

FY 2020 OPERATIONAL PLAN: EXECUTIVE SUMMARY

July 1, 2019

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INTRODUCTION

- The Virginia Economic Development Partnership Authority (VEDP) was established by the General Assembly in 1995 (Code of Virginia, § 2.2-2234 et seq.).
- 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 FY20 Operational Plan has been prepared in accordance with Code of Virginia, § 2.2-2237.1 D.2. and the Virginia Budget, which require 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, 2019.
- This FY20 Operational Plan marks the second full year of implementation of the Strategic Plan for Economic Development of the Commonwealth of Virginia (FY19-FY23), approved by the VEDP Board of Directors in late 2017 pursuant to the Code of Virginia, §2.2-2237.1. The 11 Major Initiatives contained in this FY20 Operational Plan are largely derived from the initiatives outlined in the Strategic Plan.

THE OPERATIONAL PLAN GUIDES VEDP'S ACTIONS THROUGHOUT THE YEAR

- **This FY20 Operational Plan primarily is based upon the goals, strategies, and initiatives outlined in the FY19-23 Strategic Plan.** The annual plan is the result of a four-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 goals of this FY20 Operational Plan include the following:**
 - 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 this Operational Plan* will be reviewed throughout the year through the following activities:**
 - Regular updates at senior team meetings
 - Regular internal meetings of each VEDP division (e.g., Business Investment, 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

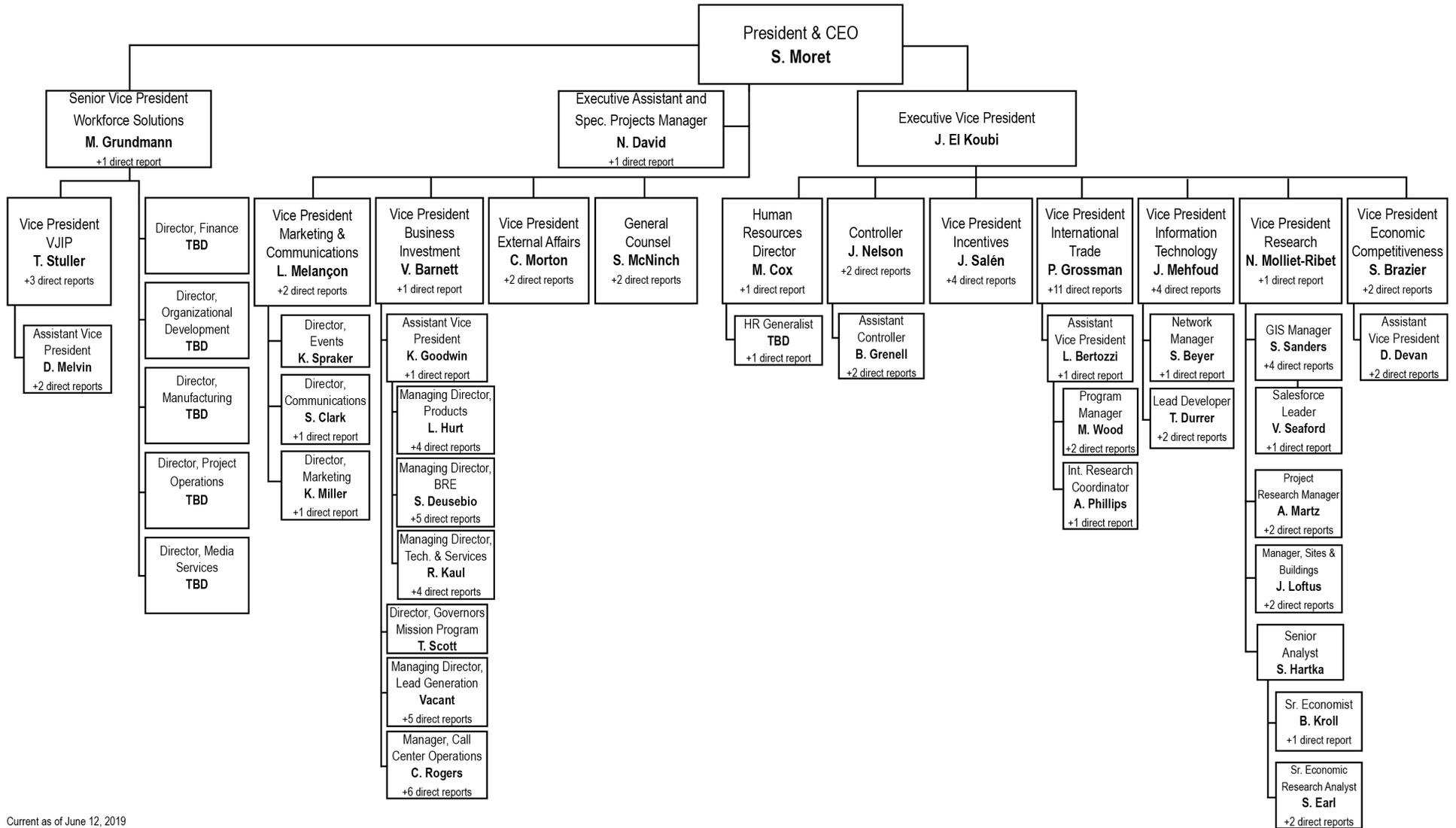
VEDP ORGANIZATIONAL OVERVIEW (1 OF 2)

