TRRC in its Third Decade

A Strategic Plan for the Tobacco Region Revitalization Commission FY 2020 – 2022

June, 2020

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About the Commission

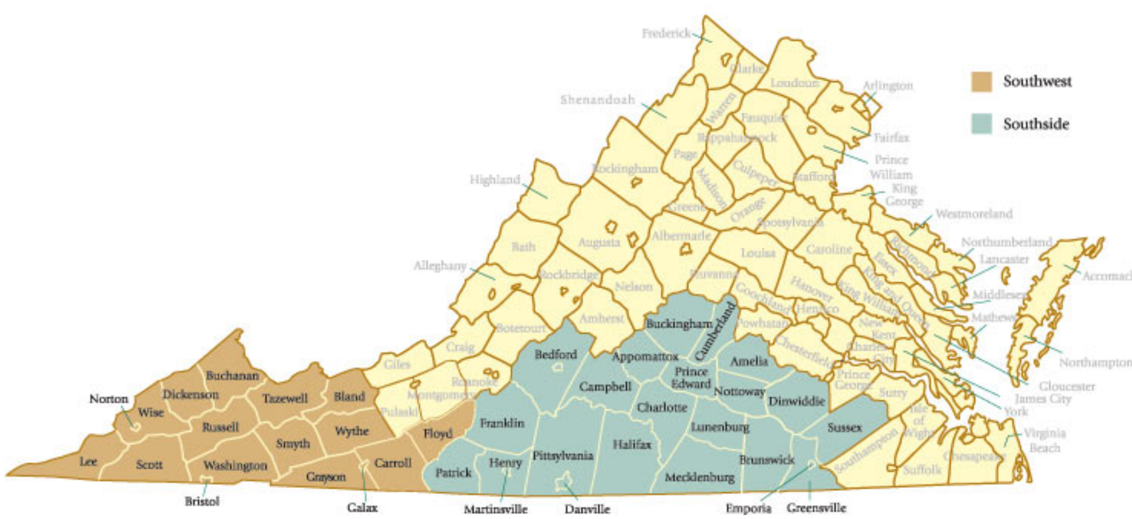
In 1998, the Attorneys General of 46 states signed the Master Settlement Agreement (MSA) with the four largest tobacco companies in the United States to settle state suits and recover billions of dollars in costs associated with treating smoking-related illnesses. Four states - Florida, Minnesota, Mississippi, and Texas - settled their tobacco cases separately from the MSA states. A portion of the MSA proceeds funded the creation of the Tobacco Region Revitalization Commission.

Chapters 31 and 31.1 of Title 3.2 of the Code of Virginia contain statutes governing various aspects of the Commission.[1] Broadly, those serving the Commission may be split into two groups – members (or commissioners) and staff.

The Commission is composed of 28 members, and appoints from its membership a chairperson and vice-chairperson. These and other details on membership are described in §3.2–3102. Members are appointed to one or more committees. Each committee is assigned a chairperson by the Commission chair; some committees have a vice-chairperson or are structured to have co-chairs.

A current organization chart of staff may be found on page 18.

**Tobacco Commission Counties
Southside and Southwest**



[1] During the 2015 legislative session, section §62.1–203 of the Code of Virginia was amended to include reference to the Virginia Tobacco Region Revolving Loan Fund (§3.2–3117). This section describes the powers of the Virginia Resources Authority.

Mission

The Tobacco Region Revitalization Commission is created as a body corporate and a political subdivision of the Commonwealth and as such shall have, and is vested with, all of the politic and corporate powers as are set forth in this chapter. The Commission is established for the purposes of determining the appropriate recipients of moneys in the Tobacco Indemnification and Community Revitalization Fund and causing distribution of such moneys for the purposes provided in this chapter, including using moneys in the Fund to … revitalize tobacco-dependent communities.[2]

Section 3.2-3101, Code of Virginia[3]

Vision

In today's environment – where markets are largely global and employment is increasingly knowledge-based – the Commission seeks to accelerate regional transformation, giving citizens expansive opportunities for education and employment, and providing communities the benefits of economic stability, diversification, and enhanced prosperity. In particular, the Commission seeks to meet the region's specific challenges related to a historic dependence on tobacco production, textile and furniture manufacturing, and coal production.[4]

As a result, the Commission also recognizes that investments should reflect and directly advance local, regional and state priorities as established by elected and appointed officials, representatives from institutions of higher education, and other community leaders. The Commission views economic development as a partnership, and will - as often as practicable - seek input from regional stakeholders to ensure its priorities align with those of the region.

The Commission's work is grounded in an objective and quantifiable economic base analysis. In general, directly productive industries, and the workforce training and development which supports them, do more to further this goal and should be favored over an increase in service industries primarily serving local markets.

Finally, the Commission must focus on ensuring the maximum impact of its expenditures, both as they relate to creating economic growth, and as they relate to maintaining the Commission's fiscal sustainability as a critical source of capital to the region the Commission serves.

A New Approach

Moving into a new decade and a new fiscal and political reality will require changing the way the Commission operates. With reduced budgets, and a changing economic landscape, it is important that the Commission adapt to meet the challenges it will face in the next decade and beyond if it is to continue being a catalyst for growth and increased prosperity across Southern and Southwest Virginia.

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[2] The statute also contains a section referring to the Commission's mission to indemnify tobacco farmers through direct payments. That portion of the mission was deemed completed and is omitted here for clarity.

[3] The full section of the code can be accessed at: http://law.lis.virginia.gov/vacode/title3.2/chapter31/section3.2-3101/

[4] The most updated survey economic data (and links to regional and MSA data) are available from the Bureau of Labor Statistics, accessible at: http://www.bls.gov/eag/eag.va.htm

Specifically, this means that the Commission will have to prioritize lending activities over grant making, be more efficient in the way it conducts business, seek to create new funding avenues through the creation of an outside nonprofit, and make the best use of staff expertise and regional marketing initiatives.

Ultimately, the Commission will transition into an organization engaged in significant business and community lending, increasing access to capital and continuing its workforce and infrastructure missions through targeted grants made from interest on the corpus, earnings on lending, and other development activities such as receipt of grants and donations.

Funding & Strategic Priorities

The Commission receives hundreds of grant and loan applications each year and must determine how to allocate its limited annual budgets to best serve the needs of the Tobacco Region. This will become even more important as the Commission enters its third decade with a diminished corpus and reduced earnings on that corpus. While the Commission will retain the ability to fund large scale, regionally transformative projects at a high level, individual grant awards will be lower than in prior years and the bar that must be cleared to acquire funding will be higher. Further, the Commission will transition away from grants as the primary mechanism for funding projects and towards low or no interest loans.

The three mechanisms that inform staff recommendations and Commission decisions regarding which projects to fund, whether by loan or grant, are: 1) our Key Funding Priorities, which describe the sorts of project categories that will receive preference over all others, even those that follow our General Funding Policies; 2) our Committee Structure, and Program Outcomes and Goals metrics; and 3) our General Funding Policies, which describe specific policies related to uses of funds and preferred overall project finance rules.

Funding Priorities

With the new approach, the Commission will need to narrow its focus to areas in which it can make the highest impact while remaining a strong steward of its resources. This will include some traditional areas of effort for the Commission like traditional economic development, agribusiness support, and education/workforce development, as well as new areas of focus such as business and community lending. In no particular order of preference, the Commission's funding priorities shall include:

1. **Business and community lending:** Moving forward, the Commission's largest budget line will be directed toward community and business lending. This approach will solve a significant issue related to access to capital in the region while also contributing to the Commission's financial sustainability. This program can be funded via a full annual corpus invasion of 15%, less any budgeted funds for grant making and administration. This invasion will improve the Commission's fiscal position rather than harm it, as loans will be made at interest rates greater than the yield on the Commission's assets within the treasury. This increased lending activity will, in many cases, result in awards consisting solely of loans whereas past guidelines may have resulted in a grant award.

2. **Education and workforce development:** As the national and global economies increase focus on human capital, the Commission must continue to support the region's efforts to ensure employers within or interested in the footprint can hire top-flight talent. This will remain a focus for the Commission as we believe it presents opportunity for high return on investment and supports long-term economic growth.

   The program will continue to be broken out into three categories:

   a. Competitive education grant-making, in which the Commission provides capital to post-secondary institutions for the creation of new programs or to expand existing, in-demand programs.

   b. The Talent Attraction Program (TAP), in which the Commission offers to pay student loans for people who have specific, desired credentials, contribute meaningfully to their communities, and work in occupations for which there is currently a workforce shortage with the goal of incentivizing people to change their career plan and locate in the Tobacco Region.

   c. Workforce financial aid, in which the Commission reduces the cost of credential or degree attainment at the regions community colleges and higher education centers.

3. **Agribusiness:** The purpose of the Commission's Agribusiness Program is to promote agricultural and agribusiness growth, development and diversification, as well as reducing dependence on tobacco and tobacco-related business. Even with the transition away from tobacco, agriculture remains the largest economic sector in the Commonwealth and the largest economic sector – by far – in the footprint. The Commission will continue to make support for the agribusiness sector a priority. However, in keeping with the renewed focus on high-impact investments, emphasis will be given to value-added, aggregation, and systemic improvements, rather than research or programs for individual producers.

4. **TROF:** The purpose of the Tobacco Region Opportunity Fund is to provide performance-based monetary grants and loans to localities in the footprint to assist in the creation of new jobs and investments, whether through new business attraction or existing business expansion. Grants and loans, awarded at the Commission's discretion, are evaluated in a manner consistent with the goals of the Commission and amounts are awarded commensurate with the project's impact on the community and/or region in which the project is locating. Evaluation of award amounts are consistent throughout the region and based on the following criteria: prevailing wage rates, number of new jobs, taxable capital investment, industry type, and the possibility of related economic multiplier effect. While the TROF program has been successful in drawing new businesses to the region and creating tens of thousands of jobs, the region remains at a disadvantage relative to more-populous regions with deeper reservoirs of medium and high skill workers. As a result, the added competitive advantage the Tobacco Region Opportunity Fund offers remains important to landing transformative projects.

   Incremental improvements to the TROF program have been made over time and these should continue. The program should remain discretionary, reserved for projects the staff are persuaded are truly competitive, and which might not develop absent TROF funds. Projects eligible for TROF funding must enjoy the support of economic development staff in the locality and region, and the Commission's regional marketing team (when they've been involved). TROF will be reserved for projects in traded sectors that promise to increase the locality's prevailing wage and significant preference should be given to projects that enjoy the support of sister state agency programs like the Commonwealth Opportunity Fund, Agriculture and Forestry Industries Development grants, Community Business Launch, or similar programs.

