements in New Bern Highway 70, Havelock Bypass and new construction at Cherry Point. It will be a logistical challenge, but the DOT is up to the challenge. DOT is working with other installation on improvements. They are also working with Onslow County Economic Development to improve rail access for industry.

He has had individuals reach out to him about lessons learned from the Army Future's Command (AFC) effort. Specifically, from the Marine Corps. Their Community Liaison and their Education Liaison were very interested in why AFC didn't come to NC. Where their any issues with transportation, education, social services or those types of items. The lessons learned from a Regional Approach would be good. The Marine Corps is reaching out to see what they can learn from this event.

The Carteret Joint Land Use Study (JLUS) implementation Project is just starting. This is funding in part by the NC Military Affairs Commission through a Grant and through the Office of Economic Adjustment (OEA). This will create a Military Influence Overlay Districts that will be established in coordination with local zoning and land use planners in Pamlico, Jones and Carteret Counties. Community development

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and non-military economic development is compatible with military footprint and aviation training. Carteret County is taking the lead on this project. If anyone is interested Jamie Norment can get you more information on this topic.

Hurricane information. The assessment is ongoing with an unofficial approximate cost of \$3.6 billion for Marine Corps Installations East (MCI East) and \$150 million for Cherry Point. FRC East hangar out of commission and repairs should be funded, but a new hangar is what is really needed. We are working with Sen Tillis' office to get as much funding for hurricane recovery as possible. The Marine Corps has informally sent over to the Congressional Appropriations Committee a list of their hurricane damage priorities. That process is still ongoing.

FRC East is growing with 4200 full-time civilian and contractors, 900 engineers and no more space. Some of these employees are now working off the base. F-35 work will increase sooner than planned. The Economic Impact statement for Cherry Point should be out soon and we hope for all of MCI East. It will show that the Marine Corps still has a huge impact on NC. Approximately in the \$8 Billion a year range. Cherry Point is around \$2 Billion a year and FRC East is \$800 Million a year.

Marine Corps Air State (MCAS) Cherry Point Air Wing has a meeting with Deputy Commandant for Aviation (DCA) LtGen Rudder. The Aviation plan for 2019 has not yet been released. The F-35's are coming to Cherry Point but might include more F-35Cs than expected, but the total remains strong. We may get more of the Navy variance of the F35's than we had expected. The Marine Corp is now getting behind the idea that you need to fund the maintenance, repair and upgrades on the F-35 project at the depot level as you are purchasing the jets. That is not the way it was done before. That is a good concept to be thinking about. Frank Bottorff said that the Navy and the Marine Corps have an agreement for the Marine Corps to support the Carrier Air Wing. So, in every Carrier Air Wing we have one Squadron of F-18's that goes on the Carrier as part of the Carrier Air Group. The Navy does not have enough Squadrons to do that mission. When we transitioned to the F-35, a percentage of them had to be Carrier variance so we can continue to support that mission. No further discussion.

ECONOMIC DEVELOPMENT FOR NORTH CAROLINA (EDPNC): CHRIS CHUNG/BRAD HELTON

Chairman Elmore talked about the Memorandum of Agreement (MOU) with the Department of Commerce (DOC)/EDPNC. He said that the MOU had been executed from 1 January -31 December 2019. One payment has been paid to DOC for the period 1 Jan – 31 Mar 2019 to DOC. We need to get back to receiving a quarterly report from EDPNC that will be sent to the Economic Development Chairman.

Chris Chung said that Brad Helton will be moving to Colorado and leaving his position with EDPNC today. Now we need look at how we move forward and hiring someone to fill this position that you are funding. When the NCMAC provided this funding, we know that this was for a one-year increment and needed to prove that it had value to the investor. We structured the role to be on the Business Recruitment side and how do we get more companies from the defense industry to come to NC. This was the best way to structure this position knowing that we only had the funding for one year. So, this position was on the Business Development side of the company. I know that Rep Cleveland has recommended that we think longer term but with the funding only for one-year increments that is hard

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to do. If the Legislature decided to make this funding reoccurring, then we could look at this position differently. We know that we have another year with this MOU and we delivered results. We will continue to have this position work on the front end of the Business Development side. What we need is your advice on now, is the approach you still want and what sectors in the defense industry to focus on? There are a lot of sectors that we can focus on. I would like this groups guidance as we move forward and this would help with the hiring process. I would welcome your assistance interviewing the short list of 1-2 candidates. We did not have that opportunity the first time we did this process.