Division	Overview
Business Investment	<ul style="list-style-type: none">▪ Collaborates with regional and local partners to identify and convert high-potential leads and prospects into project opportunities, as well as support the retention and growth of existing Virginia employers
Marketing and Communications	<ul style="list-style-type: none">▪ Manages Virginia's business brand (and VEDP's) and builds awareness of the Commonwealth's advantages among C-level executives nationally and globally
Research	<ul style="list-style-type: none">▪ Creates customized, relevant, and insightful analysis and data visualizations that facilitate understanding of Virginia's full value proposition, with a central focus on fast-turn, high-priority, customized client service (e.g., preparing RFP responses)
Incentives	<ul style="list-style-type: none">▪ Reviews, vets, tracks, and coordinates economic development incentives administered by VEDP and those offered by the Commonwealth or a locality in conjunction with VEDP
Workforce Solutions	<ul style="list-style-type: none">▪ Supports the human capital needs of new and expanding businesses by delivering world-class, customized, turnkey, workforce recruitment and training solutions in partnership with the Virginia Community College System; developing systemic talent pipeline initiatives to address regional or statewide talent shortages; and managing the Virginia Jobs Investment Program (VJIP)
International Trade	<ul style="list-style-type: none">▪ Supports growth and expansion of Virginia's local firms seeking international markets through the administration of targeted programs to increase managerial capabilities and improve networks in key countries and regions
External Affairs	<ul style="list-style-type: none">▪ Cultivates relationships with local, state, and federal elected officials, as well as manages relationships with VEDP's economic development partners across the Commonwealth

VEDP ORGANIZATIONAL OVERVIEW (2 OF 2)

Division	Overview
Economic Competitiveness	<ul style="list-style-type: none">▪ Develops and incubates medium-to-long-term strategies to improve the foundations for state, regional, and local economic growth
Information Technology	<ul style="list-style-type: none">▪ 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
Fiscal and Support Services	<ul style="list-style-type: none">▪ Manages all accounting and budget-related work and provides facilities, fleet management, and procurement services
Human Resources	<ul style="list-style-type: none">▪ Manages employee payroll and benefits and coordinates employee hiring, training, and performance reviews
Legal Services	<ul style="list-style-type: none">▪ Advises on legal aspects of legislation, rules, contracts, and other issues; manages legal activities for VEDP
Internal Audit	<ul style="list-style-type: none">▪ Performs periodic audits on operations, accounts, and transactions and reports findings to the VEDP Board

VEDP ORGANIZATIONAL CHART



Current as of June 12, 2019

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP BOARD OF DIRECTORS

The Honorable Brian Ball, Vice Chair

Secretary of Commerce and Trade, Commonwealth of Virginia, *Ex Officio Member*

Carrie Hileman Chenery

Principal, Valley Pike Partners

C. Daniel Clemente

Chairman and Chief Executive Officer, Clemente Development Company, Inc.

Heather Engel

Chief Strategy Officer and Partner, Sera-Brynn

Gregory B. Fairchild

Isidore Horween Research Associate Professor of Business Administration and Associate Dean for Washington, D.C. Area Initiatives and Academic Director of Public Policy and Entrepreneurship

Deborah Flippo

Economic Development Program Manager, Draper Aden Associates, Inc.

Richard “Rick” O. Harrell, III

President (retired), R.O. Harrell Inc.

