

2014-16 Executive Progress Report

Commonwealth of Virginia
Secretary of Commerce and Trade

Virginia Economic Development Partnership

At A Glance

The Virginia Economic Development Partnership's (VEDP) mission is to enhance the quality of life and raise the standard of living for all Virginians, in collaboration with Virginia communities, through aggressive business recruitment, expansion assistance, and trade development, thereby building the tax base and creating higher income employment opportunities.

Staffing 106 Salaried Employees, 3 Contracted Employees, 0 Authorized, and 6 Wage Employees.

Financials Budget FY 2015, \$21.50 million, 100.00% from the General Fund.

Trends ↑ Gross Domestic Product
↑ Business Investment

Key Perf Areas ↑ Billions of dollars invested
↑ Companies assisted with Trade
↑ Jobs created

Legend ↑ Increase, ↓ Decrease, → Steady

Productivity Legend ↑ Improving, ↓ Worsening, → Maintaining

For more information on administrative key, and productivity measures, go to www.vaperforms.virginia.gov

Background and History

Agency Background Statement

In 1995, the Virginia General Assembly created the Virginia Economic Development Partnership (VEDP) to better serve those seeking a prime business location and increased trade opportunities and, therefore, to foster increased expansion of the Commonwealth's economy. As a state authority, the Partnership is governed by a 24 member Board of Directors comprised of business persons from around Virginia, each of whom is appointed either by the Governor or the General Assembly. Our President and Chief Executive Officer is employed by the Board to oversee the fulfillment of our mission:

"To enhance the quality of life and raise the standard of living for all Virginians, in collaboration with Virginia communities, through aggressive business recruitment, expansion assistance, and trade development, thereby expanding the tax base and creating higher-income employment opportunities."

To fulfill this mission, we focus on cultivating new business investment, fostering international trade growth and encouraging the expansion of existing Virginia businesses.

Major Products and Services

Business Expansion team works with existing Virginia companies, local and regional economic development partners, the public colleges and universities and other state agencies and partners to increase leads and decisions from companies with a presence in the Commonwealth, which will result in increased capital investment, quality jobs and payrolls. The Business Expansion team takes a proactive approach using professional consultative sales strategies and services to ensure the Commonwealth is ready when its companies identify growth needs, matching the business' expansion plans with state, regional and local assets.

Business Attraction team positions Virginia in both domestic and international markets, focusing on companies and site selection consultants in major geographic markets that represent opportunities for investment and job creation for new business facilities in Virginia. Key geographic markets include major metropolitan areas in the Mid-Atlantic, Northeast, South, Midwest and Far West regions of the United States. The international focus includes proactive marketing efforts in Canada, Japan, China, India, United Kingdom and Germany.

International Trade team obtains international sales for companies across Virginia through a variety of programs and services. From a global network of international consultants strategically located in 50+ countries to a network of five statewide offices, the International Trade team offers international sales tools to companies large and small. The International Trade program is based on the premise that successful international sales are obtained by working pro-actively with individual companies, one-on-one. To achieve this, the program has three components: 1) increase awareness among the Virginia business community on the importance and benefits of exporting; 2) provide all necessary tools for selling into international markets, from market research to assistance with completing documentation; and 3) enable these companies to participate in trade events that lead to market entry, expansion, and increased international sales. A website (ExportVirginia.org) lists programs, services, and upcoming events and provides a plethora of market research reports.

Research provides a broad range of critical services in support of VEDP's outreach marketing. Staff fully participants in the planning, research, and execution of outreach efforts for VEDP's established industry markets and related marketing initiatives. This includes substantially increasing the lead generation function across all marketing territories. We have repurposed existing staff resources behind building our prospect pipeline. Industry sector and firm-level business targets are presented to the VEDP Call Center and Business Attraction for follow-up as a means of building up the project pipeline. An array of updated data content for the VEDP websites and targeted industry collateral material are prepared in cooperation with Communications and Promotions. Materials and data to support international outreach will be refreshed. Staff will continue development, in tandem with Business Expansion, of a usable, integrated database of major Virginia employers in support of a more cohesive statewide existing business and industry program. A mainstay function of delivering custom prospect proposals to VEDP business clients will continue.

