

ECONOMIC DEVELOPMENT OPPORTUNITIES AND RESULTS

REPORT TO THE SENATE FINANCE COMMITTEE

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PRESENTATION TOPICS

1. Incentives Update
2. Strategic Marketing Initiatives
3. International Marketing Results
4. Federal Defense Cutback Preparation



INVESTMENT AND EMPLOYMENT FY 2012 (7/1/11 – 6/30/12)

	ALL			VEDP ASSISTED		
	<u>Goal</u>	<u>To Date</u>	<u>%</u>	<u>Goal</u>	<u>To Date</u>	<u>%</u>
Investment (billions)	\$2.70	\$4.44	164%	\$2.10	\$3.11	148%
Jobs	18,600	19,918	107%	14,000	13,998	99%
New Active Projects	N/A	N/A	N/A	230	282	123%
VA Decision Rate (146 of 254)	N/A	N/A	N/A	57%	57%	100%

Virginia Decision Rate is based on the Decisions for Virginia as a percentage of Total Company decisions and cancellations.



INVESTMENT AND EMPLOYMENT FY 2013 (7/1/12 – 8/31/12)

	ALL			VEDP ASSISTED		
	<u>Goal</u>	<u>To Date</u>	<u>%</u>	<u>Goal</u>	<u>To Date</u>	<u>%</u>
Investment (billions)	\$3.50	\$0.219	8.1%	\$2.50	\$0.193	8%
Jobs	18,800	2,546	13.7%	14,000	2,072	15%
New Active Projects	N/A	N/A	N/A	230	51	22%

- Discretionary incentives use underpinned by Return-on-Investment Analysis
- ROI model captures all state grants in addition to VEDP-administered programs
- **Measures Benefits vs. Costs (State only; not Local)**
 - Key inputs are number of employees, capital investment, wages, hiring schedule
 - Estimates project benefits (personal income tax, sales tax) for direct employees, construction related employment, and indirect employment
- **Payback** – Strive for 2-3 years

State Benefit-to-Cost Ratio: \$9.6 to \$1

Based on:

- 10-yrs actual project data
- 266 projects receiving GOF or approved for VIP, MEE or VEDIG in FY02-FY11

Results to Date (since FY2002):

- Gross Revenue – \$2,549,900,000
- Net Revenue – \$2,232,200,000

Projected 10-Year Returns on Existing Companies:

- Gross Revenue - \$4,225,500,000
- Net Revenue - \$3,784,000,000





GOVERNOR'S OPPORTUNITY FUND SUMMARY

Overall Balance as of 9/18/12	Including Clawbacks	\$33,371,263
Preapprovals	26 Projects Outstanding	\$14,235,000
Balance Available		\$19,136,263
Investment Rate Average		\$1 M/month

STRATEGIC MARKETING INITIATIVES

STRENGTHENING PARTNERSHIPS

- The Days of Relying on a Single State Entity to Compete in the Global Marketplace are Long Gone
- Actively Strengthening Partnerships with Virginia Agencies & Allies to Build a Coordinated Strategy to Enhance Marketing Efforts
 - Ports
 - Higher Educational Institutions
 - Other State Agencies
 - Chambers
 - Tech Councils
 - Other Business Groups

STRENGTHENING PARTNERSHIPS

- **MOU with Virginia's Institutions of Higher Education**
 - Underleveraged business networks at the universities can be accelerators for lead generation.
 - Visible and strategic alignment in areas of mutual objectives will lead to increased successful outcomes for all parties.
 - Active collaborations underway
 - *Geographic marketing strategies leveraging alumni networks*
 - *VEDP social media blogs on higher education partners*
 - *University partners participating in VEDP outreach marketing in selected venues*
- **MOU with the Virginia Port Authority**
 - Partnering together will more strongly position Virginia in the global market place.
 - Enhanced collaboration can accelerate the project pipeline and best market Virginia to businesses using port facilities that create jobs and invest capital in Virginia.
 - Active collaborations underway
 - *Memorandum of Understanding Completed and Signed, Joint Board Meeting and Press Release in June 2012*
 - *Joint marketing efforts, Board guidance, and staff coordination on projects*