William “Bill” Hayter

President and CEO, The First Bank & Trust Company

April Kees

Co-Director, Virginia Senate Finance Committee, *Ex Officio Member*

The Honorable Aubrey L. Layne, Jr.

Secretary of Finance, Commonwealth of Virginia, *Ex Officio Member*

Ned W. Masee, Chair

Croatan Advisors

Vincent J. Mastracco

Partner, Kaufman & Canoles PC

Dan M. Pleasant

Chief Operating Officer, Dewberry

Jason Powell

Co-Director, Virginia Senate Finance Committee, *Ex Officio Member*

John F. Reinhart

CEO and Executive Director, The Port of Virginia, *Ex Officio Member*

Xavier R. Richardson

Executive Vice President, Corporate Development and Community Benefit, Mary Washington Healthcare President, Mary Washington Hospital and Stafford Hospital Foundations

Robert Vaughn

Director, Virginia House of Delegates Appropriations Committee, *Ex Officio Member*

John O. “Dubby” Wynne

Chairman, Virginia Growth and Opportunity Board, *Ex Officio Member*

OVERVIEW OF THE STRATEGIC PLAN FOR ECONOMIC DEVELOPMENT OF THE COMMONWEALTH OF VIRGINIA (FY19-23)

- On December 1, 2017, VEDP produced its “strategic plan for specific economic development activities for the Commonwealth as a whole” in accordance with § 2.2-2237.1 of the Code of Virginia
- As required by Code, the Strategic Plan identifies specific goals and objectives for VEDP, as well as quantifiable metrics and performance measures for each goal and objective. The Plan also includes a systematic assessment of how VEDP can best add value in carrying out each of its statutory powers and duties
- As required by Code, the Strategic Plan was crafted to be responsive to the Governor’s Economic Development Strategy, called for in § 2.2-205
- Key economic development partners were integrally involved in the strategic planning process, including state, regional, and local economic development agencies and organizations and international trade organizations
- As noted above, there is also considerable alignment between this FY20 Operational Plan and VEDP’s Strategic Plan as this year’s Operational Plan marks the second full year of Strategic Plan implementation. The 11 Major Initiatives contained in this FY20 Operational Plan are derived from the initiatives outlined in the Strategic Plan

FRAMEWORK FOR IMPLEMENTING VEDP'S STRATEGIC PLAN

- 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) analyses

PREPARING FOR STRATEGIC PLAN IMPLEMENTATION

- The Strategic Plan for Economic Development of the Commonwealth of Virginia adopted by the VEDP Board is a five-year plan (FY19-FY23), implementation of which began on July 1, 2018
- The Strategic Plan includes five transformational goals, the achievement of which requires the implementation of 40 new initiatives
- Some of the initiatives in the Strategic Plan will require new funding to implement
- VEDP's FY20 Operational Plan is based on the initiatives outlined in the Strategic Plan and focuses on those initiatives scheduled for implementation in the second year for which sufficient funding has been secured
- Some of the Strategic Plan initiatives scheduled for implementation in FY20 will not be funded, slowing progress toward achieving the transformational goals
- VEDP is prepared for the second year of implementation of the Strategic Plan, including plans to begin an update to the Strategic Plan in Spring 2020 and plans to finalize and develop the final metrics to track performance in Fall 2019

TRANSFORMATIONAL GOALS FOR THE COMMONWEALTH AND VEDP

The following five transformational economic development goals were identified for both VEDP and the Commonwealth of Virginia as part of VEDP's strategic planning process completed in FY18

1. Position Virginia to achieve a growth rate (measured by employment and median earned income of workers) among that of the top 5-10 states in the U.S.
2. Ensure every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income of workers)
3. Restore Virginia to its previous leadership position near the top of the national business climate rankings (i.e., average position among the top 3-5 states)
4. Reestablish VEDP as one of America's most effective state economic development organizations (principally to better enable accomplishment of the top three transformational goals)
5. Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the "P" in VEDP)

FIVE TRANSFORMATIONAL GOALS CAN BE ACHIEVED VIA THE EXECUTION OF 14 STRATEGIES OVER THE NEXT 5-7 YEARS

A

Cultivate target industry growth clusters

- Push new boundaries as a U.S. leader in information technology
- Assemble a world-class transportation and logistics hub
- Position Virginia's manufacturing base to be future-ready
- Create business services and operations centers of excellence (e.g., HQs)
- Capitalize on Virginia's unique assets to become a leader in promising disruptive technologies (e.g., unmanned systems, genomics, personalized medicine)