Communications and Promotions (C&P) executes an advertising program to reach corporate decision-makers in select domestic and international markets. Due to budget reductions, C&P has had to eliminate its Business Expansion advertising program. Public relations, direct marketing, electronic marketing, social media, trade show marketing and event promotions remain primary activities of C&P. The team will continue its successful lead generation program through its call center operations. The lead generation program will support the Business Attraction team through an ongoing call campaign targeting corporate prospects identified through in-house and purchased data. Team staff will work with VEDP divisions to maintain, update and promote VEDP's electronic marketing presence at YesVirginia.org and the YesVA Mobile Application, produce requisite marketing brochures and targeted industry sector collateral materials, as well as develop and execute strategic marketing initiatives to support VEDP's geographic markets. C&P will implement an internal communication strategy to improve information sharing across all divisions and increase awareness about VEDP's strategies, programs, goals and outcomes. Ally communication will be enhanced with the publication of four issues of Commerce Quarterly. The team will manage VEDP's targeted industry sector trade show presence, marketing events, and the Governor's foreign and domestic marketing missions.

Information Technology (IT) team operates the Partnership's information systems, including the geographic information system (GIS) and the presentation facilities. This year the IT staff will continue to push the cloud based strategy by storing file and document information, email, and software development platform onto cloud providers. As value propositions become more attractive and service offerings more proven, other IT system will be migrated or integrated into cloud based technology. Salesforce.com will continue to be extended to meet the growing marketing and sales needs and executive reporting. The VJIP program will be modeled in the Salesforce.com environment. A mobile versions of YesVirginia.org will be enhanced and several other marketing and economic applications will be overhauled. The team will further integrate the agency's computing environment with the fully capable fail-over site located at the Virginia Lottery. However, with the Virginia Lottery changing the location of their datacenter we will migrate our center in tandem with theirs.

Customers

Customer Summary

The Virginia Economic Development Partnership (VEDP) provides service to a wide variety of constituents; the primary customers being Virginia Citizens, Virginia localities, and Virginia companies. VEDP's service to constituents is consistent with VEDP's mission to enhance citizen standards of living, while collaborating with local governments and economic development professionals, by recruiting domestic and international businesses to locate and expand in Virginia to make investments and create jobs. VEDP believes Virginia is well served by this mission through the service to its customers. VEDP will report on the number of Virginia Citizens Served by reporting on the VEDP job creation performance measure and comparing that to Virginia Citizens Potential Customers by reporting on the Civilian Labor Force in Virginia as determined by the United States Bureau of Labor Statistics. VEDP will report on the Virginia Localities Served by reporting on the locality visits in the fiscal year made to companies and communities as recorded in VEDP's Salesforce contact management system compared to the number of localities (cities and counties) in Virginia. VEDP will report on the number of Virginia companies contacted by VEDP personnel within a fiscal year as recorded in VEDP's Salesforce contact management system compared to the total number of Virginia companies in the Salesforce data base of companies.

Customer Table

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Employer/ Business Owner	Domestic and International Businesses	5,032	19,733	Stable
Local or Regional Government Authorities	Virginia Localities	119	134	Stable
Unemployed	Virginia Citizens Employed	19,000	4,340,145	Stable

Finance

Financial Summary

The Virginia Economic Development Partnership (VEDP) is funded with substantially all general fund dollars through an appropriation from the Commonwealth of Virginia. Only a small portion of its budget comes through charging fees to companies for participation in various missions and shows and from federal funds for some Trade programs. VEDP receives its General Fund appropriation in 12 equal installments throughout the year.

In FY2011, VEDP was appropriated new marketing funds to ensure Virginia can compete in the domestic and international markets for companies considering investment and job creation. These new funds were deployed in Advertising, Governor's Missions, new representation in China, India, and the United Kingdom, Trade, and in our direct domestic and international business attraction efforts. Since FY11, VEDP's budget has been subject to yearly budget reductions.

In the past, Virginia typically typically has ranked within the highest five states for a variety of national economic development rankings. More recently, studies comparing Virginia with other states' economic development programs has Virginia lagging behind in rankings and resources to commit to economic development.

Fund Sources

Fund Code	Fund Name	FY 2015	FY 2016
0100	General Fund	\$21,504,351	\$18,716,050

Revenue Summary

The Virginia Economic Development Partnership only receives General Fund revenue from the Commonwealth of Virginia.

Performance

Performance Highlights

The Virginia Economic Development Partnership's (VEDP) performance can best be evaluated based on the results of its Performance Measures. VEDP maintains two performance measure models, "All" State Investment and Job Announcements and "VEDP Assisted" Investment and Job Announcements Performance Measures. The "VEDP Assisted" measure was created to better reflect VEDP's direct impact on investment and job creation. Both measures are reported to the VEDP Board of Directors.

