



VEDP Board of Directors Meeting

9 a.m. to 1 p.m.

June 23, 2022

VEDP Richmond Office

901 E Cary Street, 7th Floor

RICHMOND, VA, 23219



Meeting Book - VEDP Board of Directors Meeting

Table of Contents

FULL BOARD MEETING MATERIALS - June 23, 2022

VEDP Notable News - March thru June 2022
Agenda - VEDP Board of Directors Meeting June 23, 2022
DRAFT Board Meeting Minutes - March 2022
President's Report - June 2022
Virginia Economic Performance Update
VEDP Partnership Overview June 2022

CLOSED SESSION MATERIALS (Full Board Meeting)

FY23 Operational Plan Summary
FY23 Operational Plan
FY23 Marketing Plan
Team Virginia Update
Quarterly Marketing/Lead Generation Effectiveness Report
Site Development Update
Virginia Office of Education Economics Update

EXECUTIVE COMMITTEE MEETING MATERIALS - June 22, 2022

Agenda - Executive Committee Meeting June 22, 2022
DRAFT Executive Committee Meeting Minutes - March 2022
President's Report - June 2022
VEDP IA Risk Assessment Report

CLOSED SESSION MATERIALS (Exec Committee)

FY23 Performance Metrics

FINANCE & AUDIT COMMITTEE MEETING MATERIALS - June 22, 2022

Agenda - Finance & Audit Committee Meeting June 22, 2022
DRAFT Finance & Audit Committee Meeting Minutes - March 2022
VEDP FY22 Financial Results (thru 03/31/2022)
Proposed VEDP FY23 Operating Budget
VEDP IA Risk Assessment Report
Fiscal Division Audit Report
VA Talent Accelerator Audit Report

Extension Request(s) & Clawback Updates

LEGISLATIVE & POLICY COMMITTEE MEETING MATERIALS - June 22, 2022

Agenda - Legislative & Policy Committee Meeting June 22, 2022

DRAFT Legislation & Policy Committee Meeting Minutes - March 2022

Special Session | Outcomes

RURAL VIRGINIA ACTION COMMITTEE MEETING MATERIALS - June 22, 2022

Agenda - Rural Virginia Action Committee Meeting June 22, 2022

DRAFT Rural Virginia Action Committee Meeting Minutes - March 2022

Defining Rural Virginia & Recent Economic Trends

NOTABLE NEWS

March 4, 2022 – June 15, 2022



States with
Populations of
8 to 12 million:
Virginia

Non-Manufacturing
Project of the Year:

CoStar Group
2,000 new jobs
\$460M capital investment
City of Richmond

Manufacturing
Project of the Year:

Blue Star Manufacturing
2,500 new jobs
\$715M capital investment
Wythe County

3,740

Jobs From VEDP-Assisted
Project Announcements

\$1.7B

Capital Investment From VEDP-
Assisted Project Announcements

108

New VEDP-Generated
Leads



Tazewell County
19 new jobs
\$650K capital investment
Southwest Virginia (e-region)



Fairfax County
61 new jobs
\$100K capital investment
Northern Virginia



Henrico County and City of Richmond
500+ new jobs
\$97M capital investment
Greater Richmond



Cities of Manassas,
Richmond, and Roanoke
75 new jobs
Northern Virginia, Greater Richmond,
and Roanoke Region



AgriBusiness

City of Chesapeake
\$59.1M capital investment
Hampton Roads



**HAMILTON
INSURANCE GROUP**

Henrico County
70+ new jobs
\$415K capital investment
Greater Richmond



City of Newport News
30 new jobs
\$25M capital investment
Hampton Roads



City of Norfolk
92 new jobs
\$5M capital investment
Hampton Roads



Fairfax County
70+ new jobs
\$2M capital investment
Northern Virginia



Frederick County
37 new jobs
\$27M capital investment
Northern Shenandoah Valley



Prince William County
70 new jobs
\$471K capital investment
Northern Virginia



City of Suffolk
\$25.1M capital investment
Hampton Roads



City of Newport News
34 new jobs
\$9M capital investment
Hampton Roads



Pittsylvania County
21 new jobs
\$3.5M capital investment
Southern Virginia



Smyth County
75 new jobs
\$31.1M capital investment
181-177 Crossroads



Newport News
\$30.6M capital investment
Hampton Roads



Fairfax County
37 new jobs
\$300K capital investment
Northern Virginia



Chesterfield County
1,760+ new jobs
\$1B capital investment
Greater Richmond

AGENDA

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
JUNE 23, 2022
9:00 A.M. TO 1:00 P.M.**

**901 East Cary Street
James Center One, Katherine Johnson Room
Richmond, VA 23219**

- 9:00 a.m. – 9:02 a.m. Welcome/Call to Order — Dan Pleasant, Chairman**
- 9:02 a.m. – 9:05 a.m. Public Comment Period**
- 9:05 a.m. – 9:07 a.m. Approval of Minutes for 3/17/2022 Meeting**
- 9:07 a.m. – 9:15 a.m. Chairman’s Report — Dan Pleasant**
- 9:15 a.m. – 9:25 a.m. President’s Report — Jason El Koubi**
- 9:25 a.m. – 9:40 a.m. Partner Presentation(s)**
- Whitney Czelusniak, Manager of Economic and Business Development, Appalachian Power
- 9:40 a.m. – 9:50 a.m. Youngkin Administration Update — Sec. Merrick and Sec. Cummings**
- 9:50 a.m. – 10:00 a.m. VEDP Staff Spotlights**
- Valenda Seaford, Salesforce Lead, Research
 - Richard Miller, VALET Program Manager, International Trade
- 10:00 a.m. – 10:30 a.m. Review of Virginia Economic Performance — Stephen Hartka**
- 10:30 a.m. – 10:40 a.m. Report: Finance and Audit Committee — Greg Fairchild**
- Vote on Consent Agenda:
 - FY23 VEDP Budget
 - Clawback Update (incl. OAG referrals)
 - Extension Request(s)
 - Internal Audit Risk Assessment and Audit Plan
 - Fiscal division internal audit report
 - Virginia Talent Accelerator Program internal audit report
 - DHG internal audit contract renewal
- 10:40 a.m. – 10:50 a.m. Report: Legislation and Policy Committee — Marianne Radcliff**

- 10:50 a.m. – 11:00 a.m. Report: Rural Virginia Action Committee — Rick Harrell**
- 11:00 a.m. – 12:35 p.m. CLOSED SESSION: FY23 Operational Plan; FY23 Marketing Plan; Team Virginia; Business Outreach; Site Development; Quarterly Marketing/Lead Generation Effectiveness Report; VOEE Update; Personnel**
- 12:35 p.m. – 12:40 p.m. Vote(s) Regarding Closed Session Items**
- 12:40 p.m. – 12:45 p.m. Anticipated Topics for 9/15/22 Board Meeting**
- 12:45 p.m. – 1:00 p.m. Open Discussion (Board roundtable)**
- 1:00 p.m. ADJOURNMENT**

Remaining Board Meeting Schedule for 2022:

September 14-15 (tentatively in Roanoke)

December 7-8

Please note: For each date range above, the first day will entail committee meetings in the afternoon, starting no earlier than noon. The full Board meeting will be held on the second day from 9:00am to 1pm.

Minutes
Board of Directors of the Virginia Economic Development Partnership Authority
March 17, 2022
9:00 a.m.

901 East Cary Street
One James Center, Katherine Johnson Room
Richmond, VA 23219

Welcome and Call to Order

The meeting was called to order at 9:05 a.m. by Chair, Dan Pleasant, who noted that a quorum was present.

In person Board Members: Nancy Howell Agee, Carrie Chenery, Secretary Stephen Cummings, Stephen Edwards, Greg Fairchild, Deborah Flippo, Rick Harrell, April Kees, Ned Masee, Vince Mastracco, Secretary Caren Merrick, Anne Oman, Dan Pleasant, and Xavier Richardson

Virtual Board Members: Steven Stone

Board Members absent: Dan Clemente and Marianne Radcliff

VEDP Staff Members): Stephanie Agee, Vince Barnett, Nicole David, David Devan, Michael Dreiling, Jason El Koubi, Stephanie Florie, Jennifer Garrett, Stephen Hartka, Sandi McNinch, Lori Melancon, Christy Morton, Melissa Pritchard, Jordan Snelling, and Madeleine Waddoups

Guests: Don Ferguson, Chris Kalafatis, Mike Ligon, Randy Sherrod, Jennifer Wakefield, and Governor Glenn Youngkin

Before the meeting, Steven Stone notified Board Chair Dan Pleasant that he would be unable to attend the meeting in person due to a personal circumstance. Mr. Stone requested to participate in the meeting electronically, which would allow him to be seen and heard by all persons at the central meeting location. In accordance with Board policy, Chair Pleasant granted the request. Mr. Stone joined the meeting via Zoom from his home in Northern Virginia. This was the first meeting of the VEDP Board in calendar year 2022 in which Mr. Stone requested to participate through electronic means.

Welcome and Announcements

Chair Pleasant welcomed guests to the meeting and noted that a quorum of members was present.

Remarks from Governor Glenn Youngkin

Chair Pleasant introduced Governor Glenn Youngkin and thanked him for taking the time to visit VEDP.

Governor Youngkin thanked the Board members for serving.

Governor Youngkin spoke about teamwork and competitiveness and how he wants Virginia to win in all areas. He stated that this is the moment to stretch as the Commonwealth is coming out of the pandemic. He said that states who move first are going to lead in the economic recovery and this is Virginia's chance.

Governor Youngkin spoke about Mr. El Koubi and VEDP and how it has been personally rewarding for him to engage with the team. He added that VEDP's focus is exactly what businesses want in their future locations for big investment.

Governor Youngkin spoke about his desire to ensure that regulations are thoughtful and to carve back duplicative job killing regulations, which is square in the business-friendly environment.

Governor Youngkin expressed concerns regarding out migration, stating that Virginia is having trouble keeping the workforce of the future. He spoke about the great work happening in education from K-12 to universities and community colleges and special programs, such as the Virginia Talent Accelerator Program, that are focusing on reskilling and upskilling. He shared that he feels this focus on matching education with outcomes and allowing people to chase their passions but link together where the jobs are is important. He said that there is no better economic development tool in the world than an educated population/workforce. He said that Virginia has to give employers confidence that if they decide to put thousands of jobs in Virginia, they will be able to fill those positions.

Governor Youngkin spoke about his goal of securing 400,000 jobs and fostering 10,000 startups during his term. He said to do this Virginia will need a big pipeline, higher yield, and a wider funnel.

Governor Youngkin spoke about the need for developed sites to compete for projects, noting that he is pushing hard for \$150 million for mega site development capital.

Governor Youngkin spoke about the importance of the Team Virginia initiative, stating that he will be the most enthusiastic chief marketing ambassador for the Commonwealth.

Governor Youngkin said that Virginia needs to get manufacturing moving again, adding that he is encouraged by the current pipeline of manufacturing projects. He also spoke about the technology sector and how he feels Virginia has a real edge in this area. He said that he views Wallops Island as being the center of an ecosystem for the space industry.