Chairman Elmore said that was the discussion that he and Frank Bottorff had had recently. Frank Bottorff said that he did not want to rush to a decision and there are many of us at this table that are very comfortable with the Aerospace defense portion of this. I think we need to get more information on the other opportunities. I still think the position still needs to be a generalist than a specialist because it is part of the Business Development side. David Hayden said that he considers Eastern NC as low hanging fruit and he is thinking long term. Getting the big companies here to support the F-35's us easy. We need to be looking long term for whom ever is in this position. Something we have talked about and other sectors in NC are research and development on Cybersecurity. We have a great presence there and with the NSA. So just focusing on Eastern NC, we could be missing opportunities 5-10 years down the road. We have talked to our federal delegation about keeping our eyes and ears open for a Research and Development Center or something like that. I think we need to think long term and we need to be involved in the hiring process for this position.

Frank Bottorff said that something else that could be beneficial is with the budget of \$120K is that the right amount for that position? If you want a General officer level individual with contacts in the defense industry, what would that cost? So, if we make any changes we have knowledge to make those changes. Brad Helton said that if you go that direction you will be looking at a specialist. Chairman Elmore told Chris Chung to look at the position from the range of \$120-\$200K. Chairman Elmore will put a team together (Frank Bottorff, Cresswell Elmore and David Hayden) to get with Chris Chung. Rep Cleveland said that he agreed that we should have a generalist in this position. Then we need to look at certain areas once they are identified. Do we have the flexibility within the NCMAC to hire an individual if we have something that we have identified and hire a specialist? Frank Bottorff said like a short-term consultant for a specific project? Rep Cleveland said that is correct. Frank Bottorff said like a private consultant. Chris Chung said that was a different sight selection process. Frank Bottorff said that was an interesting idea and we should investigate that process. Chris Chung said that the funding amount that they receive has not been a constraint for them. David Hayden said we may want to capitalize on the textile advancements that are being done at NC State. There are many ways to use technology today and have a big impact. Scott Dorney said that he would look at what are strengths are, what our current government contacting is, what sectors those are and what infrastructure that we already have in NC. We have a textile technology center in Gastonia, Manufacturing Solutions in Hickory and Wilson College of Textiles at NC State. I would recommend taking a hard look at what sectors we are particularly competitive in and being able to target them and not be to be focused on one particular thing. Rep Cleveland said that he would not ignore the food industry. Frank Bottorff said that Brad Helton was attending the Association of The United State Army (AUSA) conference and matching the things that you are hearing there to our strengths. We also need to look at what people need. David Hayden asked Chris Chung if he had counter parts in other states like Texas. He said that Texas has had a lot of

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success. How much do they in Economic development dedicate to the growth of the defense industry? Chris Chung said not very much at a state level and they are very decentralized. They are much more regionalized level such as Dallas, Houston and Austin. Chris Chung said that guidance that he has been given has been helpful. As we look at the next iteration of this position and keeping it front loaded as business development. We will continue to focus there. Sector focus on Aerospace and other areas. David Hayden asked if they were looking for someone with senior command or procurement experience? Chris Chung said that he would be relying on this group for that decision. He said that what they care about with his team is do they have the networks and the knowledge to get in front of the companies. Can they find the needle in a haystack? David Hayden said that he might want someone who was at a flag level position. Chris Chung said that they do not have a support staff and the person will need to be a self-starter. David Hayden said that he thought that we had a great pool to choose from. Frank Bottorff said that the General officer type person could be the specialist person that Rep Cleveland is talking about. Chris Chung said that the person will need to get in front of companies. Scott Dorney said that he is on the Advisory Board for the Defense Industry Diversification Initiative (DIDI) grant. The results from the supply chain study were amazing about our eco system in NC. The data from the study is not in a useable format yet but they are getting close. We are going to be consumers of that information and Brad Helton's success should review that data. Chris Chung ask the timetable for the Cluster Analysis to be completed? Creswell Elmore said that the Cluster Analysis could take about 1 year, so the later part of 2019.