B

Enhance VA's economic competitiveness

- Strengthen Virginia's human capital development engine
- Assemble an ample, strategic portfolio of project-ready sites and buildings across Virginia
- Rigorously assess and steadily improve Virginia's state, regional, and local economic competitiveness
- Leverage public-private partnerships to strengthen Virginia's digital infrastructure (i.e., broadband)
- Place a special focus on achieving growth in Virginia's rural regions and small metros

C

Enhance VEDP's capabilities

- Cultivate world-class execution at VEDP
- Implement robust marketing/branding, lead generation, and site consultant cultivation programs
- Strengthen and expand business and international trade development programs
- Become a national leader in incentives administration

UPDATE ON FIVE TRANSFORMATIONAL GOALS FOR VIRGINIA AND VEDP

-  On track to achieve long-term goals with no major concerns
-  Will make progress against long-term goals but concerns (typically due to funding challenges)
-  Will likely not meet goal (typically due to lack of funding)
-  Not started

Transformational goals	Description	Outlook
1 Robust state job growth	Position Virginia to achieve a growth rate (measured by employment and median earned income of workers) among that of the top 5-10 states in the U.S.	
2 Every region wins	Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income of workers)	
3 Best state for business	Restore Virginia to its previous leadership position near the top of the national business climate rankings (i.e., average position among the top 3-5 states)	
4 Top state EDO	Reestablish VEDP as one of America’s most effective state economic development organizations (principally to better enable accomplishment of the top three transformational goals)	
5 Super collaborator	Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the “P” in VEDP)	

COMPONENTS OF THIS FY20 OPERATIONAL PLAN REQUIRED BY THE CODE OF VIRGINIA

This section of the FY20 Operational Plan contains the two components required by statute, itemized below:

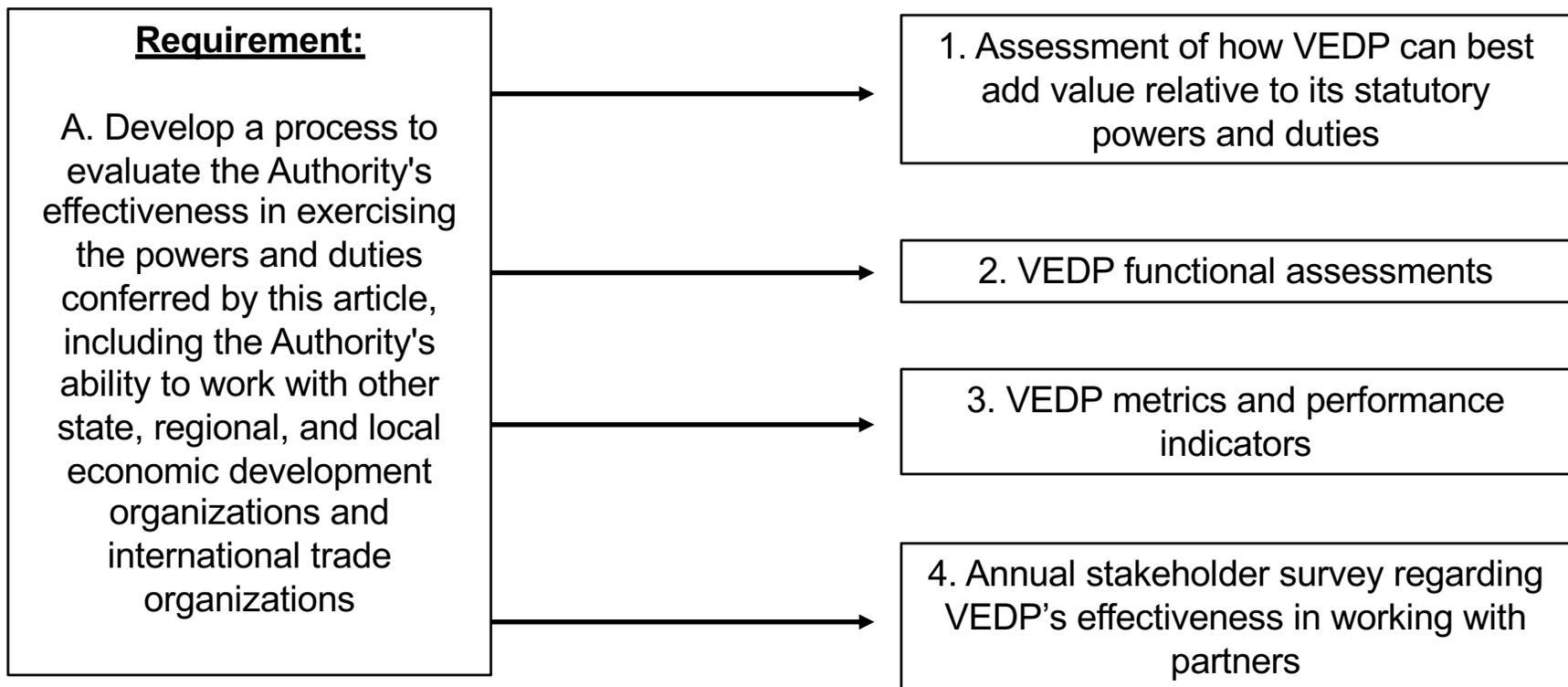
Virginia Code § 2.2-2237.1. Board of directors to develop strategic plan for economic development; marketing plan; operational plan; submission