5. **Industrial and business infrastructure:** Footprint localities (and the Commonwealth as a whole) continue to have a shortage of available and desirable locations in which to place industrial and business facilities. This shortage of both building stock and infrastructure assets puts the region at a competitive disadvantage when competing with other states to attract top employers along with the jobs and investment they bring. The Commission will continue to make grants and loans to support the creation and improvement of industrial sites, business locations, shell buildings, telecommunications, natural gas, and electrical infrastructure to close this gap and ensure that localities within the Commission footprint can compete successfully for projects.

Strategic Priorities

Along with changes in funding priorities it is necessary to make changes to the way in which the Commission conducts business and seek out ways to utilize existing resources more effectively.

Programmatic, capacity-building, and project development: The grants team has deep experience that can be deployed to significant effect throughout the footprint. Allotting specific portions of field office directors' time to project development and facilitating connections to other resources can yield significant returns with small investments on the part of the Commission.

Streamlined committees: In a period of reduced budgets, dividing resources among too many committees leads to small grant rounds with correspondingly small outcomes. As a result, the Commission will match narrowed funding priorities with a reduction in the number of committees. The Commission will create a single committee for each region that manages all non-education grant-making and lending while eliminating redundant committees including R&D, Special Projects, Agribusiness, and Business Support committees, and rolling their work into the new regional committees. These two regional committees are not continuations of the existing Southside and Southwest Economic Development committees – they will hear projects that would, previously, have come before some of the eliminated committees, at the discretion of the chairs.

Additionally, the executive committee will be slimmed down to one that mirrors executive committees of other organizations: it will consist of the chairs of our committees and the officers of the full Commission.

Each committee's work is broken out into one or more logic models, which can be seen at the end of this document, that display the specific outputs supporting each programmatic goal. It is the goal of Commission staff to evaluate projects, both before awards are given and in follow-up, on how well they meet the clear metrics laid out in project outputs when grants or loans are awarded. For more detail on specific metrics, please contact Commission staff.

The new committees are:

1. Southern Virginia Committee - The Southern Virginia Subcommittee hears proposals from applicants for grants or loans to support economic development in Southern Virginia. Previously allocated funds will continue to be assigned to specific counties, but future program funds will be available to all southern counties, cities, towns and nonprofits within the region. Projects funded by the Southern Virginia Committee may also be subject to a tax-sharing agreement between the Commission and the locality depending on the nature of the project.

2. Southwest Virginia Committee - The Southwest Virginia Committee hears proposals from applicants for grants or loans to support economic development in Southwest Virginia. Program funds are available to all southwest counties, cities, towns and nonprofits within the region, without regard to any specific tobacco-related local data, historic or current. Projects funded by the Southwest Virginia Committee may also be subject to a tax-sharing agreement between the Commission and the locality depending on the nature of the project.

3. Education - The Education Committee oversees the Commission's Talent Attraction Program (TAP), and hears proposals for grants or loans for competitive education funding as well as financial aid support at community colleges and higher education centers throughout the footprint.

4. Executive - The Executive Committee is the Commission's rulemaking and administrative committee. The chair and vice-chair of the Commission serve as the chair and vice-chair of this committee.

5. Incentive and Loan – This committee will oversee both TROF and Community and Business lending policy.

6. Such ad-hoc committees as may be necessary to accomplish specific tasks. A good example is the strategic planning committee tasked with the production of this report.

Improved Fiscal Management

The Commission's efforts toward sustainability have slowed the decline in Commission finances, but they have not stopped it. It is imperative that the Commission take further steps to reduce and reverse the decline in Commission assets and ensure that the Commission will remain a viable and impactful entity for change until the communities the Commission serves are at least as economically successful as the Commonwealth as a whole.

Sustainability: During, and upon completion of the transition to sustainability, the Commission will only reduce its overall financial position in instances of truly game-changing economic development opportunities, meaning facilities many hundreds or thousands of jobs at or above the prevailing wage and investment in excess of $250 million. Otherwise the Commission's focus on sustainability will require that, moving forward, the Commission only grant from earnings on the Commission's corpus, interest on loans, and assets created by the new development team. With this approach, by 2024 the lending portfolio should be generating significant returns, as should the development team, meaning that there is the potential for maintenance and eventual slow expansion of grant-making efforts in the second half of the 2020s. In the next iteration of the Commission's strategic planning process, this fiscal transition will be evaluated and the Strategic Planning Committee will recommend continuing, pausing, or reversing this transition based on documented financial changes.

Asset management. The Commission's grant agreements require that any grantee deliver, to the Commission, a security interest in any real, tangible, or intellectual property, that is purchased with non-TROF grant funds. For many years these assets existed and would occasionally be transferred to the private sector and trigger a clawback, but there has only recently been a systematic approach to cataloguing our property and recording our interest in that property. This means that the Commission is the partial owner of millions of dollars of land, buildings, and high-value equipment across the footprint. Moving forward, the Commission will complete the cataloguing of this portfolio of equipment that has already begun in the field offices and record liens against all assets over a specific value, likely $100,000. Once properly catalogued and liens have been recorded, the Commission will also explore potential uses of this portfolio, and determine if it represents something that could be leveraged to support future activities.

Focus on lending. In the past the Commission has relied on grants as the primary means of supporting and incentivizing projects across the region. While this has resulted in positive impacts for the localities we serve, it has also resulted in the slow drawdown of Commission funds to the point that the Commission risks not being a financially viable entity within a short number of years.

That said, the Commission still retains a significant amount of capital. It is critical that the Commission use this capital in the most efficient manner possible, and that will largely mean lending. The Commission has the authority to invade its corpus for more than $20 million annually for the next several years – rather than use these funds to make further grants, which would dramatically deplete the corpus, the funds will be set aside for making low, fixed-rate loans. At 4% return, each year's corpus invasion would yield at least $800,000 new dollars per year, meaning millions of new dollars coming into the Commission per-year by year four. At the same time the Commission will expand lending activity beyond its current stakeholders to include business lending, when that business or its principals have sufficient assets to guarantee a loan or the business's locality or IDA/EDA will guarantee the loan. In the past year, multiple businesses have approached the Commission with purchase orders in hand, but without access to capital sufficient to fill those purchase orders. These businesses will be ideal candidates for lending, and will make the business climate in the Commission's footprint even more competitive relative to the rest of the Commonwealth.

When offering loans, preference will be given to shorter-term loans, and in all instances loan rates will be fixed at the outset so financial projections can be done in a stable fashion. The rate will be set by Commission staff, in consultation with partners at VRA, but will aim to be lower than commercial lenders while still ensuring a return for the Commission that exceeds inflation. Initially, loans will be made through VRA or via other expert servicers rather than directly by the Commission. After an initial period of time, staff and Commissioners will evaluate the efficiency of this arrangement for potential cost savings with the option of moving loan making operations in-house either by hiring additional staff or by contract. It should be noted that under no circumstance will the Commission take significant – or even moderate – risk as a lender. All loans will be guaranteed by a unit of local government, fully-secured by attached assets of the borrower, or some other arrangement that ensures taxpayer funds are adequately protected.

Fund development. (See: Commission Foundation) A transition to better fiscal management, coupled with increased lending and decreased grant activity, means that the Commission has the potential to grow in the years ahead and improve its financial position. However, the Commission also does work – especially in education and workforce development – that could be supported by charitable contributions and grants from other entities, which would take further pressure off of the current corpus. This entity would not be a recipient of Commission funds, rather it would be a new vehicle for bringing funding to support Commission projects.

In order to facilitate this move to outside funding, the Commission will create a non-governmental nonprofit to oversee the obtainment and allocation of funds for the purpose of grant making. This will require the hiring of development staff who will seek grants from the government and charitable foundations as well as individual contributions from donors that care about the success of Commission-supported communities.

Commission Foundation

Much of the work the Commission undertakes in its largest budget area, education, which includes workforce development and talent attraction, is eminently eligible for funding via other grant-makers and donors. It makes good fiscal sense for the Commission to pursue the creation of an outside nonprofit, which should, once it has built up a portfolio of donors and grants, be able to fund the Commission's education and talent attraction work without requiring significant inputs from the Commission's corpus.

Bring in outside funds. By creating a foundation or nonprofit that resembles those operated by the Foundation for Healthy Youth or any Virginia public university, the Commission will have a vehicle to receive funds from other organizations and individuals. This Commission fund will seek both private and public sector grants as a means of continuing to fund Commission programs, particularly in education and workforce development.

Management. This outside entity will be managed by a board composed of current and former members and staff of the Commission, in an effort to prevent any divide between the two organizations, and the Commission's Executive Director will also be director of the nonprofit. The Executive Committee will appoint the membership of the board of the nonprofit, and those members will serve short terms with the opportunity for multiple reappointments.

Initial Funding and staff. The Commission will make the initial investment in this nonprofit, for the purposes of hiring a development staffer who will work out of the Richmond office and report to the Executive Director. It will be the job of this staffer to seek grant and donation opportunities that align with the goals of the Commission's education and workforce development programs and, in consultation with the Executive Director, pursue those opportunities. This staffer will also be responsible for overseeing the day-to-day operations of the fund.

Legislation. Creation of this nonprofit will require legislation. Members of the Commission should engage in outreach to the General Assembly in favor of this plan's strategic direction, generally, and a change in the Commission's enabling statute to permit the creation of the foundation, specifically.

Investing in the Regions

One of the Commission's greatest strengths is the deep reservoir of talent, relationships, and knowledge contained within the field offices and field staff. Moving into the third decade of operation, the Commission will both empower and leverage the field offices to better-use their expertise and relationships, as well as continue to support both of our regional investment projects, Invest Southern Virginia and Invest Southwest Virginia.

Field offices. The Commission's field office staff has multiple responsibilities including grant management, metric tracking and grant oversight, project development of prospective grant applications, advising regional leaders on economic and community development initiatives, and recently, tracking of Commission assets. Moving forward, the Commission will better utilize the field offices by increasing the focus of field staff on project development and regional leadership. Field office directors have seen more economic and community development efforts in their respective regions than almost anyone in Virginia. Field staff have long been engaged in this activity on an ad-hoc basis, but making these efforts a stated job duty – and allocating a specific percentage of field office directors' time for it – will bring them more closely into alignment with local and regional economic development staff and yield greater results. Along with this new focus on project development, field staff will continue to evaluate projects as they arrive and during performance periods. This core mission of the grants team will continue with an increased emphasis on thorough tracking of project metrics throughout the life of the grants and ensuring that all relevant data are not just recorded, but entered into the database in a manner that permits more-detailed analysis.

