

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

FY 2017-2018 OPERATIONAL PLAN EXECUTIVE SUMMARY

December 1, 2017



**VIRGINIA ECONOMIC
DEVELOPMENT PARTNERSHIP**

TABLE OF CONTENTS

Introductory Material.....	3
Introduction	3
VEDP Statutory Responsibilities.....	6
The New Virginia Economy: Governor McAuliffe’s Economic Development Strategic Plan.....	7
Anticipated VEDP and Commonwealth Strategic, Aspirational Goals.....	8
VEDP Board of Directors	9
VEDP Organizational Overview.....	10
Overview of VEDP-administered Grant and Incentive Programs	12
Overview of Grant and Incentive Programs VEDP is Required to Coordinate and Track.....	13
Statutory Requirements to be Addressed in an Addendum to this Plan.....	14
Statutory Authorization for Withholding Publication of the Full FY18 Operational Plan.....	15
Major Initiatives.....	16
New or Refined Ongoing Activities (organized by division).....	18
Organizational Performance Metrics.....	23
Appendices.....	25
Appendix A: FY18 Budget.....	26

INTRODUCTION

- The Virginia Economic Development Partnership Authority (VEDP) was established by the General Assembly in 1995 (Code of Virginia, § 2.2-2234).
- VEDP is given broad powers in its enabling legislation “...to encourage, stimulate, and support the development and expansion of the economy of the Commonwealth.”
- This operational plan has been prepared in accordance with the 2017 Virginia Acts of Assembly, Chapter 780, which requires that an operational plan be completed and submitted to the Chairmen of the House Appropriations and Senate Finance Committees and to the Director of the Department of Planning and Budget prior to July 1, 2017.
- VEDP is in the process of developing a five-year strategic plan, in accordance with legislation passed in the 2017 General Assembly session. This strategic plan will be presented to the VEDP Board in November.

THE OPERATIONAL PLAN GUIDES VEDP'S ACTIONS THROUGHOUT THE YEAR

- The operational plan is the result of a three-month, VEDP-wide effort which identified improvement areas and new ideas for the coming year and translated those ideas into a plan for action. The operational plan is meant to:
 - Build clarity and alignment regarding VEDP's strategic direction
 - Outline major priorities with deliverables and deadlines for the year
 - Ensure improved accountability for performance
 - Deliver upon numerous improvement opportunities identified by VEDP team members
- Progress against the operational plan will be reviewed throughout the year through:
 - Weekly updates at the senior team meetings
 - Monthly internal meetings of each VEDP division (e.g., BI, Workforce, Trade)
 - Quarterly update meetings between each division head (e.g., Vice Presidents and Managing Directors) and their respective reports
 - Ongoing updates to the operational plan tracker

VEDP'S ECONOMIC DEVELOPMENT FRAMEWORK PROVIDES OVERARCHING PRINCIPLES

- Economic development is a combination of activities intended to create jobs, increase wages, and/or achieve industry diversification
 - VEDP will primarily focus on growing the Commonwealth's economy and bringing the greatest number of high-quality jobs to Virginia's regions
 - VEDP will typically avoid actively recommending incentives or investments in projects that grow a region, community, or business at the expense of other regions, communities, or businesses
- Creating a new Virginia economy requires aggressive, focused leadership from VEDP in three broad areas of activity:
 - "Business development" aims to influence the investment and location decisions of corporate leaders (e.g., marketing, business attraction and recruitment)
 - "Product development" aims to increase Virginia's attractiveness for business investment and economic opportunity (e.g., public policy efforts, community development, site development)
 - "Trade development" aims to encourage exports of Virginia products and services
- Much of economic development is done at the regional or local level (e.g., site selection process, marketing leverage, business environment, economic relationships)
- VEDP will strive to make its incentive and investment recommendations based on public return-on-investment (ROI)

VEDP'S STATUTORY RESPONSIBILITIES CAN BE CATEGORIZED INTO EIGHT CORE DUTIES

1. Ensure that effective marketing programs are delivered
2. Engage in business development activities
3. Engage in product development activities
4. Encourage coordination of organizations engaged in economic development
5. Encourage exports of Virginia products and services
6. Assist in developing Virginia's economic development strategies
7. Administer economic development incentive programs
8. Fulfill various administrative and reporting responsibilities