For this Strategic Plan and the VEDP Annual Report, VEDP reports its historical performance measures of "All" State Investment and Jobs Announcements. This measure includes data from all Virginia localities. It should be noted that the VEDP Board of Directors (VEDP Board) sets performance measure targets each June for the coming fiscal year. VEDP has the following three Key Performance Measures:

Selected Measures

Measure ID	Measure	Alternative Name	Estimated Trend
31053412.001.001	Billions of dollars invested by new and existing companies.	Billions of dollars invested	Improving
31053412.002.002	Dollar Unit Cost of Direct Jobs Announced	Cost of jobs announced	Improving
31053412.003.001	Number of companies counseled or engaged in a Trade event.	Companies assisted with Trade	Improving
31053412.002.001	Number of jobs created by new and existing companies.	Jobs created	Improving
310.0001	10-Year State Revenue Generated by Jobs Created and Billions of Dollars Invested by New and Existing Companies	10-Year State Revenue Generated	Improving

Key Risk Factors

The uncertain economy and the tenuous fiscal outlook for the U.S Government are causes for concern. A high percentage of Virginia's economic base is tied directly or indirectly to the operations and expenditures of the Federal Government, both in the defense and civilian sectors. Northern Virginia especially, with its significant government contracting community, and Hampton Roads in the defense sector, have been an economic engine and revenue producer for Virginia. To the extent that future major program cuts at the federal level impact the Commonwealth, revenues needed for economic development programming will be harder to sustain when competing against other essential public services. Moreover, Virginia's economic base could be negatively impacted and the effects of this could impair the positive economic performance rankings of many of the business climate ranking studies.

Agency Statistics

Statistics Summary

The Virginia Economic Development Partnership (VEDP) Return on Investment (ROI) is a broad measure of VEDP's impact on state personal income and sales tax revenues. Primary inputs include announced jobs from VEDP assisted projects, the anticipated cost of state incentive payments, and the portion of VEDP's operating budget which supports its business development activities. Revenue estimates are developed using regional, industry-level wages, and effective income and sales tax rates derived using data from the Virginia Department of Taxation and the Bureau of Labor Statistics' Consumer Expenditure Survey.

Using this data, the revenue created is divided by the costs incurred to produce a 5-Year and 10-Year dollar result. FY2014 had 183 successful decisions for Virginia creating VEDP Assisted Jobs of just over 15,000 and Capital Investment of over \$5 billion. The results for FY2014 suggest that for every dollar invested in economic development activities, Virginia receives a \$9 benefit over 5 years and an \$18 benefit over 10 years.

In addition: the result of the 183 projects in FY2014 is an increase in net Revenue to the Commonwealth of \$280 million after 5 years and \$620 million after 10 years.

VEDP and Virginia also receive national recognition in their economic development efforts as described in the following awards. **It should be noted that Virginia is losing ground in numerous rankings due to a lack of a voice in the market place:**

Forbes.com: "Best States for Business"

Virginia has been a leading state in the Forbes.com Best State for Business review. The review examines multiple objective measurements, including business cost, regulatory climate, quality of the workforce, and economic growth. Virginia took the top spot in 2006, 2007, 2008, and 2009, 2011, and 2013; and ranked second overall in 2010 and 2012. Forbes.com is the official Internet site of the Forbes family of business publications.

CNBC: "America's Top States for Business"

Virginia dropped from #1 to tied for #8 in CNBC's America's Top States for Business 2014. The review, in its eighth year, ranks states according to 10 broad categories, including the cost of doing business, the strength of the economy, the cost of living and business friendliness. Before FY2014 Virginia had maintained a top five state rating, claiming the number one spot in 2007, 2009 and 2011.

Pollina Corporate Real Estate: "Top Pro-Business State"

Virginia has again dropped in ranking among the Top Pro-Business States by Pollina Corporate Real Estate as #4 in the nation in 2014. The Commonwealth has ranked in the top 5 since the study was released in 2004 and appeared at the top of the rankings in 2004, 2007, 2009, 2010 and 2011. "In the ten years of this study, no other state comes close to Virginia when it comes to being a consistent pro-business state. Virginia's key to success is that they have found a balance between low taxes, a good labor force, and a strong economic development program providing it with one of the most well rounded business climates in the nation," said Brent Pollina, Vice President of Pollina Corporate Real Estate, Inc.