D. 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.

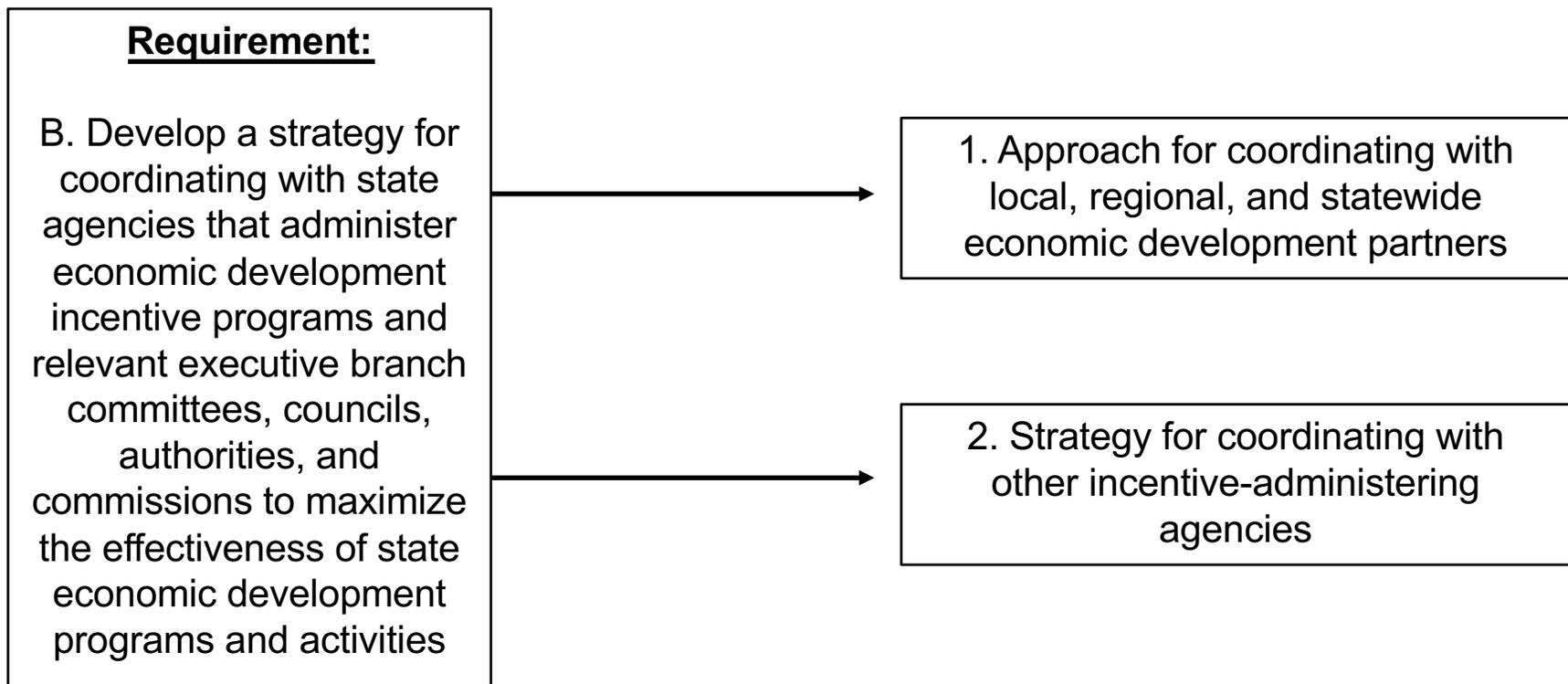
VEDP DEVELOPED AND WILL CONTINUE TO EXECUTE AN ANNUAL PROCESS TO EVALUATE ITS EFFECTIVENESS IN EXERCISING ITS POWERS AND DUTIES