Governor Youngkin spoke about his ambitions for the future of Virginia and the difference the hard work everyone is doing now is going to make in the lives of Virginians.

Mr. Masee asked what Governor Youngkin sees as the top challenges in reaching the 400,000 jobs goal.

Governor Youngkin answered that increasing labor participation and evaluating where jobs are relative to where people are is critical. He said Virginia needs to continue to invest in digital and physical connectivity. He emphasized that companies are making big decisions now for the next 10-50 years and that Virginia has to be ready with workforce, infrastructure, and flexibility to win, including creative approaches on incentives.

Mr. Harrell asked about site selection and the competitive landscape for large projects, highlighting that many of Virginia's competitor states have spent money on site readiness when Virginia did not, and that many economic development projects have been lost as a result. Governor Youngkin agreed that Virginia is behind in site development, adding that it is a hard thing to catch up on. He emphasized that Virginia needs continued and substantial investment in this area.

Governor Youngkin concluded his remarks by stating that the Commonwealth has a golden opportunity to be the best state in America to do business, but it needs to move fast.

Public Comment Period

Chair Pleasant solicited public comments. There were none.

Approval of Minutes

Chair Pleasant asked for approval of the minutes from the October 21, 2021 meeting. A motion was made by Mr. Richardson and seconded by Mr. Fairchild and the minutes were unanimously approved as presented.

Chairman's Report

Chair Pleasant began his report by thanking the Board for their participation in the dinner honoring Stephen Moret and Ned Masee the evening prior. He also thanked Ms. David and others on the VEDP team for their work in coordinating a wonderful evening.

Chair Pleasant recognized two new Board members, Secretary Stephen Cummings and Secretary Caren Merrick, stating that their participation on the Board is crucial.

Chair Pleasant expressed his gratitude to the General Assembly, legislative staff, and others for the funding VEDP has received in the budget to continue doing its great work.

Chair Pleasant offered special thanks to VEDP's External Affairs team and others at VEDP who have been working around the clock during the General Assembly session. He also thanked Board members who have reached out to legislators to garner support for VEDP's priorities this year.

Chair Pleasant thanked members of VEDP's President and CEO Search Committee, including Co-Chair Ms. Chenery, for their participation in the process. He stated that the Committee will share an update with the Board during closed session.

Chair Pleasant shared that Ms. Chenery will step down from serving on the Advisory Committee on Business Development and Marketing and that he has appointed Ms. Flippo to serve on this important Committee.

Chair Pleasant ended his remarks by reviewing the meeting agenda.

Interim President and CEO's Report

Mr. El Koubi stated that he would keep his President's Report at a high level, since he went into great detail on the information during the Executive Committee meeting the day prior.

Mr. El Koubi spoke about the significant period of transition VEDP is undergoing with the leadership change in the role of President and CEO, the new Administration talking office and getting up to speed, and the General Assembly session. He also spoke about ongoing increased project activity.

Mr. El Koubi stated that big picture, VEDP is on track with all of its big goals. He said that he is very proud of the exceptional, hardworking team at VEDP and how they collaborate with partners every day. The Board gave the VEDP team a round of applause.

Mr. El Koubi reviewed VEDP's FY22 Business Investment and International Trade goals and progress that has been made toward them. He stated that both teams are on track to meet their goals for the fiscal year.

Mr. El Koubi shared information on Virginia's overall economic performance. He highlighted data that showed Virginia lagging in the recovery, in the terms of the jobs that were lost, and relatively sluggish coming out of this pandemic period. He shared his thoughts on the influencing factors.

The Board engaged in a discussion about many elements of the information that was presented.

Secretary Merrick suggested that VEDP review with the Board the full presentation VEDP prepared on the economic recovery. Mr. El Koubi agreed. In response to a suggestion from Mr. Fairchild, Mr. Koubi also committed to sharing the presentation with the Board well in advance to allow Board members time to digest the information and submit any questions they have, so VEDP may work on collecting additional data, if needed.

Mr. El Koubi likes the idea of carving out time on a future Board agenda to dig into these issues. He said that VEDP needs all eyes on this data, adding that he feels this is a great way to leverage the expertise and experience of the Board members in VEDP's work.

Mr. El Koubi provided an update on VEDP's FY22 Major Initiatives. He said that they are largely on track. He highlighted a couple that are running a little behind but should be completed by the end of the fiscal year.

Mr. El Koubi spoke about how this is a busy time at VEDP, in addition to a tremendous period of transition and opportunity. He thanked the Board, VEDP's partners across the Commonwealth, including the new Administration, General Assembly partners, the Port of Virginia, GO Virginia and others for their continued support.

Secretary Merrick said that VEDP has a remarkable team, best in class, and that she and the Administration are very proud of everyone.

Mr. El Koubi said that he has had the opportunity to work with four different Governors during his career and he has never seen a Governor more deeply engaged in economic development as Governor Youngkin. Mr. El Koubi expressed his gratitude for the Administration's support of economic development in the Commonwealth.

Update on Advisory Committee on International Trade

Chair Pleasant introduced Mike Ligon to share his report.

Mr. Ligon expressed his enthusiasm for Governor Youngkin's goals and his passion.

Mr. Ligon reviewed the purpose of the Advisory Committee on International Trade and provided an update on its recent work.

Mr. Ligon spoke about recent efforts to increase funding for the International Trade Plan. He explained that initial funding for the plan of \$1.1 million was provided in last year's budget, which is 15% of the requested amount. He said that VEDP's International Trade team has made great progress implementing three priority initiatives with this initial funding.

Mr. Ligon said that in order to generate additional support for funding the plan, members of the Committee took initiative in issuing op-eds across Virginia to ensure public knowledge of the plan and its anticipated benefits to the Commonwealth. He expressed his thanks to the authors of the op-eds.

Mr. Ligon thanked Mr. Massee for his support on the Committee.

Mr. Ligon mentioned the efforts of Ms. Morton and the External Affairs team during the General Assembly session.

Mr. Ligon explained that as things stand now, about half of the requested funding for implementing the International Trade Plan has been included in the budget. Mr. Ligon is hopeful that the required funding will come through. He said the Committee is committed to continuing to work with legislators to help them understand the significant potential gains from implementing the International Trade Plan.

Mr. Ligon spoke about the support the Committee has received from Senator Kaine and Senator Warner.

Mr. Ligon said the Committee's next meeting will take place on April 5 and will include a presentation with trade experts in Washington D.C. on available trade programs. He said the Committee will also examine the impacts resulting from the assault on Ukraine.

Mr. Ligon encouraged the new Board members to get to know the Committee and its workings.

Mr. Ligon spoke about the Port of Virginia and thanked David White and John Milliken for their support.

Mr. Ligon said the committee supports infrastructure in all of its forms. He spoke about Route 58 and how he thinks it is a great opportunity for sites in the area to move product East to West.

Mr. Ligon concluded his remarks by mentioning that he served 39 years in the corporate world and now he is here to serve the Commonwealth with great passion.

Chair Pleasant thanked Mr. Ligon for his report and the Committee's great work.

Update on Advisory Committee on Business Development and Marketing

Chair Pleasant introduced Carrie Chenery to share her report.

Ms. Chenery reviewed the purpose of the Advisory Committee on Business Development and Marketing and spoke about the makeup of its membership.

Ms. Chenery said that after a time of refining its focus and goals, the Committee is in a good position. She said they are spending more time considering how state, local, and regional marketing is aligning.

Ms. Chenery gave an update on topics discussed during the Committee's last meeting. She thanked the Committee Chair, Ms. Doughty, and VEDP staff for their efforts on managing the Committee. Ms. Chenery said that during their recent meeting, the Committee received updates on site readiness, site selection consultant outreach, hiring in VEDP's Business Investment division, and other topics.

Ms. Chenery spoke about plans for the Committee's next meeting in May. She said the members plan to discuss the barriers for growth in their own regions. She added that it is important for the the regions and localities to share what they are doing, so that VEDP is well-informed and vice versa, for closer alignment.

Chair Pleasant thanked Ms. Chenery for her remarks.

Presentations from Partners

Jennifer Wakefield, President and CEO, Greater Richmond Partnership (GRP)

Ms. Wakefield shared a presentation on the Greater Richmond region and her organization.

Ms. Wakefield spoke about the region's project pipeline, stating that it is the biggest pipeline they've ever seen. She said that projects are moving fast and emphasized that the region needs sites ASAP.

Ms. Wakefield explained that so far in FY22, her organization has already doubled its jobs and capital investment goals for the fiscal year. She also shared some recent positive rankings that the region has received.

Ms. Wakefield spoke about the CoStar project and how it is a great example of a hub and spoke approach, which is one of Greater Richmond's strengths. She touted that the Greater Richmond region is home to 12 Fortune 1,000 headquarters.

Ms. Wakefield said that one of her organization's biggest challenges is that corporate executives don't know much about Greater Richmond. She said this could be an asset, as in many cases GRP is working from a blank slate. She explained that some rankings are perception-driven, and a recent survey showed that only 10% of corporate executives have ever considered Richmond as a location for future growth.

Ms. Wakefield highlighted the Greater Richmond region's weaknesses and how her organization is working to overcome them. She highlighted K-12 education, "old South" culture, air access, and the region's lack of a strong brand/identity.

Ms. Wakefield emphasized that Virginia's marketing budget and GRP's marketing budget pale in comparison to peer states and regions.

Ms. Wakefield concluded her presentation by reviewing the current tools that VEDP and Virginia are bringing to the table that are beneficial to the Greater Richmond region and ideas for additional things the Commonwealth could do to help her region achieve its goals.

Board members discussed several points following Ms. Wakefield's presentation including site availability in the Greater Richmond region and strengths of GRP's top competitors.

Secretary Merrick expressed her desire to see the Richmond area flourish and asked to meet with Ms. Wakefield to learn how the Administration may support GRP's efforts.

Mr. Richardson commended Ms. Wakefield on her sensitivity to the comments she has received from minority executives on their concerns about locating in Richmond due to its "old South" culture. He added that he thinks it is important to consider how to make the region attractive to minority executives and non-minority executives, who desire a diverse community in which to live and work.

Mr. Fairchild asked how the workforce in Richmond is perceived in terms of its competitors. Ms. Wakefield said the region is perceived very well, though there is always room for improvement. She said key differentiators for the region include its high levels of educational attainment and the diversity of its workforce.

Mr. El Koubi put an exclamation point on CoStar, which he said is a transformative project for Richmond. He added that CoStar was a complex deal and thanked Ms. Kees, Ms. Oman, and their teams for their help on the project.

VEDP Staff Spotlights

Madeleine Waddoups, Global Research Manager, International Trade

Ms. Waddoups spoke about her position on the International Trade team and her journey at VEDP.

Ms. Waddoups explained that she works on 200-300 research projects each year coordinating efforts between consultants and individual businesses. She said her favorite part of her job is that she gets a glimpse into a lot of different places and economies around the globe, which she said has been particularly interesting during Covid.