THE NEW VIRGINIA ECONOMY: GOVERNOR MCAULIFFE'S ECONOMIC DEVELOPMENT STRATEGIC PLAN

Governor McAuliffe's four-year strategic economic development plan includes the following five priorities for building Virginia's New Economy:

- **“Project Ready” Infrastructure:** Virginia must ensure that assets such as project-ready sites, energy, housing, and broadband are able to attract multi-scale projects throughout the Commonwealth and advance the state's competitive position both nationally and globally
- **Diversified, High-Growth Industries:** Virginia must devote vital resources to bolster thriving industries while diversifying our economy to include high-growth industry sectors and expanded trade partnerships
- **Preeminent Business Climate:** Virginia must ensure that available tax incentives, regulations, and economic development tools can sustain and improve the Commonwealth's position as the best state in which to start and grow a business
- **Innovation and Entrepreneurs:** Virginia must pursue policies and public-private partnerships which attract talent, encourage entrepreneurship, promote business development and investment, and champion the creation and commercialization of cutting-edge products and services
- **“Credentials to Careers” Workforce:** Virginia must align educational priorities with the needs of public and private sector employers in order to supply students, workers, and transitioning veterans with the skills they need to thrive in a diversified 21st century economy

ANTICIPATED VEDP AND COMMONWEALTH STRATEGIC, ASPIRATIONAL GOALS*

1. Over time, position Virginia to achieve an employment growth rate ranking among the top five states in the U.S. and among the top three Southern states
2. Ensure every region in Virginia participates in the growth of the Commonwealth (i.e., all in positive territory)
3. Restore Virginia to its previously-held top position in major state business climate rankings (i.e., average in top three)
4. Reestablish VEDP as America's premier state economic development organization
5. Do all of this collaboratively, working closely with local, regional, and state partners

*To be finalized during VEDP's 2017 strategic planning process

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP BOARD OF DIRECTORS

The Honorable Richard D. Brown
Secretary of Finance, Commonwealth of Virginia

Carrie Hileman Chenery
Executive Director, Shenandoah Valley Partnership

C. Daniel Clemente
Chairman and CEO, Clemente Development Company, Inc.

Betsey Daley
Director, Finance Committee, Virginia Senate

Heather Engel
CSO and Partner, Sera-Brynn

Gregory B. Fairchild
Isidore Horween Research Associate Professor of Business Administration and Academic Director of Public Policy and Entrepreneurship, Darden School of Business, University of Virginia

The Honorable Todd Haymore, Vice Chairman
Secretary of Commerce and Trade, Commonwealth of Virginia

William "Bill" Hayter
President and CEO, The First Bank & Trust Company

Chris A. Lumsden
Administrator and President, Sentara Halifax Regional Hospital

John F. Reinhart
CEO and Executive Director, The Port of Virginia

Ned W. Massee
Croatan Advisors

Vincent J. Mastracco
Partner, Kaufman & Canoles PC

Dan M. Pleasant
COO, Dewberry

Xavier R. Richardson
President, Mary Washington Hospital & Stafford Hospital Foundations, Mary Washington Healthcare

Carlos Tapias
CEO USA, Phoenix Packaging Group

Robert Vaughn
Director, Appropriations Committee, Virginia House of Delegates

John O. "Dubby" Wynne
Chairman, Virginia Growth and Opportunity Board

VEDP ORGANIZATIONAL OVERVIEW

- Business Investment (updated)
 - Adds to the project pipeline by identifying high-potential leads, converting leads to actively engaged prospects, and ultimately converting prospects to VEDP project opportunities
 - Manages business recruitment and expansion projects for traditional and emerging growth sectors in close collaboration with regional and local partners
 - Collaborates with regional and local partners on retention and expansion activities (e.g., proactive visits with executives) targeted at existing Virginia businesses and manages projects arising from these efforts
- Communications & Promotions (updated)
 - Manages all facets of VEDP's brand and builds awareness of our state's economic development opportunities and achievements
- Economic Competitiveness
 - Develops and initiates implementation of best-in-class economic development policies, processes, and investments to enhance state economic competitiveness
 - Ensures Virginia communities are development-ready, competitive, and prepared for business investment
- Fiscal and Support Services
 - Manages all accounting and budget-related work and provides facilities, fleet management, and procurement services
- Human Resources
 - Manages employee payroll and benefits and coordinates employee hiring, training, and performance reviews
- Incentives (new)
 - Reviews, vets, tracks, and coordinates economic development incentives administered by VEDP or incentives offered by the Commonwealth or a locality in conjunction with VEDP-administered incentives