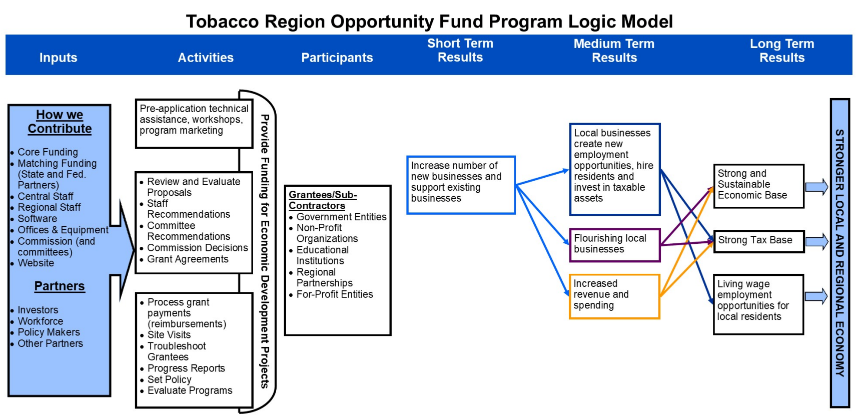
Field staff will also directly monitor Commission assets in the field. The Commission possesses millions in physical assets throughout the footprint and with an increased concentration on cataloguing and potentially leveraging these assets good stewardship will be even more important than it has been previously.

Field staff will serve as conduits to other state and federal programs. In the course of advising prospects and grantees, field staff have routinely mentioned other state programs (VEDP, Port, DHCD, etc.) or federal programs (EDA, ARC, SBIR, etc.) that may be beneficial to projects, but this has been ad-hoc. By training field staff in other programmatic offerings, and setting aside staff time for advising partner organizations, communities, and business prospects, we can leverage our field staff expertise to bring more resources into the region without expending Commission funds.

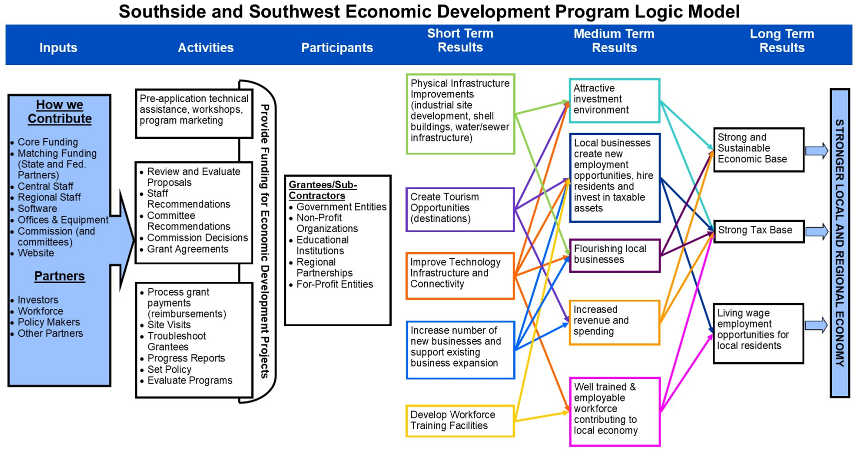
Regional Marketing and Development Efforts. The Commission's regional marketing efforts, Invest Southern Virginia and Invest Southwest Virginia, while distinct in character, are both producing significant return for the Commission. Moving forward, the Commission will continue to support these efforts, and will ensure continuity by transitioning from a grantor/grantee relationship to a contract relationship. This has already been approved as relates to Anwyl Consulting and Invest Southern Virginia, and will be reflected in the FY21 budget. The three-year grant period for the team managing Invest Southwest Virginia will be regarded as a trial period, after which that effort could also be transitioned to a renewable contract with the Commission. The Commission will continue to seek partners to support funding of these efforts.

Program Outcomes and Goals

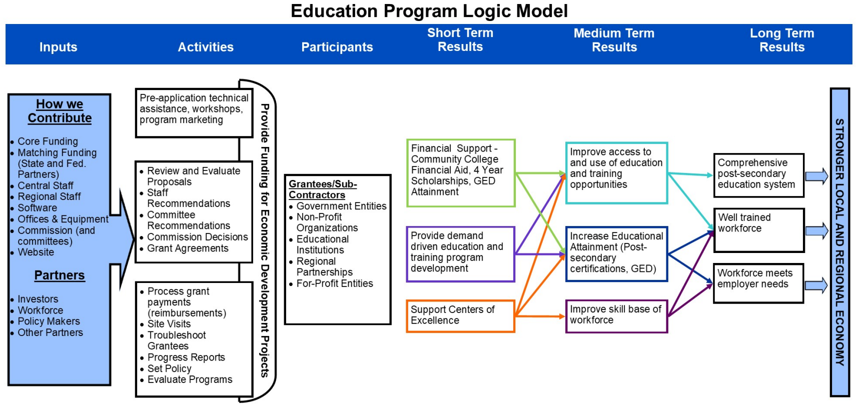
Each programmatic committee of the Commission does its work in pursuit of specific "project outputs," each of which supports one or more of the "targeted outcomes," the long-term goals of the program. Below, each committee's work is broken out into one or more logic models that display the specific outputs supporting each programmatic goal. It is the goal of Commission staff to evaluate projects, both before awards are given and in follow-up, on how well they meet the clear metrics laid out in project outputs when grants or loans are awarded. For more detail on specific metrics, please contact Commission staff. These models are updated periodically, so please be sure to consult www.revitalizeva.org for the most up to date models.



Southside and Southwest Economic Development Program Logic Model



Education Program Logic Model



Operations

This section describes the internal operations of the Commission. Eight areas are covered: Program Design, Meeting Schedule, Loan Fund Operational Description, Data Strategy, and Organization Chart.

Program Design. Each program has specific outputs and outcomes. These are directly tied to the short-, medium-, and long term goals of each program. The duration of these goals can vary between programs.

- Outputs are specific deliverables required from a project by an awarded applicant (or grantee) to satisfy the obligations of the grant agreement.
- Outcomes are the measures a program targets for effecting change.

A small but important distinction is that unlike outputs, outcomes cannot be targeted directly. Program specific outputs vary because program-specific outcomes vary. Project success is judged on delivered outputs, while program success is judged on effected outcomes.[5]

Every applicant to a program must clearly articulate and demonstrate how the specific project relates to the goals of the program, what outputs shall be delivered, and when such outputs are delivered, and the anticipated effect of these outputs on the outcomes targeted by the program.

Commission staff review and score submitted applications. The criteria used to score an application are pre-established and program-specific. The measures and weights used to score each application has remained consistent over the life of the Commission. This provides valuable context on the application score relative to the scores of the current applicant pool and historical scores across time.

Commission staff prepare a report containing background information, an evaluation of the financial viability of applicants, and recommendations on each application in the current pool and distribute the report to the appropriate committee for review in advance of the next committee meeting. Although staff are neither members of the Commission nor members of any committee, they are available before, during, and after committee meetings to answer questions from applicants or members or the public.

If an applicant is awarded a grant, a grant agreement must be signed between the Commission, the awarded applicant, and the final recipient of the grant funds. Depending on the outputs of a project, the deliverables in the grant agreement may vary within, or between, programs. Grant agreements are legally enforceable contractual obligations between the signed parties. **Every grant agreement contains clauses that provide legal remedies, including in certain cases a clawback provision, which may be exercised in the event of any unapproved use or misuse of Commission funds, and/or in the case of the outputs specified in the signed grant agreement not being met by a specified point in time.** Once all parties sign the grant agreement, Commission staff obligate grant funds. The Commission serves as the grantor and the awarded applicant is the grantee.

The grantee responds to interim assessments (surveys) on progress made toward achieving the obligated outputs. Interim assessments are program-specific. The assessments are intended to provide the Commission with useful quantitative data on the progress of the project toward completion. The Commission or Commission staff may, at any time, request additional information from grantees.

A final assessment is done once a project is completed within the duration specified in the grant agreement. A project is considered complete when the obligated outputs are met or exceeded, or when the obligated outputs either have not or will not be met. In the event of the latter, a clawback may be initiated by the Commission. **Under no circumstances will a final disbursement of funds be made to any grantee before Commission staff have received, reviewed, and validated the final assessment from the grantee.**

[5] 9 In practice, it is often difficult to judge a program's success on effected outcomes because of other exogenous effects on that same outcome (e.g. lowering the unemployment rate). Examining the realized outputs of a program over time is another way to judge program success. However, this approach provides no information on the outcomes the program was intentionally and specifically designed to effect.

A project is closed once all documentation is received by the Commission and all obligations are considered satisfied.

Meeting Schedule. The Commission meets regularly three times each year, with various committees having met in the weeks leading up to a full Commission meeting:

1. The Commission's winter meeting shall be held in January, prior to the convening of the General Assembly
2. The Commission's spring meeting shall be held in the month of May.
3. The Commission's fall meeting shall be held in September.

Any additional meetings may be called at the request of the chair, but the Commission has a goal of accomplishing all of its annual business in its three regular meetings. Should an unforeseen event like a global pandemic occur, meetings may be rescheduled at the discretion of the Commission's chair.

Revolving Loan Fund – Operational Description. The Tobacco Commission was authorized, during the 2015 session of the General Assembly, to set up a revolving loan fund in partnership with the Virginia Resources Authority (VRA).[6] This loan fund is the preferred funding option for any grant applications in support of projects that are likely to generate sufficient recurring revenue to service loans. This fund is distinct from the Commission's business and community lending portfolio.

When grant or loan requests are made by localities, they are routed to the relevant committee, and evaluated by Commission staff. Commission staff recommend to the committee that the applicant receive no award, receive a grant in some amount, or be reviewed for a loan up to some amount. Should the relevant committee, and then the full Commission, choose to extend a loan, the applicant will be directed to the VRA for a creditworthiness evaluation. Upon completion of that evaluation, a loan will be extended from the revolving loan fund in an amount equal to the lesser of the applicants' creditworthiness or their loan offer from the commission. Upon notice from the VRA that a loan will be extended, the amount of the loan will be deducted from the relevant committee budget and transferred to VRA. In future years, when the revolving loan fund has adequate resources from repayments, its funds will be allocated for the use of various committees during the budget process.

When loan requests are made by businesses directly, Commission staff, in partnership with VRA, shall determine if the applicant business is eligible for receipt of a loan. If the applicant is eligible, and Commission staff support the making of a loan, VRA staff shall extend a loan directly to the relevant business and Commission staff shall take any measures necessary to secure pledged collateral or other security necessary to protect the taxpayers.

Data strategy. Data are an integral part of the Commission's work. The Commission shall view and treat data as an asset, and data are leveraged to create value for all stakeholders. Through the collection of detailed grant and loan applications and ongoing grant and loan

[6] The full statute and details can be found in the Virginia Code at § 3.2-3112 et seq

assessments, the Commission acquires tremendous amounts of data about projects, the region, and grantees within the region.