Timothy McClain asked if there was any information that he could look at reference this position that the NCMAC is funding for EDPNC? Chris Chung said that there were quarterly reports completed by Brad Helton. Cresswell Elmore requested that a Close out report be completed and sent to him and he would share that with the committee. Frank Bottorff said that we understand that the person that is hired works for EDPNC, but we want to be a partner in this process. Chris Chung said that it is important that he has this committee's support and buy in as he moves forward. Scott Dorney said that if we are going to move the needle in defense contracting and build this industry in NC we need help existing industrys get more defense contracts, recruit more defense contracts to NC and expand the Research and Development (R&D) profile. Chris Chung mentioned that the one-year funding is a concern when they are hiring someone and telling them that the position may not be funded the next year. Rep Cleveland said that the easiest thing could be a 2-year contract and the first step. Creswell Elmore said and then we go to the legislature to fund this position next? Rep Cleveland reminded them that if the legislature funds this position, then the NCMAC losses a lot of control over that position and we need to think about that. He did not see an issue with the 2-year funding. Frank Bottorff said that our budget is a 2-year budget and the legislation says that we will use that money to fund that position. What we can do now is to continue with this contract and then in July 2019 redo the contract and extend it for 2 years from that period. Then do that process every July thereafter. Chris Chung said that would help a lot. He will talk to Brad Helton and they will get a close out report done and sent to Chairman Elmore. Kelly Jackson said that the Memorandum of Understanding (MOU) that the NCMAC has with Department of Commerce (DOC) is a 2-year agreement. January 1, 2019 – December 31, 2021.

Frank Bottorff said that he wanted to thank Brad Helton for the great work that he had done as a member of EDPNC and for the NC MAC. He appreciated his hard work and dedication. He wished him the best in his new endeavors. Brad Helton said he appreciated the opportunity to work for EDPNC and

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support the citizens and the State of North Carolina. Cresswell Elmore said that he hoped Brad and his family have many blessings in Colorado.

OPEN DISCUSSION:

Chairman Cresswell Elmore asked if there were any open discussion items?

Scott Dorney talked about upcoming events for the NC Military Business Center (NCMBC).
Defense Contractor Academy, Apr 9-11, Hickory, NC
Southeast Region Federal and Defense Textile Summit, Apr 23-24, Hickory, NC
Medical, Biomedical and Biodefense Support to the Warfighter Symposium, Jun 11-12, Chapel Hill, NC

Kelly Jackson talked about the HIREVets.gov program. This is a US Department of Labor program that honors the employers who hire our nation's heroes. The program is under the honoring investments in recruiting and employing American military veterans act that was signed into law May 5, 2107. You can find more information on this program at HIREVets.gov.

Frank Bottorff mentioned that there is a lot of construction going on in the Havelock area and the prices have increased by 25 – 40 % in the past 3 years. The companies are very busy. This is a double-edged sword.

Timothy McClain informed the committee about an event on March 14th. Bunker Labs Raleigh-Durham, a 501 (c) 3 organization committed to veteran entrepreneurship, is excited to announce the Muster RDU. Presented by Military Veterans Network at MetLife, the Muster RDU will be held on Thursday, March 14th from 9 am – 7 pm at the MetLife Global Technology Campus in the Research Trainable Park. The event welcomes veterans, corporate partners, and innovators to come, bring their best ideas and develop new connections and insights.

ADJOURNMENT:

Chairman Elmore requested a motion to adjourn the meeting. Timothy McClain made a motion to adjourn the meeting, seconded by Frank Bottorff and passed by unanimous vote at 11:36.