VEDP ORGANIZATIONAL OVERVIEW (CONT'D)

- Information Technology
 - Maintains and updates all internal web-based applications, provides support for teams working with outside web applications, such as Salesforce, and supports VEDP network services and devices
- Internal Audit (new)
 - Performs periodic audits on operations, accounts, and transactions and reports findings to the VEDP Board
- International Trade
 - Manages programs to increase international exports of Virginia goods and services
- Legal Services
 - Advises on legislation, rules, contracts, and other legal issues; manages legal activities
- Legislation and Policy
 - Manages VEDP's legislative agenda and other targeted initiatives by cultivating partnerships with local, state, and federal elected officials
- Research
 - Supports business development and other activities with relevant, insightful analysis
- Workforce Development
 - Administers the Virginia Jobs Investment Program, working to consult with companies on workforce needs and increasing Virginia's pipeline of qualified workforce-driven projects

OVERVIEW OF VEDP-ADMINISTERED GRANT AND INCENTIVE PROGRAMS*

- Commonwealth's Development Opportunity Fund Program (COF)
- Virginia Investment Partnership Grant Program (VIP)
- Virginia Economic Development Incentive Grant Program (VEDIG)
- Major Eligible Employer Grant Program (MEE)
- Virginia Jobs Investment Program (VJIP)
- Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund Program (VBAF)
- Virginia Business Ready Sites Program (VBRSP)
- Advanced Shipbuilding Production Facility Grant Program
- Aerospace Engine Manufacturing Performance Grant Program
- Pulp, Paper, and Fertilizer Advanced Manufacturing Performance Grant Program
- Virginia Collaborative Economic Development Performance Grants

*This list does not include the data center sales and use tax exemption or the corporate income tax single sales factor apportionment formula applied to data centers, both of which VEDP is involved in administering

OVERVIEW OF GRANT AND INCENTIVE PROGRAMS

VEDP IS REQUIRED TO COORDINATE AND TRACK

- Commonwealth Growth Accelerator Program
- Economic Development Access Program (EDAP)
- Enterprise Zone (EZ) Job Creation and Real Property Investment Grant Programs
- Governor's Agriculture and Forestry Industries Development Fund (AFID)
- Governor's Motion Picture Opportunity Fund (GMPOF)
- Port of Virginia Economic and Infrastructure Development Grant Program (POV)
- Rail Industrial Access Program
- Tobacco Region Opportunity Fund Grant Program (TROF)

STATUTORY REQUIREMENTS TO BE ADDRESSED IN AN ADDENDUM TO THIS PLAN

The two following components of this year's operational plan required by statute will be submitted this November as an addendum to this plan:

Va. Code Ann. § 2.2-2237.1. Board of directors to develop strategic plan for economic development; marketing plan; operational plan; submission

2. An operational plan for carrying out the powers and duties of the Authority. The operational plan of the Authority shall, at a minimum, include:

- a. A process to evaluate the Authority's effectiveness in exercising the powers and duties conferred by this article, including the Authority's ability to work with other state, regional, and local economic development organizations and international trade organizations; and
- b. A strategy for coordinating with state agencies that administer economic development incentive programs and relevant executive branch committees, councils, authorities, and commissions to maximize the effectiveness of state economic development programs and activities.

STATUTORY AUTHORIZATION FOR WITHHOLDING PUBLICATION OF THE FULL FY18 OPERATIONAL PLAN

VEDP is withholding the full content of its FY18 Operational Plan pursuant to § 2.2-3705.7(33) of the Code of Virginia, which provides that certain provisions of the strategic plan, marketing plan, and operational plan may be excluded from the mandatory disclosure provisions of the Virginia Freedom of Information Act, but that the executive summaries of these plans may not be excluded.