By making use of modern data analytics, the Commission can ensure strong ROI on its activities while gaining and disseminating new insights into best practices and solutions to region-specific challenges. As the Commission gains better insight into those investments that yield the most return for the region, it will revise grant and loan funding policies to reflect a preference for higher return projects.

The Commission shall create a clear, consistent, and objective set of criteria for what constitutes successful projects in any funding area, and apply these concepts throughout the life of each grant or loan: application, management, and closeout.

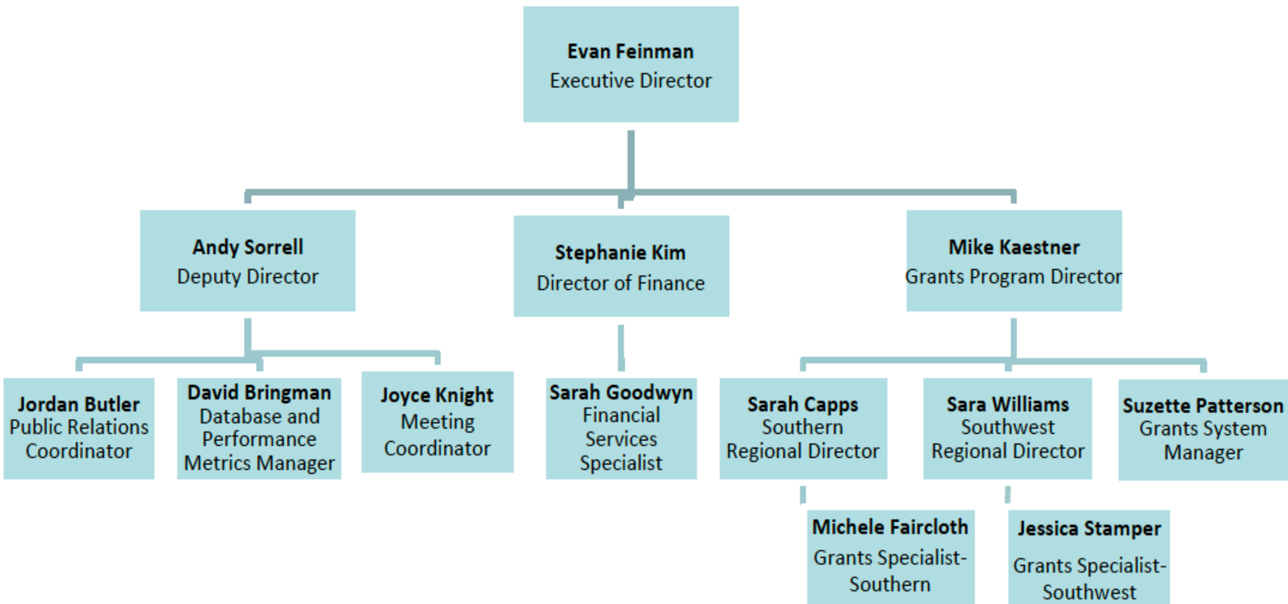
The Commission is committed to objective metrics that are consistently recorded throughout the life of any grant or loan.

The Commission shall document comprehensive data management processes and policies. The Commission shall establish a recurring review of these policies for accuracy and workflow improvements.

__Appendix A:__

Tobacco Region Revitalization Commission

Organizational Chart



Appendix B:

Funding Policies for Grant Awards:

Information for Applicants & Grantees

Revised April 2020

The Tobacco Region Revitalization Commission (TRRC, formerly known as the Tobacco Indemnification and Community Revitalization Commission) was created under the Code of Virginia in 1999 to revitalize, grow, and diversify the economy of the 34 counties and six cities in Virginia's tobacco-producing region. The Commission accomplishes this goal through several grant programs, each with specific objectives and outcome metrics.

Since 2002 the Commission has adopted policies for grants management that have been periodically updated over the years as needed. This document incorporates those policies and revisions by staff based on best practices and recommendations by auditing agencies. The Funding Policies are intended to provide applicants and grantees with guidance on the general funding policies used by the Tobacco Commission for consideration of new applications for funding and in administration of grant awards.

The Funding Policies reference several of the Commission's guiding documents, grant program guidelines and agreements that can be found on the Commission website (www.revitalizeva.org). Collectively, these documents form the legal basis for the award and use of TRRC funding. Please thoroughly review all relevant documents including:

- The Commission's Strategic Plan
- Guidelines for the specific grant program
- Approved grant application and signed Grant Agreement

Questions about any aspect of the content herein should be directed to the regional *Grants Program Administrator* who serves your locality.

These policies are subject to revision and expansion by Commission staff periodically.

PRE-APPROVAL POLICIES

I. Commission Priorities for Consideration of Grant Awards

Priority is given to projects with the following characteristics:

- Align with the Commission's Strategic Plan, and with the objectives and outcomes identified for the specific grant program (e.g. granting of nationally-recognized academic/workforce credentials in Education, creation of net new income for agricultural producers in Agribusiness etc.);
- Are regional in their implementation and impacts (i.e. governance, direct financial participation or service area);
- The appropriate partner organizations have direct involvement and capacity to successfully implement the project;
- Meet or exceed required matching funds and thereby leverage significant other financing;
- Demonstrate that all financing necessary to complete and sustain the project is committed and available;
- That are likely to generate sufficient recurring revenue to service a TRRC loan in lieu of a grant.

Pre-Application – Prospective applicants are encouraged to use the online Grants Pre-Application Form on the Commission's website. This form is used to submit basic project concepts to the Grants Staff for feedback on the appropriate Commission program, timing of funding cycles, available funds, matching fund requirements and other application issues. *The pre-application is an optional, non-binding means of communicating your project concept to TRRC Staff for feedback and guidance prior to submitting a full application.*

II. Eligible Applicants

Applications for grant funds will only be accepted from public or incorporated non-profit private organizations located in and/or providing economic revitalization programs, services, or facilities in the tobacco region. Eligible applicants including the following:

- Government Entities - Government entities within the Tobacco Region or their duly constituted political subdivisions. This includes the governing body of any city, county or town ("locality"); governing body of a local or regional industrial or economic development authority; regional authority, and other governmental unit.
- Non-Profit Organizations - Incorporated non-profit organizations designated as tax-exempt by the federal Internal Revenue Service, such as 501(c)(3) entities.
- Educational Institutions - Public or private non-profit institutions of higher education, and other education or training institutions constituted and located in Virginia; or entities not constituted in Virginia but with significant, enduring investments and service delivery in the Tobacco Region.

For guidelines and instructions on grant applications submitted by ***Regional Partnerships*** and for those benefiting ***For-Profit Entities***, refer to Section III. Requirements for Applicants.

III. Requirements for Applicants

- ***Procedural* -** Applications must be submitted in accordance with guidelines and deadlines established by the Commission. Proposals will be reviewed by designated program staff, presented to the Committee responsible for funding recommendations for that program, and to the full Commission for a final funding decision. Applications for projects with a recurring revenue stream may receive a recommendation for consideration of financing through the TRRC Loan Fund.

  Unsolicited applications and out-of-cycle requests, will only be heard at the discretion of the Commission. Applications received without an opportunity for adequate staff review will not receive a recommendation.

  The Commission may, at its discretion, invite an out-of-cycle application and may take action on that application. Out-of-cycle applications must demonstrate urgency (i.e. such as accommodating an active economic development prospect's site selection timeline) and will only be heard at a regularly scheduled Commission meeting.

- *Operational Sustainability* - Applicants should clearly describe the operational sustainability of the activity for which Commission financing is being requested. Requests for operating support and for acquisition/construction/equipping of facilities that require operating funds for sustainability should provide a pro forma operating budget. This document should detail relevant expenditures and sources of operating revenues once the program/facility is fully operational.

- *Acquisition/Construction/Equipping of Long-lived Physical Assets* – Requests for the acquisition, construction or equipping of long-lived physical assets must provide written costs estimates from independent qualified professional sources, as described below:
  - A request for the **purchase of real estate** must provide a current appraisal of the property by an independent, certified appraiser ("current" is defined as having been completed within the past year), or be based on the local tax assessed value;
  - A request for **construction** must provide a written cost estimate from a licensed architect, engineer or contractor, as appropriate to the project;
  - A request for **purchase of equipment and other long-lived (3+ years of useful life) physical assets** must provide cost quotes from product vendors.

- *Utility Infrastructure* – Requests for utility infrastructure funding should only be submitted to serve clearly-defined economic development objectives and sites. Applicants for utility infrastructure improvements are required at point of application to demonstrate that financing is not available from non-TRRC sources; and to provide a multi-year cash flow analysis for projected increased revenue resulting from the proposed project. This applies to all water and sewer construction projects and other public or private utility infrastructure.

- *Outcomes and Return on Investment (ROI)* - Applicants must describe and be prepared to measure the anticipated ROI (e.g. private sector capital investment, employment and wage outcomes, tax benefits) in relation to proposed Commission investments. Baseline figures, prior to the program or facility becoming operational, are required in the grant applications. A description of the methodology used to calculate estimated outcomes and to measure actual outcomes/ROI must also be provided in the application.

- ***Regional Partnerships*** - Regional partnerships are considered to be projects that will impact several localities, and have active participation of several localities and/or entities representing multiple localities. The Commission will determine if an application from one entity serving multiple localities is considered a regional partnership that meets the program objectives. Applications from regional partnerships require the following additional information:
  - A partnership agreement signed by each entity participating in the project.
  - A description of methodology by which funds will be allocated among participating localities.
  - An indication of which entity will be responsible for project administration and reporting requirements.
  - If not participating directly in the partnership, a letter notifying the chief administrative office of each locality about the proposed design and anticipated impacts of the project.

- ***Use of Funds by For-Profit Entities*** – Applications that will benefit a private entity must have a public purpose and be made by one of the eligible applicants identified in the previous section. The following must be described in the application:
  - The public purpose that will be met by assisting the private beneficiary;
  - Terms of the agreement that will be executed between the governmental unit or nonprofit administrator and the for-profit entity regarding use of funds, ownership of grant-funded assets, and the private entity's commitment to create and report documented public benefits such as new jobs or taxable private capital investment within three years;
  - The amount of wages and salaries to be paid to employees of the Beneficiary.

  Funds may be required to be provided in the form of a loan from the governmental unit or nonprofit administrator to the for-profit entity.

- ***Budget Development and Required Matching Funds*** – Applicants should refer to Section IV. General Non-Eligible Uses of Funds and Section VIII. Specific Type of Expenses Not Eligible for Reimbursement when developing detailed budgets for funding requests.