The Pollina Corporate Top 10 Pro-Business States study examines 32 factors relative to states' efforts to be pro-business, and is one of the most comprehensive examinations of states to date. The study is limited to factors over which state government has control. The list reflects state leadership that truly understands the importance of producing the best job opportunities available for their constituents. The states at the top of the list understand that they must be very proactive in the international battle to keep and attract jobs.

Governing Magazine: Top Performing State

Virginia is one of the top-performing state governments in America. In *Governing Magazine's* Government Performance Project, Grading the States 2008 survey, Virginia earned an overall grade of A- for management of state government. This is testament to Virginia's long-term planning and management of money, people, infrastructure, and information. Only two other states received an A- grade.

Presidential "E Star" Award

Virginia is a recipient of the President's "E Star" Award in 2008, the nation's highest award for the promotion of export business. The International Trade Division provides proven, innovative programs to assist Virginia companies sell their products and services into markets worldwide.

Statistics Table

Description	Value
5-Year VEDP Return on Investment	9
5-Year Revenue to the Commonwealth	280,000,000
10-Year VEDP Return on Investment	18
10-Year Revenue to the Commonwealth	620,000,000

Management Discussion

General Information About Ongoing Status of Agency

Virginia is in uncharted waters as it confronts a new kind of economic challenges associated with falling tax revenues due to federal funding cutbacks in defense spending. The impacts of sequestration have yet to be fully realized on the State's budget. Revenue forecasts continue to decline and the State is preparing for potentially deeper reductions in spending.

It is now more critical than ever that Virginia reinvest in its competitiveness by enhancing the marketing and economic development programs offered by VEDP. Virginia needs its voice back.

VEDP takes advantage of Virginia's assets and has constructed a strategy to deploy its assets to market Virginia as the best place to locate or expand a business to create jobs and promote investment; and to promote Virginia goods and services. Specifically it does this through its four market facing divisions.

Business Expansion uses a three-prong strategy to increase leads and ensure Virginia companies expand within the state. These strategies include: 1) identifying and building strong relationships with Virginia's key employers through the proactive Gold Account program; 2) working closely with Virginia's regional and local allies, positioning them to be ready when companies need to expand; and 3) understanding, marketing and leveraging the assets of Virginia's public colleges and universities. The two main objectives of this strategy are to ensure a unified Virginia message is strategically, collaboratively and consistently delivered to the appropriate corporate decision-makers, so that these executives always consider Virginia as a place for growth and expansion; and to ensure professional and collaborative management of projects coming from companies with a presence in Virginia.

Business Attraction positions Virginia in both domestic and international markets, focusing on companies and site selection consultants in major geographic markets that represent opportunities for investment and job creation for new business facilities in Virginia. Key geographic markets include major metropolitan areas in the Mid-Atlantic, Northeast, South, Midwest and Far West regions of the United States. The international focus includes proactive marketing efforts in Canada, Japan, China, India, United Kingdom and Germany.

International Trade deploys its assets in a variety of programs designed to promote Virginia products and services with the strategic goal of having Virginia companies expand their markets and create jobs and increase investment. The programs listed below are used to achieve this goal:

Virginia Leaders in Export Trade (VALET) Program: The VALET program works with 50 Virginia companies through a two-year intensive international sales program. State resources are leveraged with private-sector contributions to accelerate Virginia companies' international sales.

Trade Missions: Approximately a dozen trade missions are conducted annually to promote Virginia products and services in global markets. Typically, over 70 companies participate in these business trips. The International Trade Division provides comprehensive matchmaking and logistical assistance with trade missions around the world. In addition, companies may travel independently to take advantage of these customized business trips.

Global Network: This program provides in-country market research in 45+ countries around the world at little or no cost to Virginia companies. Often, this research precedes participation in a Trade Mission or the VALET Program.

Consulting on Export Marketing: Experienced International Trade Managers, located in five offices throughout Virginia, help Virginia companies obtain international sales. Consultation spans selection of best channels for distribution to completing export documentation.

Virginia Conference on World Trade (VACWT): Virginia's annual conference on international trade, the VACWT puts VEDP's message in front of 250 attendees, via a variety of topical issues.

Defense Initiative: In FY14, the Trade Division will begin a new initiative to assist Virginia defense-related companies "go international." Faced with DOD budget reductions, the pursuit of international markets is a proven diversification strategy for defense firms.