Ms. Waddoups shared that she recently attended her first trade mission with the International Trade team to Dubai.

Ms. Waddoups concluded her presentation by providing a few clarifying points for the Board on her team's work.

Mr. El Koubi provided additional context for the Board, stating that the International Trade team is on track to assist 360 different Virginia businesses gain access to international markets this year. He said that this work will generate more than half a billion dollars in new international sales for Virginia companies and 6,000-7,000 trade-supported jobs.

Melissa Pritchard, Analyst, Economic Competitiveness

Ms. Pritchard shared information on her background, including her deep Virginia roots, and her desire to do meaningful work that supports her home state.

Ms. Pritchard reviewed projects that she worked on in a previous role before joining VEDP, which have prepared her for working in economic development.

Ms. Pritchard stated that she joined VEDP In September of 2021. She reviewed some of the projects she supports in her role on the Economic Competitiveness team, including economic growth strategy and the annual VEDP Operational Plan. She said that she appreciates the

opportunity to be a part of the VEDP team, adding that her work at VEDP is some of the most rewarding work she has ever done.

The Board offered a round of applause for Ms. Waddoups and Ms. Pritchard.

Finance and Audit Committee Report

Mr. Fairchild provided an update on the topics that were discussed during the Finance and Audit Committee (FAC) meeting on March 16, 2022.

Mr. Fairchild reviewed the following consent agenda items, which were brought to the Board for a vote.

- VEDP FY22 Quarterly Financial Results (thru 12/31/2021) and the FY21 annual audit
- Internal Audit Reports for the External Affairs and Legal divisions
- Extension Requests (total of 11)
 - **ADP – City of Norfolk** has requested a first extension of 15 months to make more progress on reaching its employment target.
 - **Aerofarms – Pittsylvania County** has requested a first extension of 15 months to meet the statutory minimum for job creation.
 - **Altec Industries – Botetourt County** has requested a first extension of 15 months to meet its COF and VIP grant investment target.
 - **Dupont – Chesterfield County** has requested a first extension of 12 months to meet its statutory minimum for job creation.
 - **Eldor – Botetourt County** has met the statutory minimum for job creation and capital investment and has received a portion of the COF grant. The company has requested a first extension of 15 months to meet the requirement to maintain the statutory minimum of 50 jobs through the performance date to receive the remainder of the COF grant.
 - **Empire Bakery – Franklin County** has requested a first extension of 15 months to meet the statutory minimum for job creation.
 - **KPMG – Fairfax County** has requested a first extension of 15 months to meet its job creation and capital investment targets for their COF grant.
 - **M.C. Dean – Caroline County** has requested a first extension of 15 months to reach the capital investment target for their COF and VIP grants.
 - **Oran Safety Glass – Greensville County** has requested a first extension of 15 months to meet the statutory minimum for job creation.

- **Press Glass – Henry County** has requested a first extension of 15 months for the company to fully reach its employment target.
- **Hardywood Park Craft Brewery – Goochland County** has requested a second extension to meet its COF and VIP employment and investment targets. This second extension requires MEI approval.

Mr. Fairchild stated that the Committee recommends approval of all of the extension requests.

Mr. Fairchild explained that there was a robust decision on the second extension request for Hardywood Park Craft Brewery, which ultimately received Committee approval. He said that the Committee recommends to the Board that the existing agreement with Hardywood Park Craft Brewery be amended to allow payment of the 5% fee for a second extension at the end of their performance period.

- Clawback Update which showed no new items have been referred to the Office of Attorney General and no overdue clawbacks
- Semi-annual Report on Incentive Performance

Mr. Fairchild made a motion to approve the consent agenda. Mr. Harrell seconded the motion, and the motion was unanimously approved.

Legislation and Policy Committee Report

Ms. Morton presented an update on the Legislation and Policy Committee meeting on March 16, 2022, on behalf of Chair Marianne Radcliff.

Ms. Morton said that the Committee had a full agenda for the meeting, including information on budget details and bills from the recent General Assembly session. She provided the Board with a high-level overview of the information that was presented.

Ms. Morton explained that the 2022 General Assembly Regular Session started on January 12 and lasted 60 days. She noted that there would be a special session to finalize the budget and any outstanding legislation.

Ms. Morton said that over 3,000 bills were introduced during the session and that VEDP tracked 185 bills and completed 11 legislative action summaries.

Ms. Morton shared that VEDP had eight agency bills this year and provided an overview of these bills.

Ms. Morton reviewed the status of VEDP operational and incentive budget proposals as approved by the House and Senate compared to the introduced budget.

Ms. Morton mentioned that VEDP, and particularly the Virginia Office of Education Economics (VOEE), was very popular during the recent General Assembly session. She said that VEDP appreciates the confidence from the General Assembly and looks forward to supporting new

projects and initiatives. Ms. Morton explained that varying levels of additional support will be needed to complete this this work.

Ms. Morton said that it has been a great General Assembly session overall. She thanked Ms. Kees, Ms. Oman, and their teams for their partnership.

Ms. Chenery stated that sometimes the reward for good work is more work. She added that the Board needs to continue to be strong advocates for VEDP to be appropriately resourced to support new and ongoing initiatives.

Ms. Morton concluded her remarks by recognizing Ms. Barker and Ms. Cranston on her team for their extraordinary efforts during this year's General Assembly session. She also expressed her gratitude for all those across VEDP who contributed to a successful session.

Chair Pleasant thanked Ms. Morton for her report.

Rural Virginia Action Committee Report

Rural Virginia Action Committee Chair Rick Harrell gave an update on the topics that were discussed during the Committee meeting on March 16, 2022.

Mr. Harrell explained that Mr. Hartka shared a presentation comparing 20 years of rural and urban growth. Mr. Harrell noted that one major takeaway was that manufacturing is more important in the rural areas.

Mr. Harrell stated that the current expectation is that the rural areas of Virginia will return to pre-pandemic employment levels in the first quarter of 2023, which is an improvement from the original forecasts.

Mr. Harrell reviewed the topics that were discussed in the Committee's closed session, which included opportunities for growth in rural Virginia. He said that a great discussion followed the presentation and will be continued at the Committee's next meeting in June.

Chair Pleasant thanked Mr. Harrell for his report.

Closed Meeting

Strategic planning initiatives, including FY23 Operational Plan development; FY23 Marketing Plan update; and GO Virginia Update; Personnel

A motion was made by Mr. Masee and seconded by Mr. Richardson to move into a closed meeting. The motion shown below was unanimously approved by the members.

I MOVE THAT THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY CONVENE A CLOSED MEETING PURSUANT TO VIRGINIA CODE §2.2-3711(A)(1) TO ENGAGE IN A DISCUSSION, CONSIDERATION OR INTERVIEWS OF PROSPECTIVE CANDIDATES FOR EMPLOYMENT, AND REGARDING

THE ASSIGNMENT, APPOINTMENT, PROMOTION, PERFORMANCE, DEMOTION, SALARIES, DISCIPLINING, OR RESIGNATION OF VEDP'S EMPLOYEES, INCLUDING COMPENSATION, FRINGE BENEFITS AND SUCCESSION PLANNING RELATED TO THE TRANSITION IN EXECUTIVE MANAGEMENT AT VEDP; AND PURSUANT TO VIRGINIA CODE §2.2-3711(A)(50) TO ENGAGE IN A DISCUSSION OR CONSIDERATION OF THOSE PORTIONS OF VEDP'S STRATEGIC PLAN, MARKETING PLAN OR OPERATIONAL PLAN, THAT MAY RELATE TO 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.

Mr. El Koubi asked that VEDP staff be allowed to stay for the closed meeting for all matters, with the exception of personnel matters, and Chair Pleasant agreed.

Back in Open Meeting, Certification of Closed Meeting – Followed by a Roll Call vote:

WHEREAS, THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY HAS CONVENED A CLOSED MEETING ON THIS DATE PURSUANT TO AN AFFIRMATIVE RECORDED VOTE AND IN ACCORDANCE WITH THE PROVISIONS OF THE VIRGINIA FREEDOM OF INFORMATION ACT; AND

WHEREAS, THE ACT REQUIRES A CERTIFICATION BY THIS BOARD THAT SUCH CLOSED MEETING WAS CONDUCTED IN CONFORMITY WITH THE ACT;

NOW, THEREFORE, BE IT RESOLVED, THAT THE BOARD CERTIFIES THAT, TO THE BEST OF EACH MEMBER'S KNOWLEDGE, (I) ONLY PUBLIC BUSINESS MATTERS LAWFULLY EXEMPTED FROM OPEN MEETING REQUIREMENTS UNDER THE ACT WERE DISCUSSED IN THE CLOSED MEETING TO WHICH THIS CERTIFICATION RESOLUTION APPLIES, AND (II) ONLY SUCH PUBLIC BUSINESS MATTERS AS WERE IDENTIFIED IN THE MOTION BY WHICH THE CLOSED MEETING WAS CONVENED WERE HEARD, DISCUSSED, OR CONSIDERED IN THE CLOSED MEETING BY THE BOARD.

Upon the vote:	Mr. Pleasant	Aye
	Ms. Agee	Aye
	Ms. Chenery	Aye
	Secretary Cummings	Aye
	Mr. Edwards	Aye
	Mr. Fairchild	Aye
	Ms. Flippo	Aye
	Mr. Harrell	Aye
	Ms. Kees	Aye
	Mr. Massee	Aye
	Mr. Mastracco	Aye
	Secretary Merrick	Aye
	Ms. Oman	Aye
	Mr. Richardson	Aye
	Mr. Stone	Aye

Vote Regarding Closed Session Item

A motion was made by Ms. Chenery that the Chair be authorized to negotiate the final employment package for the preferred candidate for the President and Chief Executive Officer of VEDP within the parameters discussed by the Board and to announce the selection of the preferred candidate once negotiations have been completed. The motion was seconded by Mr. Edwards and was unanimously approved.

Anticipated topics for the 06/23/22 Board meeting

Mr. El Koubi shared anticipated topics for the next Board meeting, noting VEDP will provide the data book on economic performance that was discussed earlier in the meeting in advance, so the Board can dig in on that information.

Value Prop Initiative

Mr. El Koubi offered that the VEDP team could present some additional information over lunch, if it pleased the Board. The Board agreed with this approach.

Mr. El Koubi spoke about completion of VEDP's Value Prop initiative on the target industry sectors that VEDP is cultivating. Ms. Melancon shared associated brochures, which are a key output of the initiative. Ms. Melancon said that this initiative involved approximately 50% of the VEDP staff. She explained that it is an ongoing project that will need to be updated over time, based on new information.

Secretary Merrick expressed her enthusiasm for these deliverables and suggested that the Board members commit to reviewing all of the information.

Ms. Chenery congratulated the team for completing this project.

Real Estate Solutions / Site Development

Chair Pleasant introduced Michael Dreiling, VP of Real Estate Solutions at VEDP, to share an update on the work of his division.

