

Kansas, Inc.
Board of Director's Meeting
June 11, 2008

The June 11, 2008 meeting was held at the Kansas, Inc. Office, 632 S.W. Van Buren, Suite 100, Topeka, KS 66603. At 10:05 a.m. Co-Chair Argo called the meeting to order. A quorum was present.

Members Present: Gene Argo, Patti Bossert, Rep. Tom Burroughs, Rep. Lana Gordon, Donna Johnson, Sec. David Kerr, Sen. Laura Kelly, Don Landoll, Lawrence McCants, Stephen Waite, and Sen. David Wysong

Members Not Present: Wil Leiker, John Pilla, Reginald Robinson, Donald Schnacke and Gov. Kathleen Sebelius

Staff present: Stan Ahlerich, Debby Fitzhugh, Dan Korber and Jacquelyn Koehler

Others Present: Monica Cameron, Diamond Solar Solutions; Dick Carter, The Carter Group; and Laura Mead, Dodge City Community College Trustee

Approval of Minutes – March 12, 2008

Argo referred to the minutes of the March 12, 2008 meeting and requested corrections. A motion was made by Bossert to approve the March 12, 2008 minutes. Seconded by Kelly. Motion carried.

Argo deferred to Fitzhugh to provide ballot results from the March 12, 2008 meeting:

1. Approve the Kansas, Inc. minutes of November 20, 2007 as presented. Results were: 12 yes, 0 no, 1 abstain.
2. Approve the Kansas, Inc. minutes of November 27, 2007 as presented. Results were: 12 yes, 0 no, 1 abstain.
3. Acceptance on the reporting of the Kansas, Inc. electronic ballot issued on November 27, 2007 regarding the "Clarification of Strategy 40 (Image/Branding)" in the final 2007 Kansas Strategic Plan. Results were: Electronic Ballots: 11 yes votes; 1 abstention; 13 approved.
4. Approval for acceptance of the financial reports for Kansas, Inc. and Kansas Economic Development Institute for period ending January 31, 2008. Results were 12 yes, 0 no, 1 abstain.
5. Approve the modification of the President's employment agreement effective January 1, 2008 with a two percent salary adjustment to the base salary and a \$1,000 bonus. Results were 13 yes, 0 no, 0 abstain.

A motion was made by Bossert to accept the ballot results from the March 12, 2008 meeting. Seconded by McCants. Motion carried.

Financial Report

Ahlerich deferred to Fitzhugh to provide the Financial Report for the period ending April 30, 2008. Fitzhugh reported no major anomalies. Discussion ensued.

At 10:10 a.m. Burroughs joined the meeting.

Ahlerich noted the lease agreement with the Information Network of Kansas (INK) had been renegotiated to include a proportional amount of the Monumental Building Fund assessed to Kansas, Inc.

Fitzhugh provided an overview of fundraising contributions that had been received year-to-date.

A motion was made by McCants to approve the Financial Report for the period ending April 30, 2008. Seconded by Johnson. Motion carried.

Ahlerich provided an update on the status of the FY 2009 budget submission, noting the agency received \$8,000 of the \$94,000 enhancement request. Discussion ensued.

Wysong requested clarification regarding the amount of additional funding needed to sustain Kansas, Inc. without the expiring private account funds. Ahlerich noted approximately \$100,000 would be required on an annual basis to maintain status quo without the expiring private account funds. Wysong suggested meeting early with legislators on several committees to ensure they have an understanding of the impending funding issues for Kansas, Inc.

Kerr requested clarification regarding the various aspects of the strategic planning process. Argo noted from the onset, the Board charged staff to develop a plan with substance, requiring both the identification of strategies and recommendations. Discussion ensued.

At 10:20 a.m. Gordon joined the meeting.

Co-Chair Report

Argo referenced the letter dated May 13, 2008 sent to Governor Sebelius regarding the Kansas Innovation Consortium (KIC) created with Executive Order 08-02. Argo noted KIC appeared to have redundancy in regards to Kansas, Inc.'s role and a meeting was scheduled with the Governor's representatives.

Kerr noted KIC was a recommendation from the Governor's Economic Development Subcommittee and KIC was intended to serve a day-to-day business advisory role to the Governor by providing regular feedback and a voice for businesses.

Legislative Report

Burroughs noted the state budget could become a major issue, given the current direction of the economy and its effect on state revenues. Burroughs noted healthcare issues were still a concern within the Legislature, and a new state employee pay plan had been implemented.