In accordance with these provisions, VEDP retains the right to withhold or redact information regarding the agency's specific economic development strategies or tactics when revealing these internal strategies would adversely affect the Commonwealth's ability to compete for economic development projects.

In accordance with the act, VEDP is providing this executive summary version of the FY18 operational plan. The full text of the statute is provided below:

Virginia Freedom of Information Act

Va. Code Ann. § 2.2-3705.7. Exclusions to application of chapter; records of specific public bodies and certain other limited exclusions.

The following information contained in a public record is excluded from the mandatory disclosure provisions of this chapter but may be disclosed by the custodian in his discretion, except where such disclosure is prohibited by law. Redaction of information excluded under this section from a public record shall be conducted in accordance with § 2.2-3704.01.

33. Information contained in the strategic plan, marketing plan, or operational plan prepared by the Virginia Economic Development Partnership Authority pursuant to § 2.2-2237.1 regarding target companies, specific allocation of resources and staff for marketing activities, and specific marketing activities that would reveal to the Commonwealth's competitors for economic development projects the strategies intended to be deployed by the Commonwealth, thereby adversely affecting the financial interest of the Commonwealth. The executive summaries of the strategic plan, marketing plan, and operational plan shall not be redacted or withheld pursuant to this subdivision.

VEDP FY18 MAJOR INITIATIVES

MAJOR INITIATIVES

- Craft a robust, modern marketing and branding, site consultant cultivation, and lead generation program, including a legislative proposal to fund it
- Update the process and metrics for handling project management, with a special focus on Salesforce
- Develop a comprehensive VEDP strategic plan with ample stakeholder feedback
- Develop an updated, targeted Economic Development Strategy and Action Plan for the Commonwealth of Virginia and its Regions
- Respond to recommendations made by JLARC in its 2016 report to improve management and accountability
- Launch a first-rate Division of Incentives and a related public reporting website
- Launch a national rankings initiative to get Virginia back to the top in major national business climate rankings
- Develop a protocol to clarify roles and responsibilities of VEDP and its regional and local partners
- Finalize a proposal to launch a world-class, turnkey, customized workforce recruitment and training incentive
- Finalize a proposal to substantially expand VEDP's site development program
- Design and launch a targeted business retention and expansion program, in close collaboration with regional and local stakeholders
- Work closely with the Rural Center and other rural stakeholders to develop a comprehensive strategy to position Rural Virginia for growth
- Improve coordination between the International Trade division and VEDP overall and explore opportunities to expand international trade in Virginia

VEDP FY18 NEW OR REFINED ONGOING ACTIVITIES

NEW OR REFINED ONGOING ACTIVITIES

Major new or refined ongoing activity in FY18

VEDP division

• Develop a brand positioning strategy for both VEDP and the Commonwealth of Virginia	Communications and Promotions
• Secure new agency partners for VEDP Communications and Promotions	Communications and Promotions
• Develop a new brand identity for VEDP	Communications and Promotions
• Create a photo database, tagged based on all content for use in VEDP collateral and on the VEDP website	Communications and Promotions
• Develop a comprehensive suite of identity and collateral systems to provide the foundation for all of VEDP's marketing efforts and stakeholder communications	Communications and Promotions
• Develop a library of case studies reflective of all regions and target industries	Communications and Promotions
• Launch new website	Communications and Promotions
• Develop and launch a marketing assets management system that is accessible for VEDP staff and partners on the new VEDP website	Communications and Promotions
• Create a comprehensive deck of presentation tools to be used by VEDP staff and partners	Communications and Promotions
• Develop a national and international public relations and earned media strategy	Communications and Promotions
• Develop a paid media plan and creative material to be implemented contingent on funding	Communications and Promotions
• Develop and provide ongoing oversight and maintenance for VEDP's operational plan	Economic Competitiveness

NEW OR REFINED ONGOING ACTIVITIES (CONT'D)