Mr. Dreiling provided an overview of the Real Estate Solutions (RES) division. He spoke about the members of the team and the core functions of the division.

Mr. Dreiling explained that during his first 60 days leading this new division, he and the team have spent the majority of their time on visiting sites around the Commonwealth and gaining insights from statewide partners on the site development process, to gain a better perspective of the project. They have visited 69 sites so far, including many of Virginia's mega sites.

Mr. Dreiling explained that the RES team has created a four-phase approach for how they will develop real estate in Virginia and he provided a high-level overview of the plan.

Mr. Dreiling concluded his presentation by providing a status update on the Virginia Business Ready Sites Program (VBRSP). He said his team wants to have multiple strategies in place to

respond to however the funds come through and whatever the parameters may be for using the funds. He shared feedback that VEDP has received on the previous two rounds of VBRSP funding.

Ms. Chenery shared that Mr. Dreiling provided a great update at a recent meeting of the Advisory Committee on Business Development and Marketing Committee. She said it was important for the group to receive this information, adding that it generated a lot of great discussion.

Ms. Flippo stated that she recently met with Mr. Dreiling. She said she thinks Mr. Dreiling is ideal for his position and that the team will benefit from his strategic thinking on site development.

Open Discussion (Board roundtable)

The Board members provided updates from their respective regions. The discussion focused on workforce training, site development, and housing challenges, among other topics.

Adjournment

There being no further business, Chairman Pleasant adjourned the meeting at 1:45 p.m.

Respectfully submitted,

Jason El Koubi
Secretary

PRESIDENT'S REPORT

June 2022

TOPICS FOR TODAY

FY22 performance metrics to date: BI and Trade

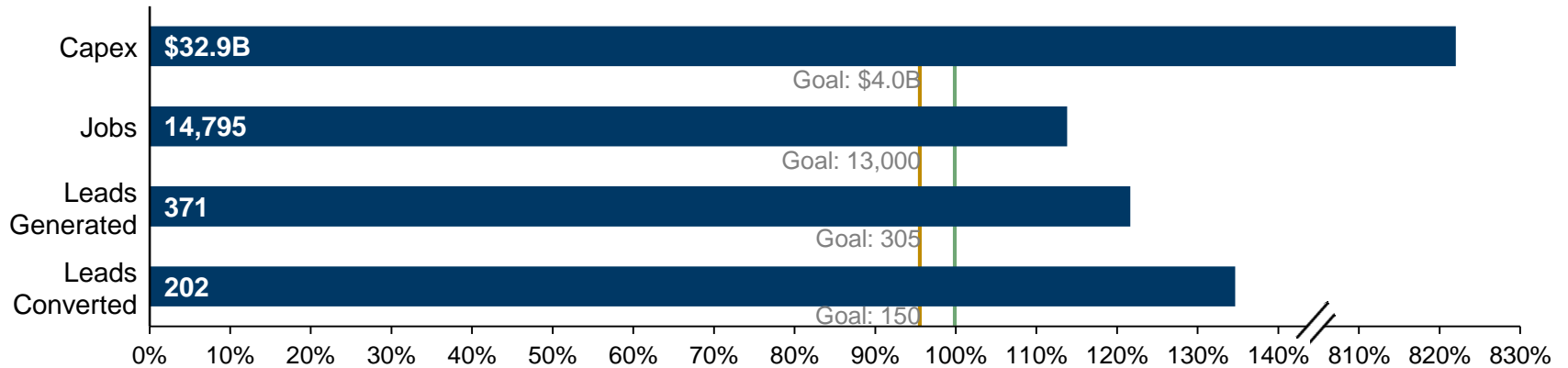
FY22 operational plan – progress dashboard

Notable developments since last meeting

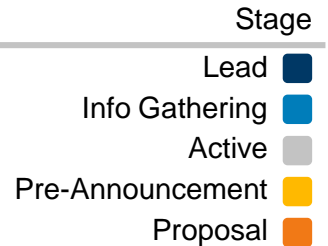
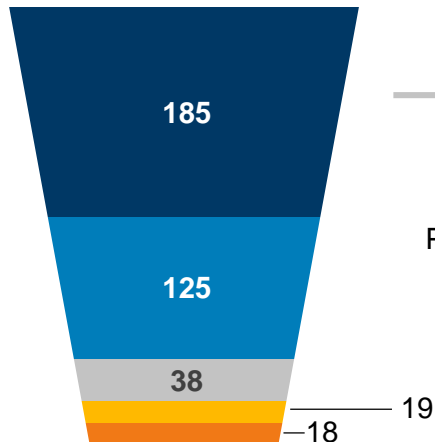
Top priorities for the next few months

PROGRESS AND PIPELINE FOR VEDP-ASSISTED PROJECT DECISIONS TO-DATE JULY 1, 2021 – JUNE 14, 2022 (95.9% THROUGH FY22)

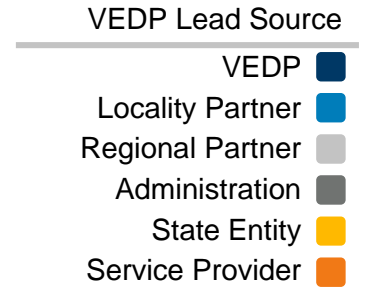
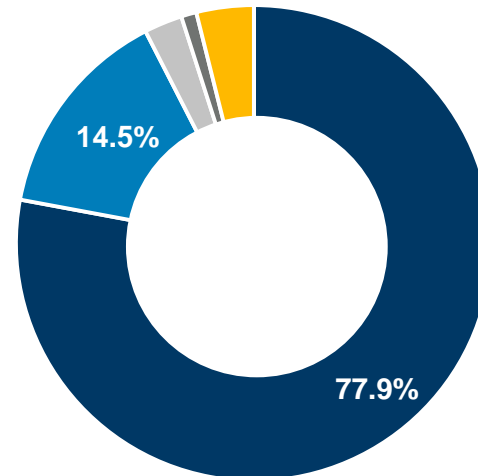
VEDP-Assisted Project Decisions
N = 100



VEDP Open Pipeline (385)

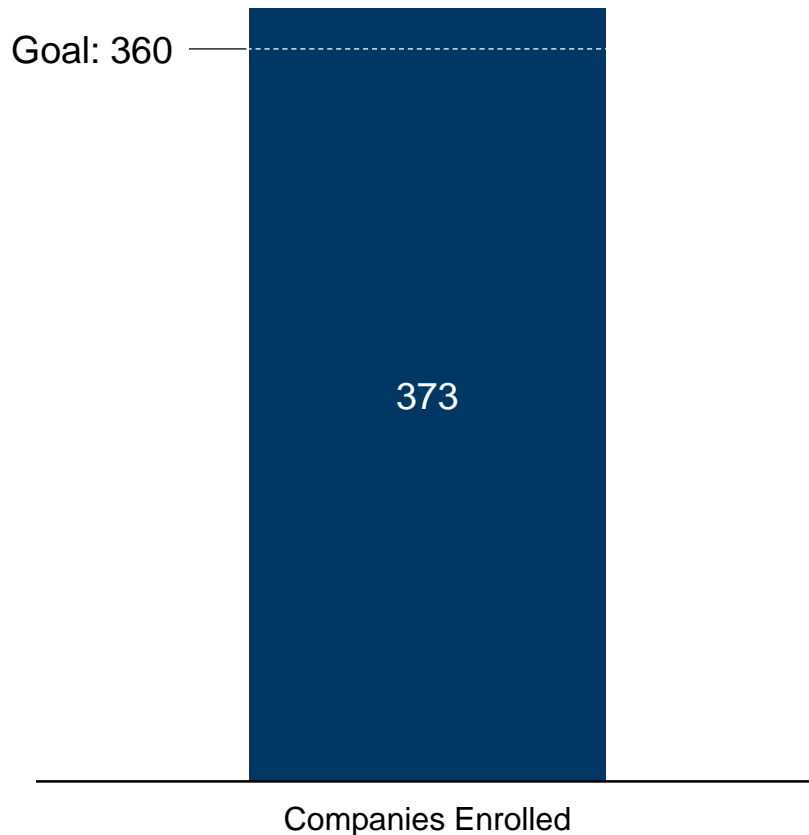


% of VEDP Leads for Open Pipeline



VEDP'S INTERNATIONAL TRADE DIVISION IS ON TRACK TO EXCEED ITS GOAL OF ENROLLING 360 COMPANIES IN FY22

Companies enrolled in trade programs July 1, 2021 to June 3, 2022










FY21 Summary

- In FY21, a total of 330 companies enrolled in international trade programs (103% of goal).
- These companies attributed \$670M in international sales and 6,030 trade-supported jobs to VEDP's international trade programs.








Next Steps

- International Trade is preparing to survey FY22 enrolled companies beginning in July.
- The data from the annual survey will be available in September and will be used to update sales and job metrics for FY22.

FY22 OPERATIONAL PLAN PROGRESS TRACKER: MAJOR INITIATIVES (1 OF 2)

	Major initiative	Primary owner	Status (% complete)	Comments	Next steps
1.	Develop a playbook to become one of America's top states for tech sector growth across Virginia	Welch	 90%	Rural Tech Phase 3 companies identified, completing outreach by end of June	Hit the ground running on FY23 tech growth initiatives
2.	Build out the best customized workforce recruitment & training incentive program in the U.S.	Grundmann	 95%	Engaged with 99 new opportunities; prepared 48 proposals; hired 8 FYTD	Expand Video Services capacity by hiring writer/producer/editor
3.	Expand the Virginia Business Ready Sites Program with a strategic approach and statewide participation	Devan	 95%	Secured significant additional funding for VBRSP and have been proactively working with high-priority sites to prepare them to apply for funding	Update guidance and timing for VBRSP applications in-line with anticipated incremental grant funding (\$34M in July 2022, with incremental funding at the end of CY22 and in FY24)
4.	Expand exports and imports through implementation of high priority initiatives in the International Trade Plan	Agee	 95%	Implemented no-cost ITP initiatives and made substantial progress on initiatives funded in FY22	Continue implementation of FY22 initiatives and begin work on initiatives that will be funded in FY23
5.	Establish, design, and launch the newly created Virginia Office of Education Economics within VEDP	McKay	 95%	Began data visualization process; completed first phase of web platform development; continued building data sets	Collect stakeholder feedback on web platform; conduct analysis and visualize other occupational areas
6.	Develop and implement a comprehensive HR talent management strategy	Cox	 65%	Implemented Onboarding and Time & Attendance modules; finalizing FY22 division comp study; developed learning & development strategy; launched internship program	Determine divisions for comp studies for FY23; consider consultant for career paths; roll-out learning & development plan; implement performance evaluation and learning management systems
7.	Complete launch and implementation of Team Virginia to enhance consultant and executive perceptions of Virginia	Melançon	 100%	FY22 events were successful	Planning underway for FY23

FY22 OPERATIONAL PLAN PROGRESS TRACKER: MAJOR INITIATIVES (2 OF 2)