Gordon noted several issues were not addressed during the Legislative Session due to the impending energy debate. Gordon noted a request had been made to study travel and tourism during the interim to address issues brought forth with the legislation introduced regarding an independent tourism entity.

Wysong noted several issues were not addressed during the Legislative Session and the state could be dealing with deficit issues due to deteriorating economic conditions.

Kelly noted the state successfully invested in early childhood development block grants, and while several healthcare issues did not pass, they may not have been sustainable as they were designed. Kelly noted efforts to separate legislation from the energy issue in regards to the intermodal transportation facility and the single-factor corporation income tax apportionment formula was unsuccessful.

President's Report

Ahlerich noted Kansas, Inc. had presented the Strategic Plan to several groups throughout the state. Ahlerich provided the Board with the new Strategic Plan marketing brochures and noted Kansas, Inc. would develop an addendum to the plan which would be delivered to the Governor and Legislature.

Kerr requested clarification regarding prioritization within the Strategic Plan, noting the administration, while supportive of the strategies, may require further prioritization. Ahlerich noted basic priorities included the 11 sections of the plan outlining Kansas' strengths and the supporting environment for opportunity. Ultimately to be successful, the Board, Administration, Legislature, and businesses must become active advocates for the plan. Discussion ensued.

Ahlerich provided the Board with the issue paper entitled: *Creating Demand-Driven Workforce Development in Kansas*, highlighting strategies and recommendations from the Strategic Plan.

Ahlerich provided the Board with an update regarding the IKE Grant project with Wichita State University (WSU), noting the project was behind schedule due to surgery on the principal investigator.

Ahlerich noted the manufacturing project with the Center for Applied Economics was progressing, but behind schedule also.

Ahlerich noted the Kansas Bioscience Authority (KBA) evaluation had been awarded to GSP Consulting and Kansas, Inc. would be working to design and place the Kansas Technology Enterprise Corporation (KTEC) evaluation.

Ahlerich provided the Board with a draft proposal regarding fiscal note accountability that had been approved at the March meeting. Discussion ensued. Several Board members expressed concern regarding the study and recommended Legislative Post Audit (LPA) would be better suited to address it.

At 11:25 a.m. Wysong was excused from the meeting.

A motion was made by Burroughs to halt the fiscal note accountability RFP process and direct staff to forward the proposal to Kansas Legislative Post Audit for consideration. Seconded by Kerr. Motion carried.

New Business

Argo noted three director terms had expired during January 2008, including: Argo, Bossert and Pilla. Argo noted Bossert and Pilla requested to be reappointed, while Argo would not seek reappointment.

Argo requested nominations for Co-Chair and Vice-Chair, subject to a two-year term.

A motion was made by McCants to nominate Johnson and Waite, as Co-Chair and Vice-Chair, respectively. Seconded by Kerr. Motion carried.

Board Member Industry Updates

Bossert noted the staffing industry was doing well and there weren't enough qualified individuals to fill all positions. Bossert noted higher fuel costs were an issue with low-income individuals, and noted an increase in lawsuits and worker's compensation claims due to the slowing economy.

Johnson noted the biotechnology sector was doing well and had not seen any effects of a potential recession yet.

Kerr noted Kansas had recently received national recognition as a business-oriented state.

Landoll noted manufacturing had experienced growth during the last year; however, challenges were increasing with rising fuel and steel costs. Landoll noted the U.S. was now a net exporter of steel due to the value of the dollar and several companies may be holding back on orders due to an unsure economic future.

McCants noted the banking industry was stable overall, although they were beginning to see some past due collections and foreclosures. McCants noted Kansas' strong banking community has prevented thus far the lending practices that have resulted in much of the housing crisis throughout the country. McCants noted concern with commercial real estate.

Waite noted the housing crisis had improved rental prospects and area banks were doing well if they did not compromise loan standards that resulted in increased foreclosures as seen in many parts of the country. Waite noted loan officers in general may be more conservative, making it difficult for small businesses to get loans. Following the November elections, Waite noted perceptions on the economy may improve due to politics.

Other Business

Argo encouraged the Board to assist with efforts to increase recognition and exposure of the Strategic Plan.

With no further business, Argo adjourned the meeting at 12:15 p.m.

Respectfully submitted,

Stan Ahlerich
President