Communications and Promotions (C&P) executes an advertising program to reach corporate decision-makers both domestic and international. C&P's primary activities include public relations, direct marketing, electronic marketing, social media, trade show marketing and event promotions. C&P will replace its traditional marketing mission program with a lead generation initiative through its call center operations to support VEDP's geographic-based marketing outreach. The new lead generation program will support the Business Attraction team through an ongoing call campaign targeting corporate prospects identified through in-house and purchased data.

C&P will also work with other VEDP divisions to maintain, update and promote VEDP's electronic marketing presence at YesVirginia.org and the YesVA Mobile Application, produce requisite marketing brochures and collateral materials, as well as develop and execute strategic marketing initiatives to support VEDP's geographic markets. The division will manage VEDP's trade show presence, marketing events, and the Governor's foreign and domestic marketing missions.

In FY2014 C&P continued its Digital Lead Generation efforts with the following results: 80 million impressions delivered to business location and expansion decision makers; "click through" rates that exceed industry standards; more than 160 "conversions" where decision makers requested more information about doing business in Virginia; three of those conversions resulted in info-gathering opportunity entries into Salesforce, VEDP's contact management system, with a potential of 410 jobs and \$152 million in investment. Geographic specific results include a 1,324% increase in China website activity, a 566% increase in German website activity, and a 600% increase in UK website activity.

Information Technology

The use of technology has always been a priority for the Virginia Economic Development Partnership (VEDP). This is evidenced by its use of technology in every aspect of the economic development process. Specifically, VEDP uses automated and web-based research tools, data

development for geo-referenced presentation, web-based tools for companies needing location information, and VEDP assists Virginia community-based customers that need assistance in having their site and infrastructure information available to the public.

VEDP commits approximately \$2 million each year to maintaining its network and essential software maintenance and development; and purchasing hardware. This includes a robust Geographic Information System used for project proposals, which is provided to localities to assist them in their economic development efforts.

It should be noted that VEDP has entered into a Service Level Agreement (SLA) with the Virginia Information Technology Agency (VITA) that recognizes VEDP's standing as an authority organized within the Commonwealth of Virginia. The enabling legislation creating VEDP precludes it from using the Commonwealth's Treasury and Comptroller mechanisms and exempts it from the Virginia Public Procurement Act and the Virginia Personnel Act. As a result, VITA and VEDP have agreed to an SLA that commits the parties to cooperation and information sharing and recognizes that an Information Technology Strategic Plan (ITSP) is not required.

Workforce Development

The Virginia Economic Development Partnership (VEDP) has a high performing sales, marketing and services workforce. They include marketing and project management personnel in Business Expansion, Business Attraction, and International Trade. In addition, VEDP has specialized support functions, Research and Communications & Promotions, that provide industry and market data, advertising, communications, and proposal development to ensure the marketing and project management staff have the tools to attract new and expanding companies to invest in Virginia and create jobs. VEDP also has the typical administrative functions, such as budget, accounting, human resources, legal, and information systems that any private sector organization might have. Added to that is a legislative function that works with the State administration and Virginia legislature to forward legislation that supports VEDP in accomplishing its mission for Virginia.

This diverse and professional workforce constantly needs training and skills enhancement. This has been a challenge for the last several years as budgets have been constrained by national and State economic downward pressures. As the workforce ages, more emphasis will be put on capturing "institutional knowledge" and cross-training. A training needs assessment will be conducted this fiscal year to determine where our strengths and weaknesses are and appropriate training will be provided as necessary.

Marketing and sales functions are typically paid higher salaries than support functions, making recruitment within a publicly funded organization an additional challenge. We use the tools available to us such as providing additional leave, alternate work schedules or telework when negotiating with new hires.

In FY2014 and FY2015 VEDP engaged a Human Resources consultant to perform a Job and Compensation Study. The result was the creation of a new Career Framework and Salary Structure. This information provides VEDP employees with a better defined career path using new career bands and levels and matches that information to compensation.

Physical Plant

The Virginia Economic Development Partnership (VEDP) leases commercial office space in Richmond (main office) to provide services to the private sector consistent with its mission to build the tax base and create higher income employment opportunities to Virginia citizens. VEDP maintains offices and representation throughout Virginia in its various programs to ensure that services are provided more directly to localities. Those offices/representation are located in Fairfax, Abingdon, Norfolk, Fishersville, and Salem, Virginia. VEDP also has offices/representation in Japan, the United Kingdom, Europe, China, and India to support VEDP's Business Attraction and Trade programs.