	Major initiative	Primary owner	Status (% complete)	Comments	Next steps
8.	Complete value prop materials for all target sectors and facilitate ongoing updates	Melançon; Hartka	 95%	All industries complete and brochures printed; update process in development	Finalize process for maintaining information and updating materials (likely to continue into July)
9.	Build processes and capabilities needed to effectively and efficiently produce holistic project responses	Barnett; Hartka	 95%	Collected feedback and developed plan of action; developed new processes	Day-long internal training on new processes scheduled for July due to limited availability
10.	Further develop and execute strategies to capture post-COVID economic recovery and growth opportunities	Devan	 95%	Supported four applications and two finalists for Build Back Better funding; developed content to spread awareness of federal infrastructure grants	Support Build Back Better Regional Challenge applications for two VA finalists; support cluster growth regardless of outcome; explore NSF funding opportunities
11.	Implement a best-in-class BRE program, including clear protocols, high productivity, and reporting of insights	Barnett	 n/a	Initiative has been paused due to the program transition to Talent Solutions	Evaluate BRE program and evaluate transition to Talent Solutions
12.	Develop a comprehensive strategy for supporting local and regional EDOs	Watkins; Morton	 25%	Supported partners' EDA grant applications and providing support for federal infrastructure grants	Planning for LRCI refresh; development of pilot program for technical support for EDOs <u>paused due to lack of funding</u>
13.	Improve data management and capabilities to expand utilization across VEDP to better guide activities	Barnett; Melancon	 30%	Continued cross-divisional assessment to identify current processes, resources, and utilization	Finalize existing processes and needs assessment; research potential technology tools
14.	Fully leverage IT platforms to enhance organizational effectiveness	Hughes	 40%	Completed survey and interview portion of IT assessment; SOW ready for next steps of Office 365 best-practice deployment	Develop collaboration vision; meet with ELT for organizational buy-in and develop collaboration champions; implement collaboration vision to fully leverage IT platforms in secure manner

NOTABLE DEVELOPMENTS SINCE OUR LAST BOARD MEETING

- Continued strong engagement in business development activity (project announcements and cultivation of opportunities in the pipeline)
- Participated in Secretary Merrick's tour of Southwest Virginia, with other regional tours on the calendar and being planned over the next several months
- Organized Consultant Symposiums: three events between late-April and early-May; hosted 28 site consultants in collaboration with Team Virginia
- Completed two executive leadership team searches: Stephen Hartka, VP of Research and Lisa Wallmeyer, General Counsel
- Finalized drafts of VEDP's FY23 Operational Plan and FY23 Marketing Plan for approval by VEDP's Board of Directors
- Distributed Q1 2022 issue of *Virginia Economic Review: Life Sciences* mailed late March
- Held VEDP All-Staff Meeting (6/17)

TOP PRIORITIES FOR THE NEXT FEW MONTHS

- Aggressively cultivate several high-impact economic development projects
- Finalize VEDP's leadership structure to improve organizational effectiveness, capacity, and resiliency
- Complete searches for VEDP's Vice President of Incentives, Vice President of Information Technology, and Vice President of Human Resources
- Oversee strong execution of newly funded activities and other FY23 major initiatives, including site development, International Trade Plan, Virginia Talent Accelerator Program, VOEE initiatives, and BI and related staff capacity enhancements
- Participate in regional tours with Secretary Merrick and team
- Complete annual performance evaluations for VEDP Staff
- Publish *Q2 2022 issue of Virginia Economic Review*, which focuses on the partnership between higher Ed and the private sector
- Begin work on VEDP's FY22 Annual Report

THANK YOU

ECONOMIC DATA BOOK

May 2022

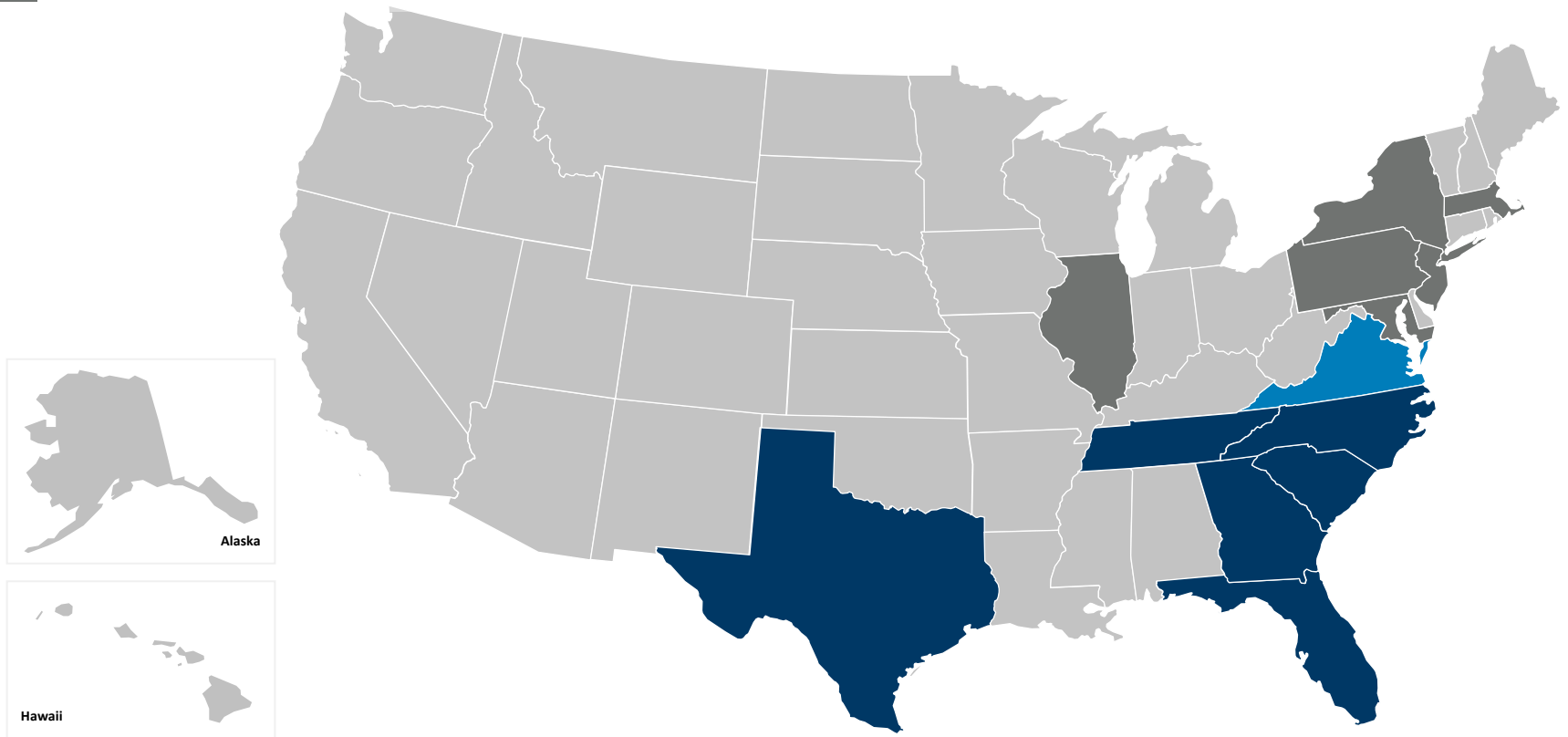
EXECUTIVE SUMMARY – MAY 2022

	6.0%	Quarterly GDP growth, annualized (2021Q3)
	4.2M	Statewide employment level (Apr '22)
	65%	Percent employment lost recovered (Apr '22)
	No. 47	National employment recovery rank (Apr '22)
	62K	Employment gain since Jan '22 (Apr '22)
	No. 16	National employment recovery rank since Jan '22 (Apr '22)
	3.0%	Unemployment rate (Apr '22)
	63.5%	Labor force participation rate (Apr '22)
	2	# industries reaching pre-covid employment levels (Apr '22)
	310K	Statewide job openings (Mar '22)
	0.1%	Year-on-year population growth (2021)
	-8,995	Domestic net migration (2021)