  All Commission grants require matching funds. Language adopted in Code of Virginia in 2015 now requires dollar-for-dollar matching funds for all grants (i.e. at least 50% of the Total Project Costs to be provided from non-TRRC funds), unless otherwise approved by a two-thirds majority of Commissioners. No more than 25% of the required matching funds can be provided from in-kind project contributions. Staff will not recommend funding for any project that does not propose dollar-for-dollar match, and/or proposes more than 25% in-kind match (see further discussion of in-kind in Section IX). In calculating and presenting required matching funds in an application, applicants should refer to Section IX. Matching Funds to determine what project expenses are considered as eligible match. Schedules permitting, the Commission's Grants Staff will be available to review a draft application and budget when provided in advance of announced grant application deadlines.

IV. General Non-Eligible Uses of Funds

The following list illustrates uses of Commission funds that generally do not align with Commission objectives and should be avoided in grant proposals and requests for grant disbursement. Additional detail about specific non-eligible uses of funds is available in Section VIII of this document.

- Commission funds should not be used outside the defined Tobacco Region (unless explicitly approved by the Commission).

- Commission funds should not be used to supplant other state or federal funds for which an applicant is eligible. This includes financing options for off-site utility improvements.

- Commission funds should not be used for regularly recurring local responsibilities (e.g. comprehensive plans, K-12 school funding).

- Commission funds should not be used to finance endowments.

- Commission funds should not be used for debt retirement.

- Commission funds should not be used for ongoing operating support beyond a start-up period that has been explicitly approved by the Commission.

- Commission funds should be invested in projects that generate substantial direct and measurable new economic activity in a region. Commission funds should not be used for projects that indirectly affect economic revitalization (e.g. community centers, childcare centers, 4H centers, YMCA or recreational initiatives, airports, local arts and cultural activities, historic preservation, housing and retail development) unless it is demonstrated that the investment will produce significant economic impacts from outside the Commission service area.

- Commission funds should not be used for project administration, indirect project costs or for activities initiated prior to grant approval.

- Commission funds should not be used to acquire or make improvements to privately owned property or to acquire or improve equipment for/in private ownership unless there are defined and documented public purposes met, to include creation of new jobs and new taxable private capital investment, and such expenditures have been explicitly approved by the Commission. (Refer to the Performance Agreement available on the Commission's webpage for the Tobacco Region Opportunity Fund Program (TROF Program) and to the ***Use of Funds by For-Profit Entities*** paragraph under Section III. Requirements for Applicants for additional information).

POST-APPROVAL POLICIES

V. Post Approval Steps and General Grant Management

Award Paperwork - After the Commission has approved a grant award, staff in the Richmond office will send the programmatic contact the award documents via (3) separate emails, each of which will provide a link to one of these documents:

- ✓ **Grant Agreement**, which lists terms and conditions for the grant;
- ✓ **Signature Authorization Form**, which designates the individual(s) authorized to request release of grant funds. Should the grantee authorization designations change during the grant, the grantee must submit a revised authorization form;
- ✓ **Federal Form W-9** (Request for Taxpayer Identification Number and Certification)

Once these documents have been completed they are to be uploaded into the Grants Portal.

Revised Project Budgets -- If your award was for less than the requested amount or if there were changes to the project budget during the review and approval process:

- ✓ A revised Budget Worksheet and a line item detailed budget reflecting the approved grant amount and specific use of Commission and matching funds must be submitted. These documents should be sent to the *Regional Director* for review prior to uploading to the Grants Portal. Grant staff must approve the proposed revised budget documents to ensure that they are consistent with the approval granted by the Commission.

For questions regarding the status of award documents, or related to the Grants Portal uploads contact:

Suzette Patterson, *Grants System Manager*
Tobacco Region Revitalization Commission
spatterson@revitalizeva.org
804-897-9662

- *Detailed Budget* -- At any point Commission staff at their discretion may request a more detailed budget for approval prior to disbursement of grant funds in order to verify that project expenses are consistent with intent of award and all funding policies. The detailed budget should include the specific use of TRRC funds by line item. For example, under Personal Services there should be a line item detail including employee name, title, time period, and associated pay and/or basis of dollar amount included for each position. Under the Equipment line item, grantees should provide a list of all major equipment items to be purchased and the cost of each. Contractual Services should identify each sub-contract intended to be awarded and for what purpose.

- *Press Releases or Announcements* **–** As a condition of the award, the Commission requires its participation in all press conferences or announcements of the grant or the associated project. Grantees should contact the Commission's *Public Relations Coordinator*, Jordan Butler, jbutler@revitalizeva.org or 804-786-7692 for coordination of press announcements.

- *Procurement and Bidding* – Competitive bidding, public notice, negotiation and other principles of open competition are always encouraged in order to ensure proper use of public funds. As indicated in the Grant Agreement, the Commission expects all grantees, whether public or private non-profit entities, to abide by all laws of the Commonwealth to which the grantee are subject, including the Virginia Public Procurement Act (Virginia Code Section 2.2-4300 *et seq*., as amended); which covers "Ethics in Public Contracting".

- ***Standards of Conduct / Conflict of Interest*** – The Tobacco Commission expects all grantees and their representatives to act in the highest standards of conduct with procurements and financial transactions related to the expenditure of public funds, which requires the highest degree of public trust. Persons with any level of authority or responsibility for procurement transactions shall conduct business with vendors in a manner above reproach-- without participation in any transactions that may be beneficial to them, their partner, or a member of their immediate family; and without any appearance of a conflict of interest. Grantees are required to disclose any related interests of parties that may benefit from expenditures of grant funds-- whether it be through personal interest, a family member, or an affiliated business where concerns of a conflict of interest may arise. When concerns of conflict of interest arise, grantees must seek written approval in advance from *TRRC's Executive Director*, when close dealings between representatives of a grantee organization and family members and/or related businesses may be unavoidable.

- ***Grant Reports*** – Annual Reports must be submitted on the anniversary of the grant approval date. A Final Report is required at the conclusion of the project; and must be submitted with the final payment request and prior to release of grant funds. The Commission's Grant Reporting Form must be used for Annual & Final Reports. All reports are submitted through the Grants Portal. The Grant Reporting Form and Online Grant Reporting Instructions are available on the Current Grantees page of the TRRC website. Additional reports may be required by the Commission during and after the project period.

- ***"Restricted" versus "Unrestricted" grant funds*** – The Commission awards two types of funds that are derived from the securitization process that created the endowment (restricted and unrestricted). If an award is from "restricted' funds it will be noted in the Grant Agreement. Only qualifying capital expenses may be reimbursed from "restricted" funds.

Financial Electronic Data Interchange – The Commonwealth of Virginia's Financial Electronic Data Interchange (FEDI) program is a faster, lower cost, secure and efficient alternative to the traditional paper check method of payment. EDI electronically transfers funds from the Commonwealth's bank account to your organizations designated bank account. The Commonwealth encourages grantees to use this link to enroll for EDI and expedite the payment of funds, https://www.doa.virginia.gov/forms.shtml#edi

VI. Reimbursement of Expenses

The Commission adopted Grant Disbursements Guidelines effective July 1, 2002. Grant funds will be provided to the grantee on a reimbursement basis, using the Payment Request Form (Accounting Voucher or "voucher"). Grant funds are provided as reimbursements for eligible project costs, as evidenced by invoices and other records that are submitted with the Payment Request Form.

Request for drawdown of funds should be submitted to the assigned *Regional Director*. In order to consider processing a payment, these items must be received in hard copy format:

1. Payment Request Form ("voucher"), original authorized signature required
2. Budget Drawdown Summary
3. Expense Documentation

The Payment Request Form is available on the Commission's web site (www.revitalizeva.org) under the Tools and Resources / Current Grantees webpage. Information may be inserted into fields in the electronic version of this form and then printed. The Payment Request Form must be signed by an authorized person (i.e. listed on the Signature Authorization Form) and the original signed copy with all supporting documentation submitted to the assigned *Grants Program Administrator* for processing. Please be sure to include the grant number on the Payment Request Form. This number can be found in the top, right-hand box of the Grant Agreement.

Requests should only be submitted on a quarterly basis. In extenuating circumstances, such as periods of intense construction activity, reimbursement may be requested more frequently (i.e. monthly).

Requests should include a Budget Drawdown Summary (i.e. spreadsheet or accounting report) showing the budget categories and line items included in the approved project budget. This drawdown summary should be updated with each payment request to show both the amounts previously drawn from each budget line, and the amount of funds that are currently being requested from each budget line.

Grantees can refer to Section VII. Acceptable Expense Documentation to determine what type of expense documentation will be acceptable; and to Section IX. Matching Funds for the records related to match expenditures that are expected to be submitted with each reimbursement request.

All grant payment requests should be mailed to the respective *Regional Director:*

Sarah Capps
Southern Office- Regional Director
50 Claiborne Ave.
Rocky Mount, VA 24151
scapps@revitalizeva.org
540-483-0179, ext. 2139

Sara Williams
Southwest Office- Regional Director
P.O. Box 1987
Abingdon, VA 24212
swilliams@revitalizeva.org
276-619-4325

The required Annual/Final Reports must be submitted for funds to be released. Commission staff reserves the right to withhold all grant payments on all grants to an organization that has overdue grant reports.

VII. Acceptable Expense Documentation

- ***Invoices or receipts*** - The most common form of expense documentation is the invoice or receipt provided by the vendor describing the goods and services purchased by the grantee and including cost details and date of purchase. A packing slip with evidence of payment will be accepted, if an invoice is not available.

- ***Credit card statement plus receipts*** - When purchases are made using a credit card, the credit card statement and the related receipts must be provided.

- ***Payroll accounting*** - Either check stubs or a payroll register / report showing name of employee, pay period, salary and benefits is required for personnel expenditures. General information on work profile and/or job responsibilities for a position may be requested.

  Employees Working on Multiple Activities or Cost Objectives – For employees working only a portion of their time on the TRRC supported grant activity, a distribution of the employee's

salaries or wages must be supported by a personnel activity report or equivalent documentation. This personnel activity reporting system is expected to meet these standards:
(a) Must reflect an after-the-fact distribution of the actual activity of the employee.
(b) Must account for the total activity for which each employee is compensated.
(c) Must be prepared at least monthly and coincide with one or more identified pay periods.
(d) Must be verified by the employee.

- ***Land/building acquisition*** **-** Closing statements with signatures of the buyer and seller; and a record of the deed being transferred and recorded following the closing of purchase are required when grant funds are requested for costs associated with land/building acquisition.

- ***Travel*** **–** Travel that is essential to accomplish project objectives and is part of the approved project budget will be reimbursed per limitations within the Virginia State Travel Regulations. Grantees are required to use the Federal GSA Per Diem Calculator, http://perdiemcalc.net/gsa/, to support reimbursement of meals associated with overnight travel. The GSA calculator also identifies limits for lodging reimbursements, which must be supported by hotel folios for reimbursement. Travel expenses that will exceed state travel policy limits must receive advance approval from TRRC staff.