Major new or refined ongoing activity in FY18	VEDP division
Develop and maintain an evolving list of policy improvements that advance Virginia and its regions economically and/or improve VEDP operations	Economic Competitiveness
Develop and implement a second-stage growth assistance program	Economic Competitiveness
Initiate regional and local partner meetings	Economic Competitiveness
<ul style="list-style-type: none"> • Develop and administer a broad talent management system 	Human Resources
<ul style="list-style-type: none"> • Ensure alignment of existing incentives policies and procedures with overarching goals, priorities, and statutory responsibilities and mandates 	Incentives
<ul style="list-style-type: none"> • Review incentive-related best practices for potential improvements to VEDP-administered incentive programs 	Incentives
<ul style="list-style-type: none"> • Process incentive applications in a timely manner and with a focus on delivering the highest level of customer service possible 	Incentives
<ul style="list-style-type: none"> • Exercise due diligence in evaluating each incentive or grant program applicant 	Incentives
<ul style="list-style-type: none"> • Ensure that each incentive or grant applicant is given thorough review and vetting during the pre-approval process 	Incentives
<ul style="list-style-type: none"> • Establish and adhere to policies and procedures to review, vet, and coordinate incentives offered by other agencies and localities 	Incentives
<ul style="list-style-type: none"> • Ensure that each incentive or grant applicant undergoes required steps in the approval processes 	Incentives

NEW OR REFINED ONGOING ACTIVITIES (CONT'D)

Major new or refined ongoing activity in FY18	VEDP division
• Monitor all projects approved for incentives	Incentives
• Ensure that performance agreements are drafted and executed with grant recipients	Incentives
• Manage the reporting process for all grant recipients	Incentives
• Manage the verification process for all performance agreement-related metrics	Incentives
• Facilitate discussions with incentive recipients and other interested parties, as applicable	Incentives
• Notify, update, and report on any extensions granted or clawback provisions enforced	Incentives
• Ensure any necessary legal actions are taken to assist with recovery actions for repayment required	Incentives
• Provide any reports requested by EDOT or the VEDP Board	Incentives
• Ensure proper reporting and data and metrics analysis on all incentives-related data	Incentives
• Establish an internal audit function supervised directly by the VEDP Board	Internal Audit
• Identify opportunities to improve the efficiency and effectiveness of agency operations	Internal Audit

NEW OR REFINED ONGOING ACTIVITIES (CONT'D)

Major new or refined ongoing activity in FY18

VEDP division

- Perform audits on VEDP activities
- Develop an annual work plan
- Conduct routine and periodic audit activities as directed by the VEDP Board

Internal Audit

Internal Audit

Internal Audit

VEDP FY18 PERFORMANCE METRICS

FY18 PERFORMANCE METRICS

Performance Metrics and Goals

	FY18	FY17	FY16
VEDP-assisted project announcements: capital investment	\$2.5B	\$2.8B	\$2.7B
VEDP-assisted project announcements: direct jobs	14,500	13,500	13,000
VEDP-generated leads: number*	400	N/A	N/A
VEDP-generated leads: number converted*	100	N/A	N/A
Virginia companies enrolled in International Trade programs	320	350	390
Projected international sales from Virginia companies participating in International Trade programs	\$768MM	N/A***	N/A***
Projected trade-supported jobs** from Virginia companies participating in International Trade programs	6,900	N/A***	N/A***

* Note: Metrics for leads generated and leads converted were not utilized by VEDP during FY17 or FY16, which is why no previous goals for these metrics exist

** Includes direct, indirect, and induced jobs

*** FY16 and FY17 goals were more qualitative in nature, whereas a more quantitative approach is proposed for FY18

VEDP FY18 OPERATIONAL PLAN APPENDICES

APPENDIX A

FY18 BUDGET

Virginia Economic Development Partnership FY2018 Budget Summary

FY2018/FY2017 Revenue Sources

	FY18 Dollars	FY17 Dollars	\$ Change	% Change
Revenue				
COV Appropriations	\$ 26,735,046	\$ 26,099,846	\$ 635,200	2%
Carry Forward Funds	6,391,677	2,887,942	3,503,735	121%
Participation and Mission Fees	263,000	335,350	(72,350)	-22%
Federal Grant Funds	-	1,109,461	(1,109,461)	-100%
Other Revenue	169,800	300,750	(130,950)	-44%
Total Revenue	\$ 33,559,523	\$ 30,733,349	\$ 2,826,174	9%

Commonwealth of Virginia (COV) Appropriations

COV Appropriations Increase of \$635,200 was due to:

Restoration of International Trade Program Funding	\$ 914,461
Estimated 3% Raise and Benefits Funding	200,000
Changes in Business Development Programs	(359,000)
Other Budget Changes	(120,261)
Total COV Appropriations Change	\$ 635,200

Virginia Economic Development Partnership FY2018 Budget Summary

FY2018/FY2017 Expenditure Summary

	FY18		FY17		\$	%	Staff
	Dollars	Staff	Dollars	Staff	Change	Change	Change
Division Budgets							
Workforce Development	\$ 1,345,078	9	\$ 1,429,791	9	\$ (84,713)	-6%	-
International Trade	7,048,659	18	6,902,789	18	145,870	2%	-
Business Investment	5,968,157	30	4,537,857	24	1,430,300	32%	6
Research	2,329,830	18	2,427,439	18	(97,609)	-4%	-
Communications and Promotions	2,984,557	9	4,256,721	10	(1,272,164)	-30%	(1)
Economic Competitiveness	1,234,672	8	1,352,431	8	(117,759)	-9%	-
Information Technology	1,562,253	11	1,635,672	11	(73,419)	-4%	-
Administration	4,019,332	20	2,704,304	16	1,315,028	49%	4
Total Division Budgets	\$ 26,492,538	123	\$ 25,247,004	114	\$ 1,245,534	5%	9
Pass Throughs, Grants and Projects	7,066,985	-	5,486,345	-	1,580,640	29%	-
Total VEDP Budget	\$ 33,559,523	123	\$ 30,733,349	114	\$ 2,826,174	9%	9

Virginia Economic Development Partnership FY2018 Budget Summary

FY2018/FY2017 Expenditure Summary

VEDP

VEDP's overall budget primarily was impacted by a net of nine new positions (two for Division of Incentives, one for internal auditor, one for training and professional development, and five for marketing and lead generation), which will be focused on addressing major JLARC recommendations.

Workforce Development

The Workforce Development budget was reduced to meet the required FY2018 Governor's Budget Reductions.

International Trade

There were no substantial changes to the International Trade budget.

Business Investment

The BI budget was increased by transferring the Governor's and other Missions function, the Call Center and other Lead Generation activities to BI; and by establishing the Business Retention and Expansion function. This resulted in a net of six new positions.

Virginia Economic Development Partnership FY2018 Budget Summary

FY2018/FY2017 Expenditure Summary

Research

Research had a net decrease in personnel costs by transferring two higher priced positions to Business Investment and Competitive Initiatives and replacing them with lower cost personnel.

Communications and Promotions

Communications and Promotions transferred out its Governor's and Other Missions resources and the Call Center and Lead Generation functions to Business Investment resulting in a net reduction of one position and reduction in overall budget.

Economic Competitiveness

The Economic Competitiveness budget decreased primarily due to the reduction of funds deployed for consulting services to develop the Sustained Growth Initiative.

Information Technology

Information Technology budget decreased due to additional equipment purchases in FY2017.

Administration

Administration added the Incentives Unit, the Internal Audit function, and an additional Human Resources staff person for Talent Management, all to address the JLARC requirements. Because there were two existing Administrative Staff that were retasked to the Incentives Unit, the net increase in staff was only four.

Virginia Economic Development Partnership FY2018 Budget Summary

FY2018/FY2017 Expenditure Summary

Pass Throughs, Grants, and Projects

	<u>FY2018</u>	<u>FY2017</u>
Brownfield Restoration and Redevelopment Fund	\$ 3,090,368	\$ 2,016,884
Commonwealth Center for Advanced Manufacturing (CCAM)	925,000	1,000,000
Virginia Business Ready Sites Fund	1,231,617	750,000
Target Industry Economic Development Strategy	1,500,000	-
Employment Recruitment and Consulting Contract	200,000	-
Employee Training	100,000	-
Engagement Survey	20,000	-
Office of Economic Adjustment (OEA) Grant for the Defense Industry	-	750,000
State Trade and Export Promotion (STEP) Grant	-	359,461
Facility Modifications and Vehicle Purchase	-	310,000
CEO Search and Relocation, and COO Interim Supplement	-	200,000
Lindenburg Legal Fees	-	100,000
Total Pass Throughs, Grants, and Projects	\$ 7,066,985	\$ 5,486,345