BENCHMARKING VIRGINIA'S PERFORMANCE AGAINST TWO GROUPS OF COMPETITOR STATES

 Group 1: Aspirational growth states

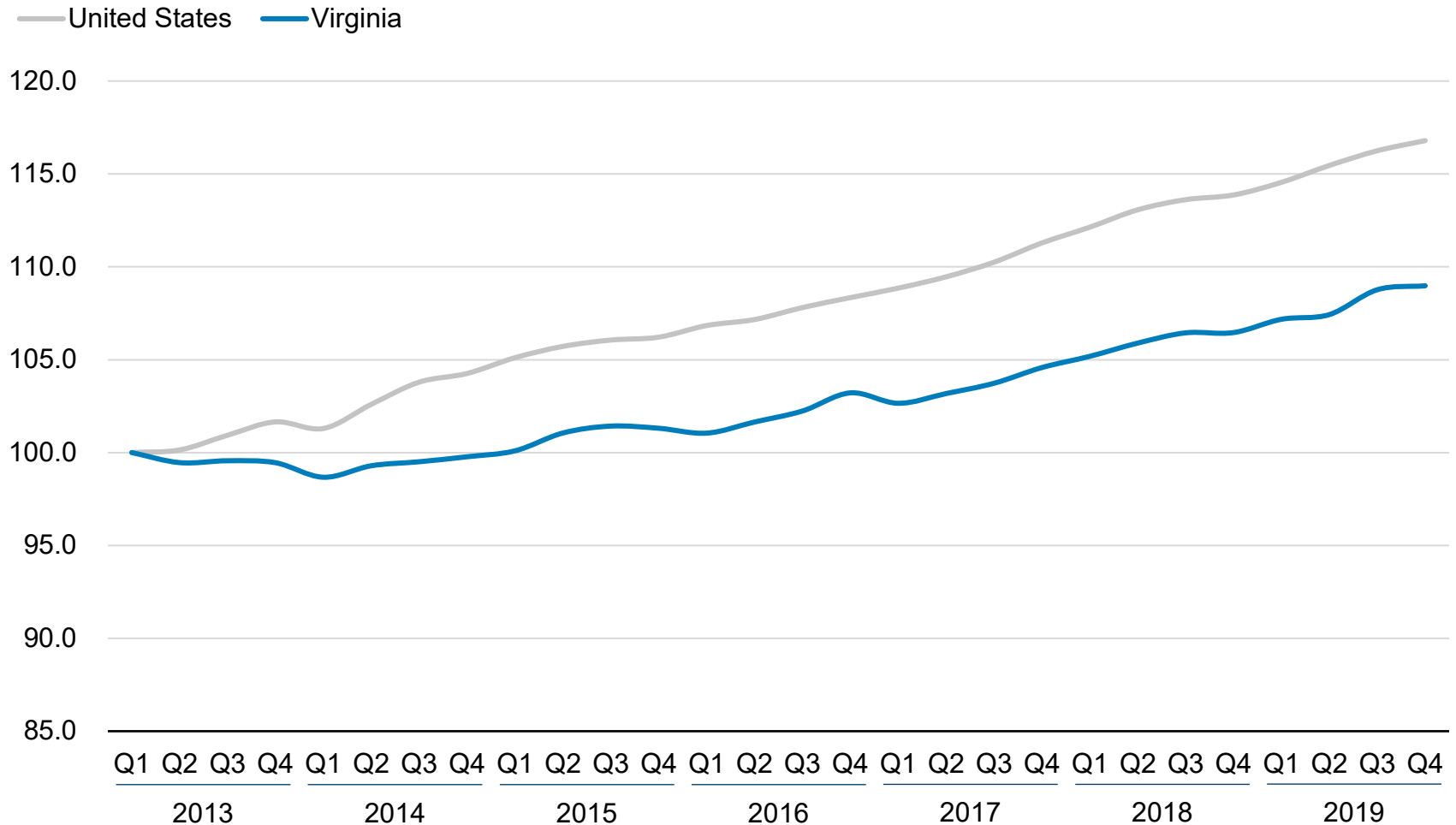
 Group 2: High-cost states



IN YEARS PRIOR TO THE PANDEMIC, VIRGINIA CONSISTENTLY UNDERPERFORMED NATIONAL ECONOMIC GROWTH

Virginia and U.S. Gross Domestic Product

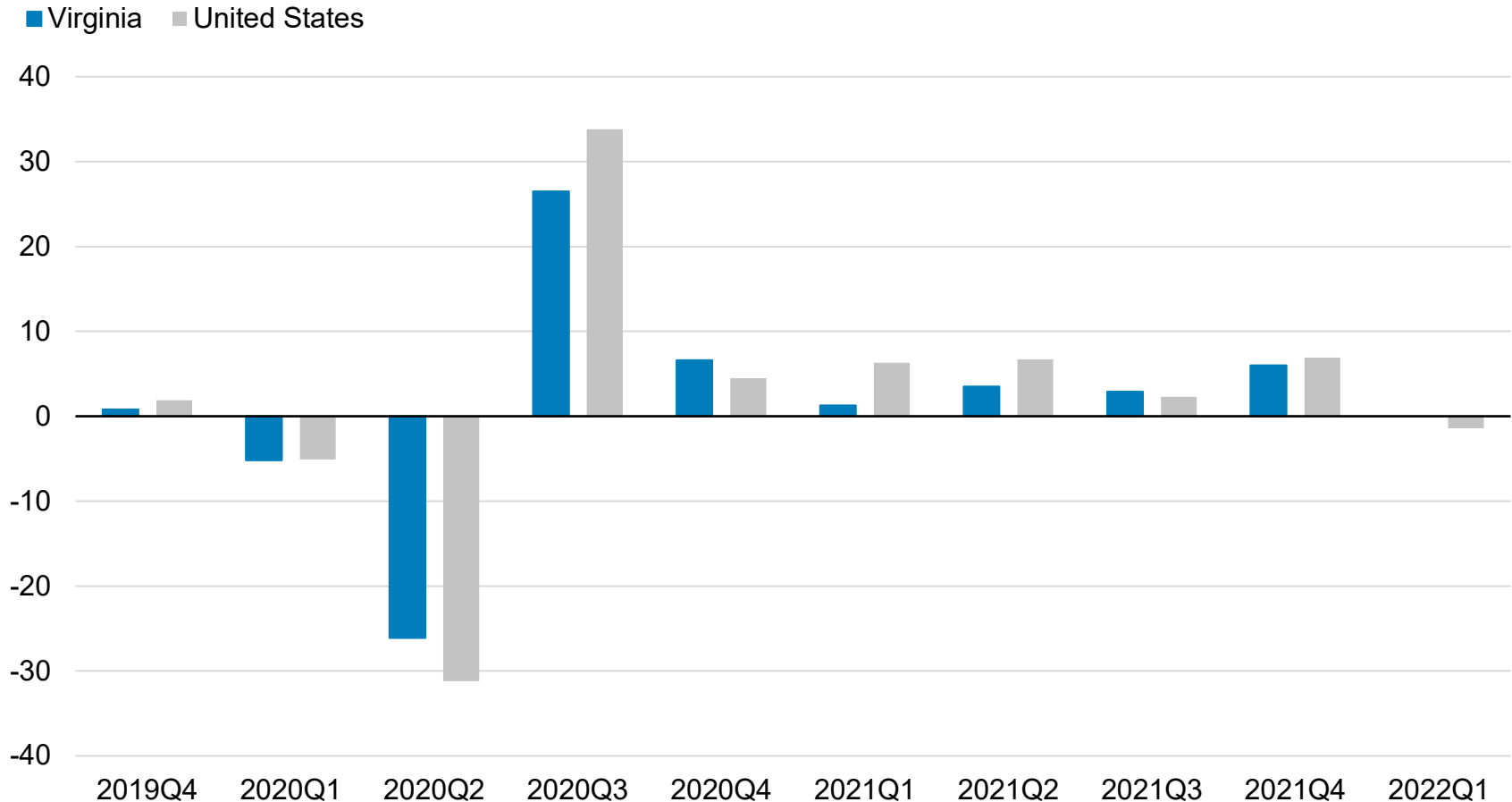
Gross Domestic Product (level), chained 2012 dollars, 2013 – 2019



VIRGINIA ECONOMIC OUTPUT WAS LESS IMPACTED AT OUTSET OF PANDEMIC, BUT HAS OFTEN LAGGED U.S. DURING RECOVERY

Virginia and U.S. economic output since COVID-19

% change from preceding period (annualized), chained 2012 dollars, 2019Q4 – 2021Q4 (VA) / 2022Q1 (US)



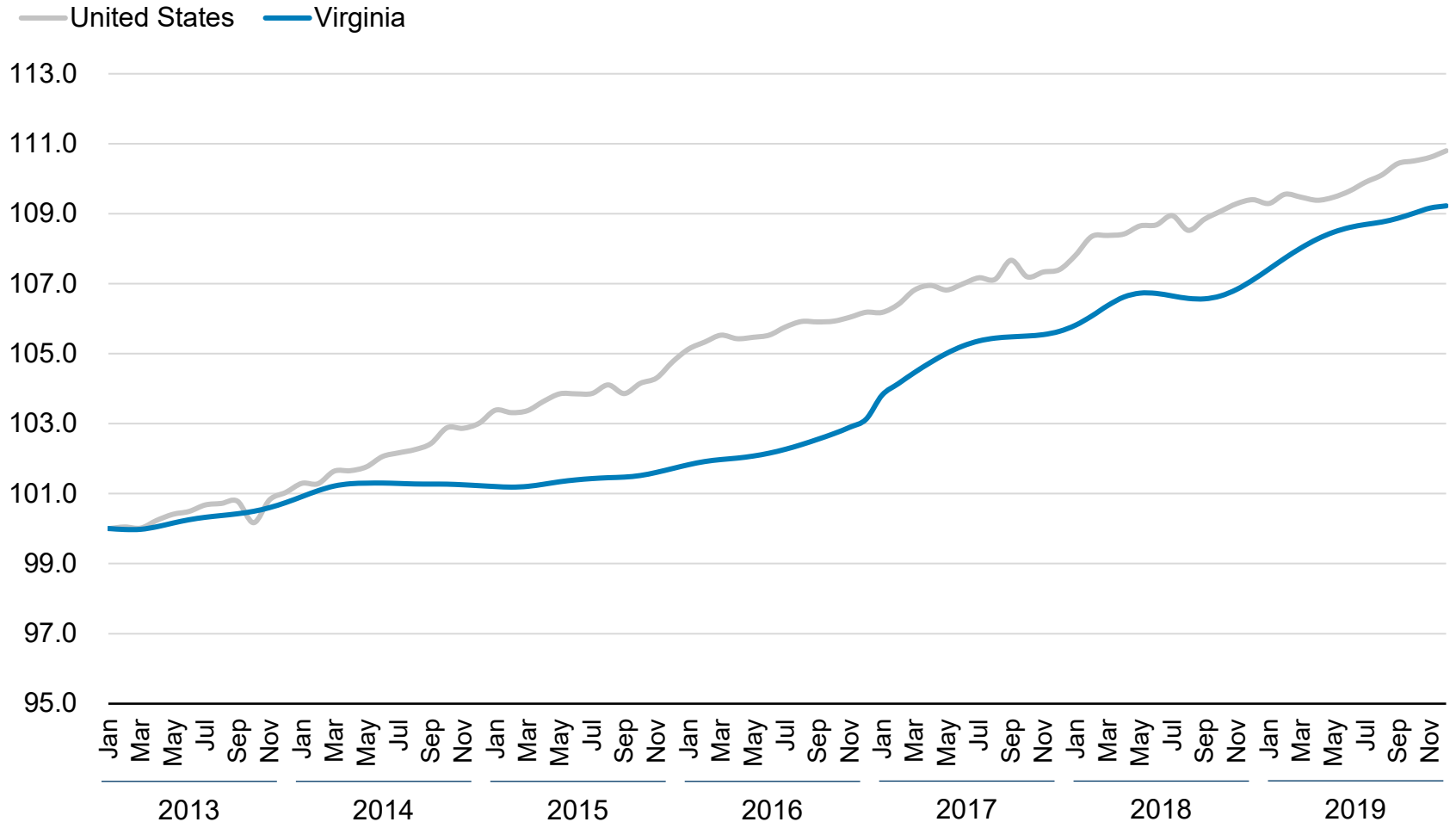
VIRGINIA ECONOMIC OUTPUT HAS LAGGED U.S., ASPIRATIONAL GROWTH STATES, EVEN SOME HIGH-COST STATES

State	2013 – 2019 CAGR (%)	State rank	2019Q4 – 2021Q4 % change	State rank
Tennessee	2.1	15	6.1	5
Florida	3.4	7	5.5	7
North Carolina	2.2	14	4.9	9
South Carolina	2.7	12	4.5	13
Massachusetts	2.6	13	4.4	15
Texas	3.1	10	3.6	18
Georgia	3.5	6	3.2	21
Virginia	1.4	33	2.0	29
New Jersey	1.2	35	1.3	33
New York	2.0	19	1.0	34
Illinois	1.1	36	0.9	36
Pennsylvania	1.5	29	0.7	39
Maryland	1.7	24	-0.8	45
United States	2.4	-	3.1	-