  Refer to the Section XIII. Specific Type of Expenses Not Eligible for Reimbursement, for clarification of travel related expenses that are not reimbursable.

- ***Scholarships and other support for education and workforce training*** – The Commission's funding for community college financial aid and GED attainment is limited to assisting Tobacco Region residents only. Other specific support for workforce training is limited to assisting Tobacco Region residents and employees. The Commission expects this support to be "last-dollar" after exhausting all other available financial aid resources, to be focused on tuition and mandatory fees, and for study that will lead to the granting of nationally-recognized, portable and stackable academic or workforce credentials.

  Community College Scholarships – Recipients of TRRC Workforce Financial Aid grants will be expected to report, on an individual student basis, the full distribution of all financial aid and/or other funding used to meet that student's financial responsibility to the college. A report of scholarship recipients including name, address, and scholarship award amount is required for all scholarship reimbursement requests. A record of credit hours may be requested. For programs targeted to specific fields of study, colleges should be able to provide a listing that identifies the declared field of study for each recipient as evidence of eligibility.

  GED Attainment / Workforce Training - Documentation for reimbursement of these types of scholarship payments should include:
  - A complete listing of all participants and the amount(s) funded for each.
  - The date of the training or activity funded; and the basis for the amount.

  Additional documentation may be requested depending on the specific nature of the program. Please consult with the *Regional Director* to determine what supplemental documentation is necessary.

- ***Sub-Contracts*** – Expense documentation for sub-contracts involving the transfer or pass-through of Commission funds from the grantee to partner organizations must include.

- Executed contract between parties outlining the partnership scope, detailed budget and deliverable(s).
- Expenditure report from the subcontractor detailing transactions with date, vendor name, payment amount, description of goods or services purchased, and corresponding budget line item. If the sub-contract budget includes salary expenses, then the supporting documentation must include the staff name, position, time period, and amount.
- The actual expense documentation is not typically required, but may be requested for review by TRRC staff if necessary to verify expenses are reasonable and appropriate.

- ***Loans*** – *(This bullet is applicable to TRRC grant awards and not awards made through the TRRC Loan Fund.)* TRRC grants are not intended to be used to pay off existing loan obligations or for debt retirement. However, there are certain types of projects where loans may be supported, such as small business lending programs.

  Revolving Loan Programs - Reimbursement requests for a small business lending program must include a copy of the approved loan application with closing statements (sensitive information may be marked "confidential"). The lending entity's full funding portfolio may be requested where funds were intended to be used to capitalize a revolving loan program.

VIII. Specific Type of Expenses Not Eligible for Reimbursement

In addition to information provided in Section IV. General Non-Eligible Uses of Funds, the following specific type of expenditures are considered not appropriate or not a priority for the use of public grant funds and will not be reimbursed under the Commission's project grants. If a project cost falls into one of the categories detailed below and is considered a critical cost to the direct implementation of the approved project, then grantees should work with the *Regional Director* to determine if it can be considered for reimbursement. In some cases these project expenses may be considered as eligible for inclusion in the required matching funds, but should be discussed with TRRC Grants Staff.

PERSONNEL EXPENSES

- ***Project Management and Administration*** – Costs for management and administration of a grant project are not allowed from TRRC grant funds but may be considered part of the grantee's contributed matching funds.

- ***Personnel with Primary Work Location Outside the Tobacco Region*** **–** Grant funds may not be used to pay salaries or wages for employees of grantee organizations, or private sector beneficiaries, whose primary work location is outside of the region (except as permitted under an approved condition of a grant award).

- ***Bonuses*** – Sign on bonuses, incentive bonuses, and other types of personnel bonuses paid to employees of the grantee organization, a private sector company, grant beneficiary, or consultants are the responsibility of the grantee and will not be reimbursed under grants.

TRAVEL RELATED EXPENSES

As discussed in Section VII grantees are expected to limit travel costs to within the limits of the [Virginia State Travel Regulations.] Additional Commission-specific restrictions for travel expenses which are ineligible for reimbursement under TRRC grants are described below.

- ***Travel to Commission Meetings*** – Travel costs for applicants, grantees, consultants, or beneficiaries for getting to/from Tobacco Commission meetings will not be reimbursed.

- ***Business Meals / Alcohol***- Business meal expenses for groups are not considered a priority use of grant funds and are generally not allowed. Purchases of alcoholic beverages will not be reimbursed.

- ***Mileage Rate*** -- Mileage requests in excess of the State Travel Regulations or IRS Standard Rate will not be eligible for reimbursement. Mileage must reflect actual miles traveled.

  State Agencies - State agencies must follow mileage reimbursement guidelines detailed in the State Travel Regulations. This includes an analysis of the most cost-effective travel option. When a traveler chooses to drive a personal vehicle over a more cost-effective option of driving a fleet vehicle or using a rental under the state contract with Enterprise Rent-A-Car, the mileage reimbursement is limited to the lower fleet mileage rate.

  Non-State Organizations - Organizations other than state agencies are limited to mileage reimbursements up to the current IRS Standard Mileage Rate for Business travel.

- ***Out-of-State Travel*** – International and out-of-state travel can be very expensive and unless justified as an essential project costs and approved in advance by TRRC staff, such costs are typically not considered critical and will not be reimbursed.

- ***Housing Allowances, Moving Expenses, Travel to Tobacco Region*** -- Housing allowances for grantee or private beneficiary personnel or consultants working in the region will not be reimbursed. Moving expenses will not be reimbursed. Travel costs for getting to the tobacco region incurred by grantee employees, or private sector beneficiaries, will not be reimbursed.

OTHER EXPENSES, FEES, AND COSTS

- ***Giveaways*** – Any type of giveaway including promotional items and gift cards - whether for marketing purposes, program incentives or for any other reason - are not allowed.

- ***Development Activities / Fundraising*** - Personnel and other direct costs for organizational development activities including fund-raising, development of proposals for funding and fund-raising materials, and costs for writing and securing other grant funds are ineligible.

- ***Late Fees & Payment Penalties*** – Late fees on billing statements, interest on credit card bills, and other penalties associated with late payments will not be reimbursed. It is the grantees' responsibility to remove late fees and penalties from amounts requested for reimbursement.

- ***Membership Fees / Dues*** – Costs for individual or organizational membership fees or dues to professional organizations, associations, chambers of commerce, and other similar groups are not considered an eligible expense. *An allowance for this type expense may be considered when there is a direct correlation to outcomes and deliverables of a grant, such as when an association fee results in reduced* *training cost or certifications for a group of participants, or when it is considered a critical start-up cost for a new organization.*

- ***Personal education expenses*** – Commission funds to assist with personal education expenses may only be applied for last dollar tuition and required fees, within the guidelines of the approved scholarship program(s). Other expenses such as transportation costs to school, books, childcare, computers, tools, uniforms, and incentive payments to students are not eligible for reimbursement.

- ***Sponsorship*** - Conference and event sponsorships, in the form of donations to organizations for a specific event or opportunity, will not be reimbursed under the project grants.

- ***Indirect Costs*** – Indirect costs are not reimbursed. Indirect costs are costs incurred for a common or joint purpose that supports one or more cost objective (contract, award, project or program). Indirect costs cannot be directly attributed to a specific project even though they may be assigned to a specific project through a cost accounting system; whereas direct costs are those expenditures that can be identified specifically to a single cost objective.

IX. Matching Funds

Per the Code of Virginia, all Commission grant awards approved after July 1, 2015, require dollar-for-dollar matching funds (i.e. at least 50% of the Total Project Costs to be provided from non-TRRC funds), unless otherwise approved by a two-thirds majority of Commissioners. No more than 25% of the required matching funds can be provided from in-kind project contributions. Staff will not recommend funding for any project that does not propose dollar-for-dollar match, and/or proposes more than 25% in-kind match for satisfying the minimum Match requirement. All matching funds required to complete the approved project are the responsibility of the applicant. Required matching funds must be documented by the grantee and approved by staff at the time of disbursement requests. *Total match contributions for a project are expected to be reported by the grantee in the Annual and Final Reports for the project.*

GENERAL MATCH GUIDELINES

Satisfying Match Requirement - Match requirements must be satisfied during the approved project period through evidence of allowable expenditures incurred by the grantee, project partners, or private beneficiary, from other grants, cash, or in-kind contributions toward the approved project budget. Other Tobacco Commission grants or incentives shall *not* be counted toward satisfying match.

Only Matched Once - Neither cash contributions nor grantee or third party in-kind contributions may count towards satisfying a matching requirement of a Commission grant agreement, if they have been or will be counted towards satisfying a matching requirement of another grant agreement.

Documentation Requirements - Grantees should be prepared to provide evidence of the availability of match at the request of Commission staff. Guidelines for documenting the minimum match requirements for grant awards are detailed below.

- ***Timing of match contributions*** - Match documentation is expected to be submitted with each payment request covering the same time period. The minimum match amount must be documented at the time of each disbursement request. Where this is not feasible based on the source(s) and specific use of matching funds, and where staff has agreed to an alternate schedule, the minimum match expenditures must be documented prior to submission of a final disbursement request and at least by the close of the grant project period.

- ***Detailed accounting report*** - A detailed accounting report including vendor name, payment date, payment amount, invoice and/or purchase order number, and a description (if available) will be accepted in lieu of submission of the actual expense documentation for documenting cash Match contributions. However, Commission staff reserves the right to request any additional details on match expenditures, as needed to determine that match expenditures are reasonable and appropriate. In-Kind Match contributions must be documented by an acceptable method as detailed in the In-Kind Match section below.

CASH CONTRIBUTIONS

Acceptable Cash Match contributions are paid by the grantee for products or services in support of the project; or are cash contributions as identified in the list below. Only new expenditures resulting from the implementation of the project will be considered as a Cash match (i.e. after the grant approval date). Cash contributions can be either the grantee's own funds; federal, state, or private grants; or other cash donations to the project.

[Note: Effective January 1, 2020-- Expenses already included in an annual budget such as personnel and other operating costs, presented as being reallocated for the project (i.e. existing staff), will only be considered as an In-Kind contribution and will count toward the 25% In-Kind limit. See In-Kind Match section below.]

The list below provides additional clarification on certain types of Match contributions that will be accepted by the Commission as a Cash contribution for a project.

- **Transfer Payments With Required Cash Match** – Where grant funds are allocated to support costs under the Transfer Payments budget category, the cash contribution required for participation in the program will be accepted as a Cash Match for the project. The cash contribution by eligible participants must be based on the amount and/or percentage identified in the approved program guidelines.

  Examples of project expenses classified as Transfer Payments include agriculture cost-share incentives, education and training assistance in the form of scholarships or tuition assistance, and sub-award grants to other organizations which may include profit-making organizations (such as a business) or non-profit organizations for defined program activities.