VEDP's approach to addressing this statutory requirement includes four components:



VEDP DEVELOPED A COMPREHENSIVE STRATEGY FOR COORDINATING WITH KEY STAKEHOLDERS, INCLUDING INCENTIVE-ADMINISTERING AGENCIES

VEDP's approach to addressing this statutory requirement includes two components:



FY20 MAJOR INITIATIVES

MAJOR INITIATIVES

Initiative

-
- 1 Embed continuously-refined value proposition in VEDP messaging, materials, and industry strategies

 - 2 Modernize and redeploy Salesforce to mirror business processes and support decision making

 - 3 Create a turnkey, customized workforce recruitment and training incentive program in collaboration with VCCS

 - 4 Develop a strategy to enhance Virginia's portfolio of development-ready sites

 - 5 Identify opportunities to address talent shortages in high-demand occupations

 - 6 Develop and execute an outreach strategy to assess local and regional competitiveness, using the community competitiveness framework

 - 7 Develop rural and small metro tech centers across Virginia

 - 8 In partnership with the Virginia Chamber, launch Team Virginia, an executive-to-executive 501(c)3 marketing organization

 - 9 Develop a high-impact biennium budget package

 - 10 Implement a comprehensive talent management program

 - 11 Refresh FY19-23 Strategic Plan per Virginia Code

FY20 PERFORMANCE METRICS

PERFORMANCE METRICS AND GOALS FOR FY20

FY20 Goal

VEDP-assisted project announcements	
Capital investment (\$B)	\$3.0
Direct jobs	13,000
VEDP-generated leads	
Number	385
Number converted	165
VEDP International Trade programs	
Companies enrolled	320
Projected international sales (\$ million)	\$600
Projected trade-supported jobs	5,400

FY20 OPERATIONAL PLAN APPENDIX

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2020 BUDGET SUMMARY

Revenue Sources

	<u>FY2020</u>	<u>FY2019</u>	<u>Change</u>
Revenue			
COV General Fund Budgeted	\$35,139,731	\$32,097,198	\$ 3,042,533
Carry Forward Funds	6,914,243	1,455,565	5,458,678
Participation and Mission Fees	475,000	220,000	255,000
Other Revenue	313,100	170,255	142,845
Total Revenue	<u><u>\$42,842,074</u></u>	<u><u>\$33,943,018</u></u>	<u><u>\$ 8,899,056</u></u>

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2020 BUDGET SUMMARY (CONT'D)

Budgeted Expenditure Summary

	FY20		FY19		\$	%
	Dollars	Staff	Dollars	Staff	Change	Change
Division Budgets						
Custom Workforce/VJIP Operations	\$ 4,729,033	25	\$ 3,578,419	29	\$ 1,150,614	32%
International Trade	6,849,596	19	7,149,157	19	(299,561)	-4%
Business Investment	6,187,073	31	6,010,282	30	176,791	3%
Research	2,695,098	21	2,293,894	18	401,204	17%
Marketing & Communications	4,410,817	8	3,354,372	8	1,056,445	31%
Economic Competitiveness	1,001,597	6	936,300	5	65,297	7%
Information Technology	1,405,237	10	1,495,427	11	(90,190)	-6%
Incentives	631,996	5	581,121	4	50,875	9%
Administration	4,131,127	18	3,648,042	16	483,085	13%
Total Division Budgets	\$32,041,574	143	\$29,047,014	140	\$ 2,994,560	10%
Pass Throughs, Grants and Projects	10,800,500	-	4,896,004	-	5,904,496	121%
Total VEDP Budget	\$42,842,074	143	\$33,943,018	140	\$ 8,899,056	26%

Note: FY2020 Operational Plan division budgets include a 5% expected vacancy rate.