EMPLOYMENT GROWTH IN VIRGINIA LAGGED NATIONAL GROWTH 2014 – 2016, STRUGGLING TO CLOSE GAP BEFORE PANDEMIC

Virginia and U.S. employment levels

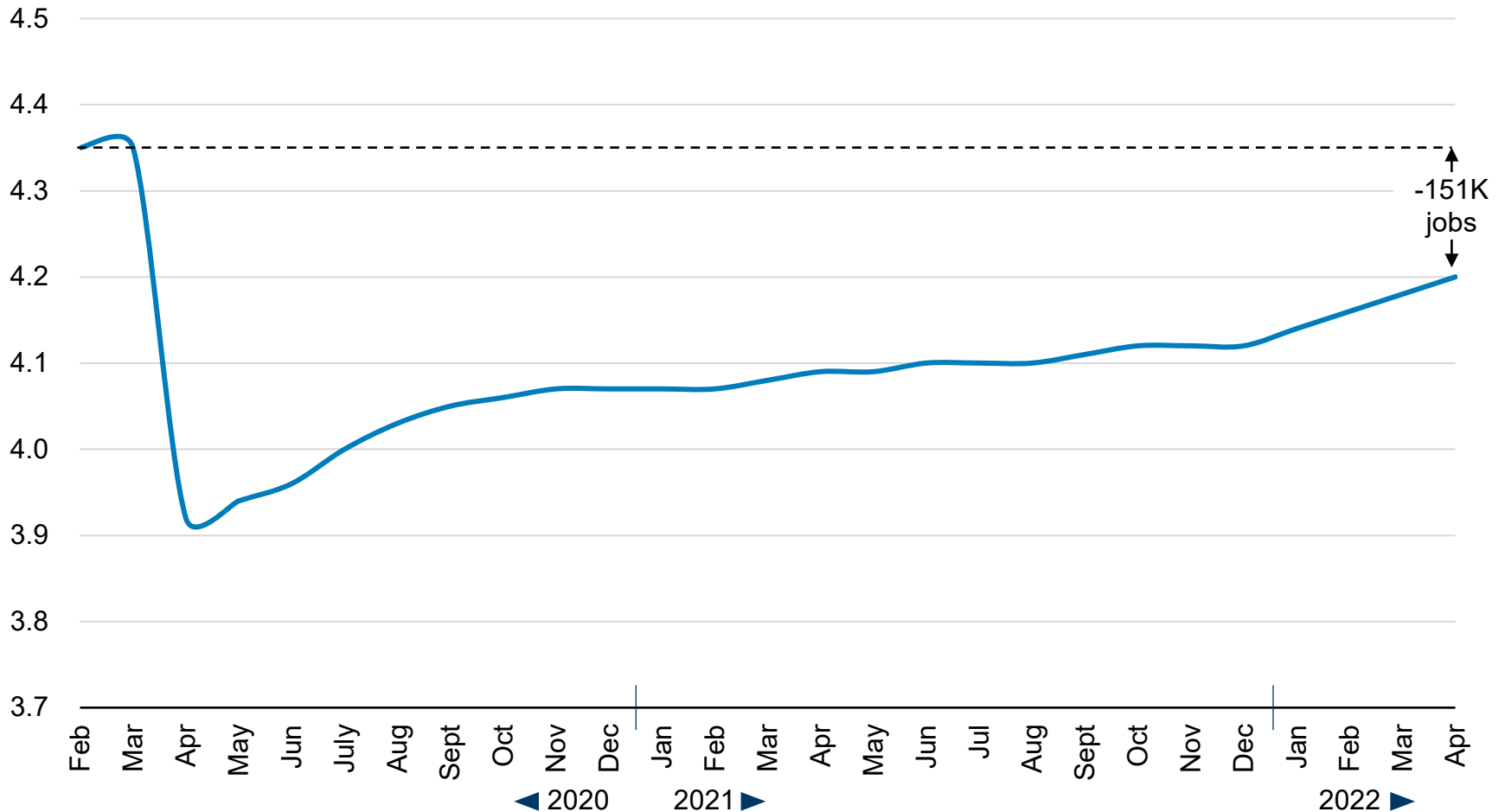
Employed persons, 2013 – 2019, seasonally adjusted, indexed to January 2013 levels



VIRGINIA EMPLOYMENT REMAINED 150K JOBS BELOW PRE-COVID-19 LEVELS IN APRIL 2022, BUT 2022 HAS SEEN A NOTABLE INFLECTION

Virginia employment

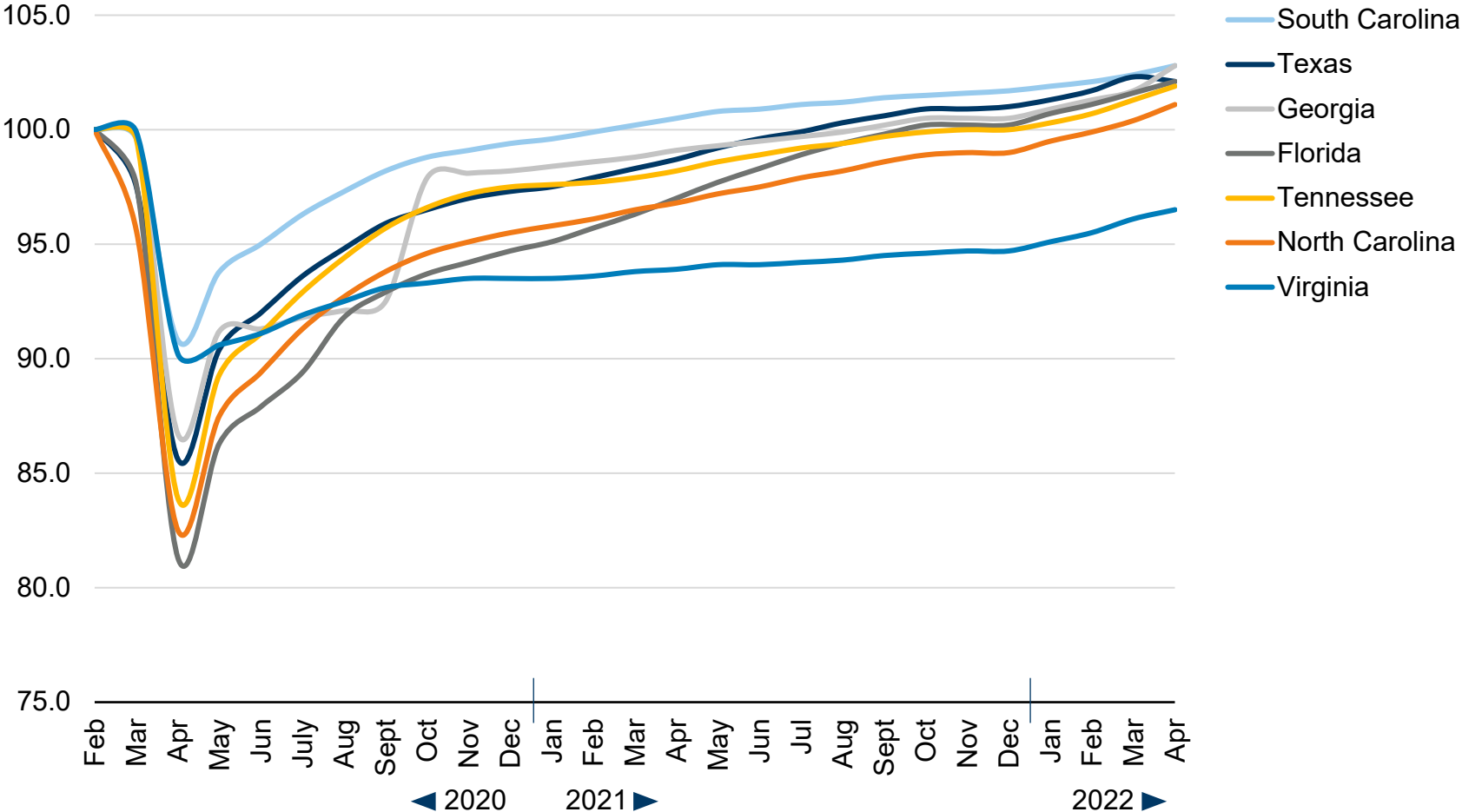
Millions of employed persons, Feb '20 – Apr '22, seasonally adjusted



DESPITE RECENT PROGRESS, VIRGINIA HAS UNDERPERFORMED DURING RECOVERY COMPARED WITH ASPIRATIONAL GROWTH STATES

Virginia employment compared to aspirational growth states

Employment level, Feb '20 – Apr '22, seasonally adjusted, indexed to Feb '20 levels

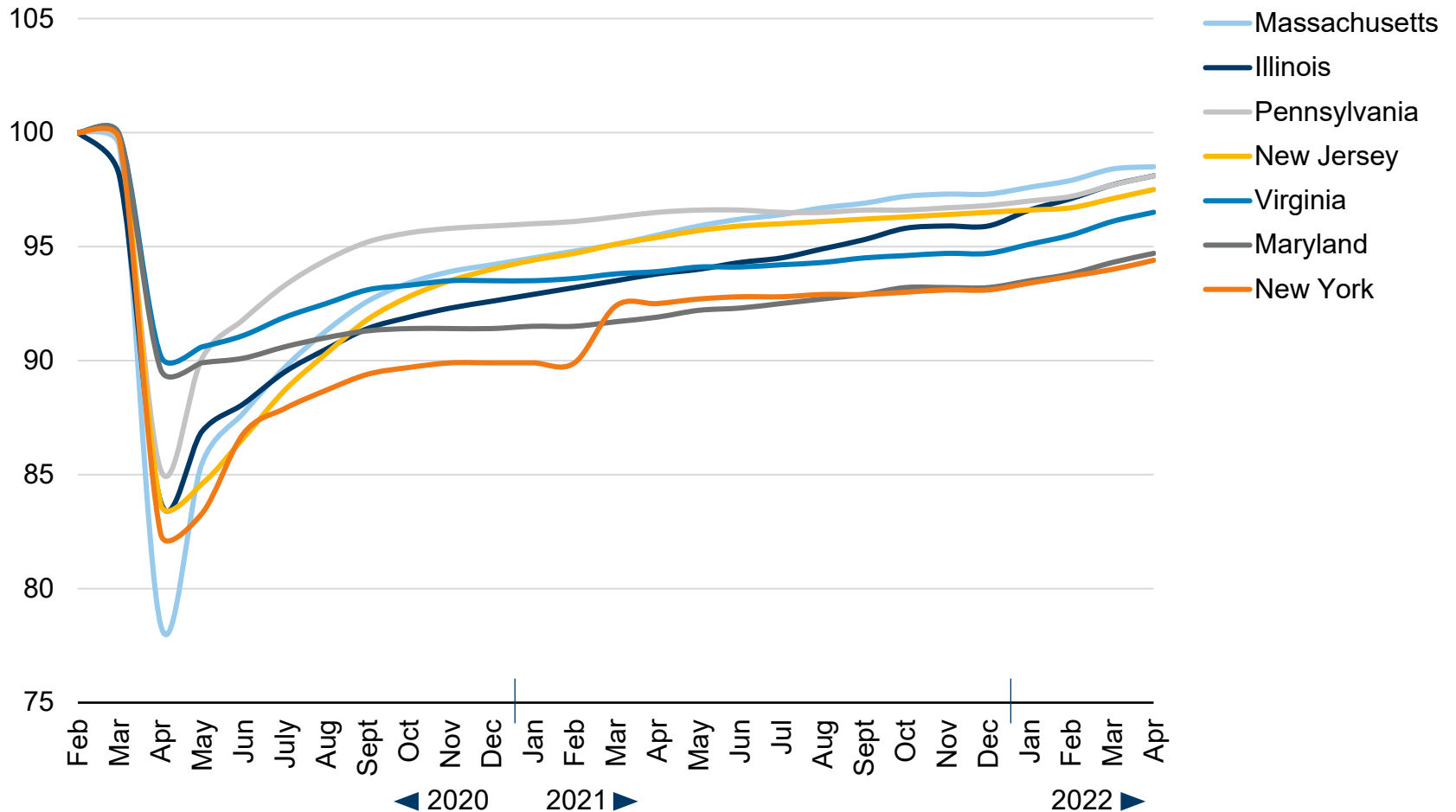


Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

VIRGINIA'S RECOVERY HAS BEEN MORE ALIGNED WITH HIGH-COST STATES LIKE NEW JERSEY OR MARYLAND

Virginia employment compared to high-cost states

Employment level, Feb '20 – Apr '22, seasonally adjusted, indexed to Feb '20 levels