- **Private Contributions** – In some instances funds may be awarded for a third-party beneficiary (i.e. private company) which is a party to the Commission's grant agreement. New private investment by the third-party beneficiary for direct costs essential for implementation of the project will be accepted as a Cash contribution. These costs must be identified in the approved line-item detailed budget and should not represent recurring business expenses.

- **Commonwealth Opportunity Fund (formerly the Governor's Opportunity Fund) and Other Business Incentive Program Funds –** If a locality receives state business incentive funds on behalf of a new/expanding business, and the locality commits these funds toward the direct costs for the project being supported by the Commission (as opposed to being transferred to the company), then these funds can be counted as a Cash contribution.

IN-KIND MATCH / THIRD PARTY IN-KIND CONTRIBUTIONS

In-Kind Match refers to the value of non-cash contributions (property or services) that are contributed by a third-party to the project sponsor/grantee without exchange of cash; and that are necessary and reasonable for accomplishment of the project or program objectives.

Effective January 1, 2020-- Expenses already included in an annual budget such as personnel and other operating costs, presented as being reallocated for the project (i.e. existing staff), will only be considered as an In-Kind contribution and will count toward the 25% In-Kind limit.

Where In-Kind contributions are included in the project budget for meeting the Match requirement, grantees must be able to document and verify how the In-Kind value was calculated and be able to document how these costs have been incurred. A description of the donated goods and services including details on the valuation and method must be provided in the project budget.

- ***Valuation of Donated Property*** – The value of donated property including equipment, land, and buildings for matching funds can be based on either the current fair market value (as established by an independent appraiser) or the value of the remaining life of the property recorded in the accounting records for the property owner at the time of donation.

- ***Valuation of Donated Space and Loaned Equipment*** – The value of donated space and for loaned equipment must not exceed the fair rental value.

- ***Valuation of Donated Services*** – Similar to other personnel expenditures grantees must be able to provide documentation of amount of time spent by each individual, during what period, value of time, and details on the work performed.

  (1) *Employees of other organizations* – When an employee of a partnering organization (not the grantee) furnishes time, free of charge for services in the employee's normal line of work, the services may be valued at the employee's regular rate of pay plus an amount for fringe benefits.

  (2) *Volunteer services* – Unpaid professional and technical personnel, consultants, and other skilled and unskilled labor provided for the project, by individuals for work that is integral and necessary to the approved project, will need to be valued at no more than the rates ordinarily paid for similar work in the same labor market.

  The US Bureau of Labor Statistics provides Occupational Employment Statistics based on geographic areas which may be used to identify labor market rates for different occupations. The defined geographic areas include metropolitan areas; and are also available for the Southwest Virginia or Southside Virginia nonmetropolitan area. https://www.bls.gov/oes/2018/may/oes_va.htm#otherlinks

INELIBLE MATCH

- **Other Tobacco Commission Grants** – Match requirements must be satisfied by non-Commission funding. Other Tobacco Commission grants will not be counted as Match.

- **Prior to Grant Period** – Matching funds are expected to be used concurrently with Commission funds. Expenditures incurred prior to the grant period are not eligible as Match; unless otherwise approved during the application review process.

- **Private Capital Investment for TROF Performance Agreement** – When a grant is intended to benefit a prospect/private company, the private capital investment in assets by the company- for which valuation by the local Commissioner of Revenue would be used towards satisfying the performance agreement under a TROF incentive - is acceptable as Match for the TROF incentive but will not be accepted as Match for a separate but related project grant.

- **Fee Waivers –** Waivers of local taxes and fees such as Equipment and Property Taxes will not be considered eligible match.

- **Indirect Costs** – Because it is difficult to evaluate indirect costs as essential to the project, they are not eligible for meeting the match requirement, unless otherwise approved. Indirect costs are costs incurred for a common or joint purpose that supports one or more cost objective (contract, award, project or program). Indirect costs cannot be directly attributed to a specific project even though they may be assigned to a specific project through a cost accounting system; whereas direct costs are those expenditures that can be identified specifically to a single cost objective.

GRANTS AWARDED PRIOR TO JULY 1, 2015

Minimum required match amounts or percentages for each grant program, or as specified in a condition on the grant award, remain in effect for grants awarded prior to July 1, 2015. Grant awards approved prior to this date, under the **Agribusiness**, **Economic Development**, and **Special Projects (Regional Economic Development and Mega-Site)** grant programs required at least 10% match on Total Project Costs (i.e. at least 10% of the Total Project Costs to be provided from non-TRRC funds).

- ***Calculating minimum match amount*** - The minimum match amount is calculated with the Commission grant award representing 90% of Total Project Cost. For example, for a $225,000 grant award with a 10% match requirement:

  $225,000 Grant / 0.90 = $250,000 Total TRRC Grant & Required Match,
  $250,000 Total Minus $225,000 Grant = $25,000 (10%) Required Match

X. Advance of Funds

An advance of grant funds may be considered for upcoming project expense in order meet immediate cash flow needs. The Commission, **in its sole discretion**, will consider the advance of funds upon the written request of Grant Recipients. Authorization to make all determination and payments under these guidelines is delegated to the *Executive Director*.

Alternatives to providing Advances will first be given consideration. While the standard reimbursement schedule for grant awards is quarterly, consideration may be given to allow for submission of more frequent payment requests in lieu of issuance of an Advance. This consideration is given particularly during periods when projects have high cash flow needs such as construction that is billed monthly.

Advances are generally limited to no more than 25% of the grant award, for documented financial obligations within the upcoming 90 days.

When an Advance is issued, future payment requests and the final 10% of the grant award, may be held until all advanced funds are fully documented.

REASONS TO MAKE AN ADVANCE REQUEST

- ***Pre-payment*** - If a contract payment schedule requires issuance of a payment prior to the delivery of goods/services, then that portion of the TRRC payment will be recorded and treated as an Advance. The Advance will be considered fully documented following receiving or "acceptance" by the grantee and submission of the final invoice showing full delivery /completion.

- ***Operating Expenses*** **–**After an initial operating advance, the grantee may request reimbursement of additional grant funds on a quarterly basis, essentially resulting in replenishment of the Advance. Advances for quarterly operating expenses will be documented prior to the end of the project.

- ***Single Purpose Purchases*** -- Advances will be considered for single purpose purchases such as equipment acquisition; and must be documented once the purchase is delivered.

- ***Large Capital Expenses Exceeding 25 %*** **-** Special consideration may be made to allow Advances greater than 25% for large capital purchases such as real estate, major equipment fabrication, etc. Grant staff can provide guidance regarding qualifications for this exception.

DOCUMENTATION

- ***Cash Flow*** **-** Grantees should be prepared to document their inability to cash flow expenses. This includes sharing their operating budget or financial statements.

- ***Land/Building Acquisition*** **-** Advances for land/building acquisition require a ratified contract for the purchase with a closing date no later than 90 days from the Advance request. If the Advance includes closing costs a draft settlement statement should be provided.

- ***Major Equipment Purchases*** - Advances for major equipment purchases, where an invoice of the initial purchase installment is not available, requires a copy of the executed purchase contract with the payment terms and schedule clearly defined.

XI. Changes to Project Scope or Budget

Grant funds are provided for the specific use(s) proposed in the application and as approved by the Commission. Changes in the allocation of grant funds from that of the approved project budget and changes in the scope of the project must be evaluated based on consistency with the intent of the original approved project and the program review process that resulted in the grant award.

The Commission is only responsible for reimbursement for eligible project expenses that are within the approved project budget. Changes to use of funds must be requested in writing.

Budget revision requests received after expenses have been incurred will not be considered and are the responsibility of the grantee. Only expenses that occur after the date of the original request for budget adjustments will be eligible for reimbursement under a revised project scope that is approved in writing.

ADMINISTRATIVE PROCEDURE

- Grantees who anticipate a change in the use of funds must contact the *Regional Director* before spending funds on any use or activity that is different from what was originally approved. Grantees must propose any change(s) in writing, and staff must provide written approval before considering a request for reimbursement for revised uses.

- Aggregate shifts of up to 10% of the grant amount, between budget categories or line items per the approved project budget and clearly within the approved scope of the project, can be approved by the *Regional Director.*

- Aggregate shifts greater than 10% of the grant amount or other significant changes to the scope of the project will require a formal letter of approval by the *Executive Director* or the Commission depending on the extent of the changes. Grantees must make a written request for approval of a revised budget detailing the change in use of the funds, clearly identifying the redistribution of project costs from the original approved budget to the revised use, and with an explanation of how this change affects the deliverables and outcomes of the project.

- The *Executive Director*, at his or her discretion, will determine when Commission consideration is necessary due to the change in scope.

XII. Grant Period and Extension Requests

Unless otherwise agreed to by the Commission, grant funds are available for a three year project period following the date the Commission approves the award. Consideration for an extension is at the sole discretion of the Commission. Any consideration will only be made when there are circumstances beyond the control of the Grantee and when appropriate justification is provided.

Grant extensions ***may*** be considered on a case-by-case basis based conditions such as:
- Unforeseeable severe weather conditions preventing project implementation as scheduled;
- Unexpected staff turnover during the project period that requires new personnel to be hired or trained in order to meet project deliverables;
- Unforeseeable delays in obtaining necessary easements, legal documents, construction bids, permits, and delays due to design constraints.

Conditions that ***do not*** warrant a grant agreement extension include but are not limited to:

- Grantees who have failed to make significant progress acceptable to the Commission;
- Project delays or failure to complete project deliverables in accordance with the project schedule resulting from or due to lack of attention;
- Project is not expected to spend all available grant funding and an extension is requested to expend funding balance on current or new activities.

ADMINISTRATIVE PROCEDURE

It is the grantee's responsibility to request an extension at least 30 days prior to the Grant Agreement expiration date. If no request is received, the grant will be closed and any remaining balance de-obligated.

For consideration of an extension the Grantee must provide a written request to the *Regional Director* that specifies:

1) Reason for the delay in completing the project activities;
2) A general update on the work completed to date and activities remaining;
3) Necessary timeline for completing the work that remains.

A written approval for the extension will be issued if the request is deemed reasonable and necessary, and authorized by the *Executive Director* or the Commission.

- Approvals for fourth year extension are made through a letter of approval signed by the Commission's *Executive Director.*
- Requests for extensions beyond a fourth year exceed the staff's authority and must be presented to the Commission for consideration. Such requests should be directed to the Commission's *Executive Director* and copied to the *Regional Director.*

XIII. Management of Grant Funded Assets

The Tobacco Commission has a claim, as required under the Grant Agreement, to all assets where grant funds were invested. The content below provides guidance to grantees on topics related to the management of grant funded assets including transfer of ownership.