INTERNATIONAL MARKETING RESULTS

- VEDP has organized 13 Governor-led international and domestic marketing mission trips since July 2010, resulting in:
 - 16 Decisions for Virginia
 - 1,182 Jobs
 - \$269,460,000 in Capital Investment
- In addition and as a result, there are 38 active projects from these missions that hold potential for the creation of 5,400 jobs and more than \$2.7 billion in capital investment

INTERNATIONAL MARKETING FUNDS

- Virginia's presence in international markets is essential for closing deals in an increasingly competitive global market.
- Under the leadership of Governor McDonnell and your approval, VEDP opened three new international offices in India, China and the UK over the past two years
- We are now using these offices to:
 - Encourage supply chain companies and customers to locate near their business partners and invest in Virginia
 - Enhance our profile in those international markets currently producing the most opportunities for Virginia



INTERNATIONAL MARKETING FUNDS IN NEW OFFICES

	Opening Date	Current Active Projects	Capital Investment	Jobs
United Kingdom	March 2011	10	\$358 M	1,924
China	May 2011	4	\$130 M	530
India	November 2011	8	\$83 M	930

*Does not include projects for which Virginia has already competed and was not selected.



NEW INTERNATIONAL MARKETING FUNDS

Additional FY13 allocation of \$500,000 will be deployed among our international offices to support enhanced marketing efforts in our new and existing offices, including the following specific activities:

– **CHINA - \$130,000**

- Conducting investment seminars in Ningbo and Shanghai along with our partners
- Sponsoring major advertorial insert in Chinese magazine "Lens"
- Hosting Chinese delegation at the Automotive Aftermarket Products Expo
- Hosting and establishing formal relationship with Ningbo and the Virginia Port Authority
- Establishing a Chinese language website

– **INDIA - \$80,000**

- Sponsoring PAN IT exhibit
- Conducting three investment seminars
- Hosting Indian prospects emanating from Governor's 2011 mission to India

NEW INTERNATIONAL MARKETING FUNDS

- **UK - \$90,000**
 - Supporting expenses at Farnborough Air Show
 - Hosting of prospects at key marketing events
- **EUROPE - \$120,000**
 - Engagement of lead generation firm for Germany to assist lean staff in that market with prospects and outreach
- **JAPAN - \$80,000**
 - Participation in INCHEM Tokyo
 - Food Expo and Automotive Industry Expo
 - Establishment of a Japanese language website

FEDERAL DEFENSE CUTBACKS



FEDERAL & PRIVATE SECTOR GOVERNMENT CONTRACTOR STRATEGY

- Created a capture team focused on increasing pipeline from federally-related opportunities
- Uncovering high value / strategic projects
- Focusing economic development attraction efforts within the Federal government and its contracting community
- Current Results:
 - 1,256 total leads
 - 3,210 calls
 - 33 appointments
 - 5 projects
 - 9 suspects
 - 12 company contacts

COMMON MESSAGING

- **Business-first values**
 - Virginia's leaders are committed to business's needs, free enterprise, and maintaining a profit-friendly environment
 - An experienced and professional economic development team—focused on concierge service and solutions for business
 - Right-to-work state—third lowest unionization rate in the country
- **Easy access to domestic and global markets**
 - Washington Dulles International Airport
 - The Port of Virginia
 - Two of the nation's largest railroads operate in Virginia

- **Stable and low operating costs**
 - 6% corporate income tax rate has not been increased since 1972
 - One of the lowest average workers' compensation costs and unemployment tax burden's in the U.S.
- **Talented and educated work force**
 - TechAmerica, the leading high-tech trade association, ranks Virginia as the national leader for its concentration of high-tech workers
 - Nearly 20,000 doctoral scientists and engineers are employed in Virginia—one of the highest concentrations in the nation
 - More than 500,000 students are enrolled in over 100 in-state institutions of higher education