- ***Ownership*** **--** All assets purchased with grant funds must be owned by an eligible applicant. In accepting the Grant, the Grantee assigns to the Commission a security interest in all property purchased with the Grant. Per language included in the Commission's grant agreements, grantees are required to execute, provide and sign all documents necessary to establish and/or perfect the Commission's security interest in such property. None of the assets or property acquired, constructed, improved, equipped, and/or furnished as part of the Project shall be leased, sold, exchanged, disposed of, hypothecated, mortgaged or encumbered without the prior written approval of the *Executive Director.*

- ***Capital Assets*** **–** Capital assets are defined under major asset categories to include Equipment, and Real Property- Land, Infrastructure, and Buildings. The value of an asset includes all costs required to put an asset into service to make it useable for its acquired purpose (e.g. legal, permitting, A&E, design for real property; and equipment components and attachments).

- **Disposition & Clawback -** Until there is written permission granted from the Commission to alter the ownership of assets, the Commission's security interest and clawback provisions of the Grant Agreement remain in effect. The depreciation schedule for an asset does not diminish the Commission's interest. Requests for disposition of assets must be made in writing to Commission staff and include the intended disposition (e.g. transfer, sale, scrap), to whom, and for what purpose; and should follow the guidelines in the sections below.

- **Hypothecation** - The Commission will consider taking a subordinate position on a lien where other financing is necessary for the success of the project. A hypothecation request must be made in writing once the details of who the other funder will be and the specifics of the subordination request are known. Approval of hypothecation by the Commission will be made in writing.

EQUIPMENT

The Commission requires equipment investments to be used in the program or project for which it was acquired, unless otherwise approved. The Commission has a claim to all equipment purchases made under the grants. This claim applies to all assets with a purchase value of $5,000 or more, and with at least a 3-year useful life. Assets purchased in quantities greater than one, with an aggregate value of $5,000 or more, are also subject to this requirement *(for example, if fifteen, microscopes or laptops were purchased for $1,000 each then the aggregate value is $15,000).* Adequate controls must be in place for equipment management to account for location and custody/ownership of the equipment.

- *Equipment Property Records / Inventory List* – Grantees are required to maintain property records for all equipment assets where grant funds were invested. Records should include description - model and manufacturer, serial number or other ID, acquisition date, cost, and percentage of TRRC investments, title information (if provided with acquisition); and the location, use and condition, and any documentation supporting the ultimate disposition.

  Requirements of Grantees:
  - Accurate records on all acquisitions and dispositions of property acquired with grant funds.
  - Property tags placed on equipment and/or serial number identification.
  - A physical inventory of equipment is periodically taken and compared to property records.
  - Policies are in place for responsibilities of recordkeeping and authorities for disposition.
  - Procedures established to ensure that the Tobacco Commission is notified, and appropriately reimbursed for disposition of property acquired with Commission funds.

- **Calculating Pro-Rata Value –** With the sale of equipment funded assets, where the Commission is owed its pro-rata share of the investment in the equipment, calculating this value should include the original acquisition costs, as well as the following:
  - Any initial modifications, attachments, accessories, or auxiliary apparatus that are necessary to make an item of capital equipment useable for its acquired purpose;
  - Shipping charges, protective in-transit insurance, freight, and installation costs;
  - Upgrades, modifications, or enhancement parts that increase the useful life of the equipment by one year or more or add additional functionality.

Disposition of equipment is accomplished in any one of various ways to maximize either the reutilization or resale value of the property. The Tobacco Commission encourages the maximum reuse of materials and equipment. Disposition may be accomplished in one of the following ways:

1) **Change in Use by Grantee Organization** – Organizations are encouraged to reuse equipment by transferring from one activity to another. When grant acquired equipment is no longer needed for the original purpose, it may be used by the grantee or project partners for other activities, projects, or programs currently or previously supported by the Tobacco Commission. This does not require notification being made to the Tobacco Commission.

2) **No Cost Transfer of Equipment to Eligible Organization** – Reutilization of surplus equipment between organizations otherwise eligible for Commission funding is encouraged. When equipment is no longer being utilized-- a grantee can seek written approval to transfer ownership, at no cost, to another eligible organization within the Tobacco Region for their use.

   An Equipment Transfer Request & Agreement Form is used for these requests and includes the Transferring Organization's Responsibilities and the Receiving Organization Responsibilities; and provides approval by the Commission's Executive Director for the transfer to occur. This form is also used to provide verification from the Receiving Organization that the equipment transfer has been completed. This form is available on the TRRC's Current Grantee's web page or by contacting the *Regional Director*.

3) **Sales of Equipment to Eligible Organization –** The Tobacco Commission is interested in surplus property having a significant market value and purchase interest being made available at a reasonable price to organizations otherwise eligible for Commission funding.

   Proposals may be invited from localities, economic development entities, education institutions, and other eligible organizations, for the sale and use of the equipment assets in connection with economic development related activities. The grantee in coordination with the Commission will determine whether any such proposal(s) presents a viable and beneficial use, and will allow for negotiation of sale of the property to proceed with the selected buyer. The terms of the sale will determine whether the Commission's security interest will remain in effect.

   Written verification must be provided to Commission staff that the sale has occurred with a copy of the bill of sale, contract, or other instrument used to finalize the sales transaction.
   The Commission share of sales revenue is expected to be refunded within 30-days of the transaction. Refer to the Calculating Pro-Rata Value section on the previous page.

4) **Sale of Equipment to Private Interests** – When equipment is no longer being used for Commission-approved purposes the grantee is expected to pursue the sale of these assets, and to seek written approval from the Commission prior to completion of the sales transaction.

   Effort should be made to seek competition to the highest extent practicable resulting in a sale price reflecting the asset's fair market value. This may be accomplished through public property sale postings, live or on-line auctions, fixed-price sale based on current appraised value, soliciting bids from prospective buyer interests, etc. These actions should be documented with the written request to the Commission to approve the sales transaction and transfer of ownership.

Written verification must be provided to Commission staff that the sale has occurred with a copy of the bill of sale, contract, or other instrument used to finalize the sales transaction.
The Commission share of sales revenues is expected to be refunded within 30 days of the transaction. Refer to the Calculating Pro-Rate Value on the previous page.

5) ***Recycling or Disposal*** **–** Upon the Commission's agreement that property has no re-use value, the disposition of the asset by recycling (e.g. scrap metal) or disposal may be approved. Property may be determined to have no commercial and/or recycling value if the cost associated with the sale/transfer would exceed expected returns. Written permission by the Commission is required prior to recycling or disposal.

A. REAL PROPERTY – LAND, INFRASTRUTURE, BUILDINGS

The Tobacco Commission has a claim, as required under the Grant Agreement, to all assets where grant funds were invested. Until there is written permission granted from the Commission to alter the ownership of assets, the Commission's security interest and clawback provisions of the Grant Agreement remain in effect. Requests for disposition of real property or real estate, must be made in writing to Commission staff and include the intended disposition (e.g. lease, sale, transfer, donation), to whom, and for what purpose; and should follow the guidelines in the section below.

- **Expectations for Use** – The Commission expects real property to be used for the intended purpose for which grant funds were invested.

  For example investments in an industrial park property intended for industrial development, for private sector job creation and investment, would not be appropriate to be used for large box retail development or for a public school or administrative building.

- **Approval of Lease or Sale of Building** – The Commission reserves the right to make a final decision on approval of the lease or sale of assets in which it has invested. Once the details of who the lessor or buyer will be, and the terms of the agreement are known, an approval request for approval must be made in writing. The authority for approval of lease and sales agreements is delegated to the TRRC's *Executive Director*. When appropriate, this approval will be made in writing.

- **Transfer of Ownership at Below Market Value –** As a fundamental rule with publicly funded economic development properties - the offering of a discounted sale or no cost transfer of ownership of an asset should always be tied to a performance agreement. The cash or market value of the property should be established in the agreement. Standard performance metrics for job creation and private capital investment must be included in the agreement in order to assure the public benefit for which the public funds were invested is achieved. If the performance measures are not met to satisfy the public benefit, there is an expectation that the agreement identify the compensation that will be provided by the new owner based on the established value of the property or other appropriate agreed upon terms.

- **Proceeds from Sale of Assets & Pro-Rata Valuation**– When a property is to be sold, which has been improved with Commission funding - whether through on-site improvements and/or essential off-site infrastructure necessary to serve the property - the Commission's share of proceeds from the sale of asset must be refunded following the sales transfer.

The following guidance pertains to pro-rata valuation for the sale of real property, land and buildings, where TRRC funds were invested to improve the value of the property.

- The Commission is owed a return of the pro-rata investment value of underlying property that is sold. In recognizing significant investments having been made by the Commission, a reasonable pro-rata valuation is expected that appropriately maximizes the Commission's return, in the interest of these revenues then being able to be reinvested into new projects.

- The value of any parcel in an economic development site, carries such value because of its location within the overall property. Investments in the whole property such as acquisition, A&E, etc. (not specific to an individual parcel/building); and investments in the infrastructure serving the property are investments in the whole. All TRRC investments in the economic development site should be part of the pro-rata calculation for all parcels that are sold.

- Overall site costs – Include all investments in overall site development and infrastructure improvements (on-site and off-site infrastructure where the investment was made to improve site marketability and/or to address capacity needs for economic development purposes, and where recovery of costs is not recaptured through established rate or utility fee structure). The overall site costs would include planning, A&E, land acquisition, site improvements, on-site infrastructure, road access; as well as water, sewer, and broadband infrastructure and capacity expansions that were made to support the intended economic outcomes.

- Site specific investments – Costs such as acquisition of a parcel and/or building, grading of specific lots, shell building construction, and building improvements – should only be included in the calculation when they are for the underlying property being sold.

- Contribution Source(s) – The source(s) of other contributions must be identified (i.e. local, state, federal funds). While these contributions should be recognized, they should only be included in the pro-rata calculation when returns from the investment are expected. Local contributions should always be included.

  For example, federal EDA funds may not be required to be paid back, if the purpose of the sales transaction satisfies the purpose of the funds (i.e. transfer to private company for job creation and capital investment). In situations where payback of state or federal funds is required, these amounts should be included in the calculation.

XIV. Outcomes Reporting

Grant Recipients will be expected to provide to the Commission data on actual outcomes accomplished during the project period and for a period beyond. The Commission is currently designing and testing outcome and performance reporting methodologies that align with the anticipated outcomes provided in your grant application. Final design of those methodologies is not yet complete, and Grant Recipients will be contacted by the Commission's Performance Analyst staff at periodic future dates to be determined.

XV. Records Retention

As stated in Commission Grant Agreement, all records pertaining to a TRRC grant should be retained by the Grantee for at least three years after the closing of the grant period. Records pertaining to equipment and real property assets must be maintained for the life