VIRGINIA RANKS BELOW ALMOST ALL BENCHMARK STATES IN TERMS OF PERCENT OF RECOVERED JOBS

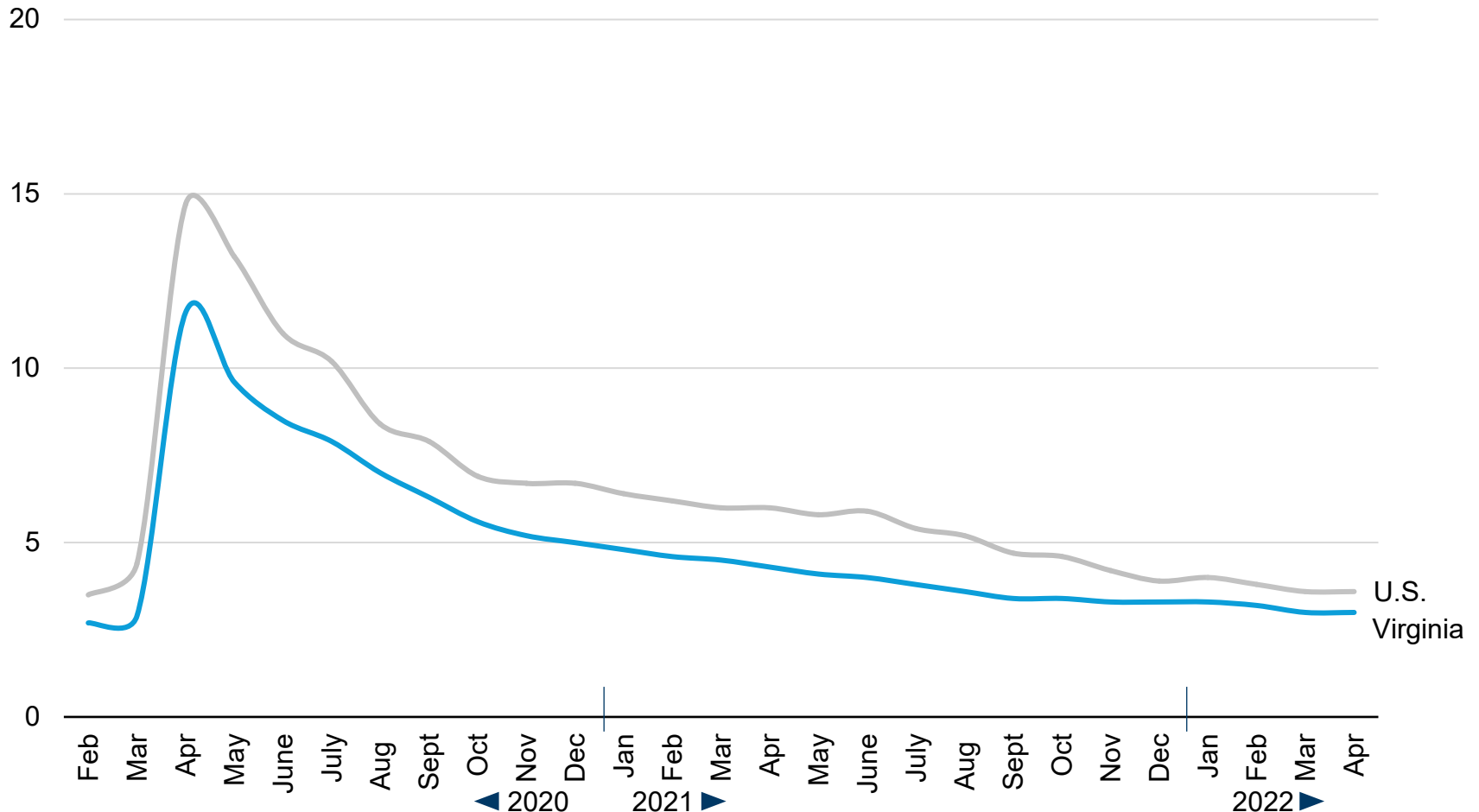
State	Employment lost (Feb – Apr / May '20)	Employment recovered (by Apr '22)	Recovered %	Recovery rank
South Carolina	207,321	270,584	131	8
Texas	1,943,450	2,316,089	119	13
Georgia	667,621	773,209	116	14
Tennessee	517,770	577,752	112	16
Florida	1,868,820	2,078,377	111	17
North Carolina	843,777	894,584	106	24
Massachusetts	794,612	741,017	93	29
Illinois	1,015,011	894,723	88	34
Pennsylvania	919,678	803,634	87	35
New Jersey	740,915	626,882	85	40
New York	1,674,458	1,141,878	68	46
Virginia	427,490	276,140	65	47
Maryland	335,184	163,192	49	49

VIRGINIA HAS SEEN AN UPTICK IN EMPLOYMENT GROWTH SINCE JANUARY 2022, RANKING NO. 16 NATIONALLY FOR THIS PERIOD

State	Jan '22 – Apr '22 employment change	Jan '22 – Apr '22 % change	State rank
Illinois	93,061	1.5	12
North Carolina	73,818	1.5	13
Tennessee	49,109	1.5	14
Virginia	61,618	1.5	16
Texas	193,115	1.4	20
Florida	136,904	1.4	22
Maryland	38,079	1.3	23
Pennsylvania	71,125	1.2	25
Georgia	59,297	1.2	26
New York	93,316	1.0	32
Massachusetts	35,051	1.0	38
New Jersey	41,096	0.9	39
South Carolina	20,316	0.9	41

VIRGINIA UNEMPLOYMENT RATE CONSISTENTLY BETTER THAN U.S. WITH STEADY IMPROVEMENT SINCE PEAKING AT 11.6% IN APRIL 2020

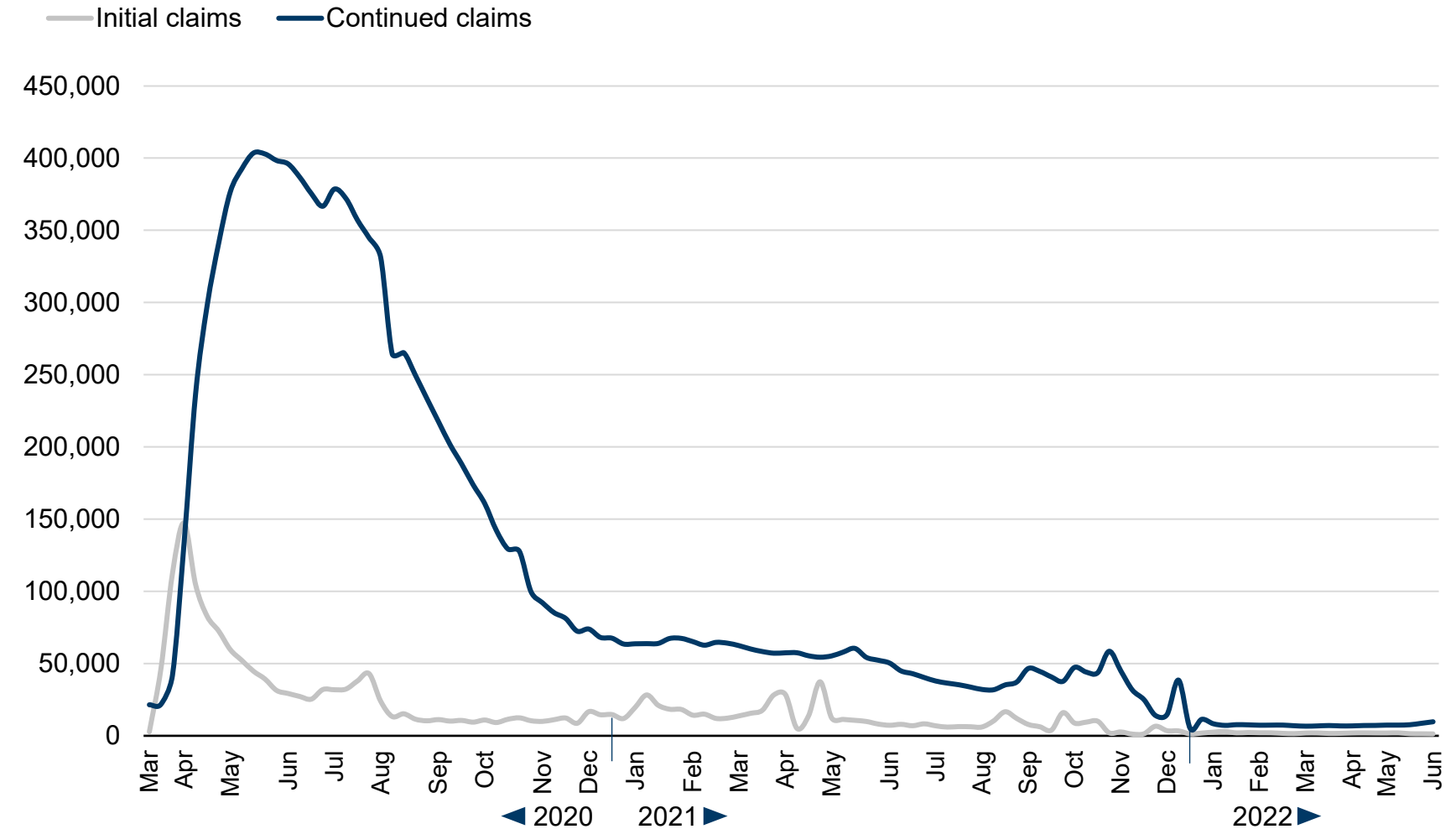
Monthly unemployment rate for the U.S. and Virginia
% labor force unemployed, Feb '20 – Apr '22, seasonally adjusted



WEEKLY INITIAL UI CLAIMS AND CONTINUED CLAIMS HAVE DROPPED BELOW PRE-PANDEMIC LEVELS

Unemployment Insurance (UI) claims

Weekly claims, Mar '20 – May '22, not seasonally adjusted



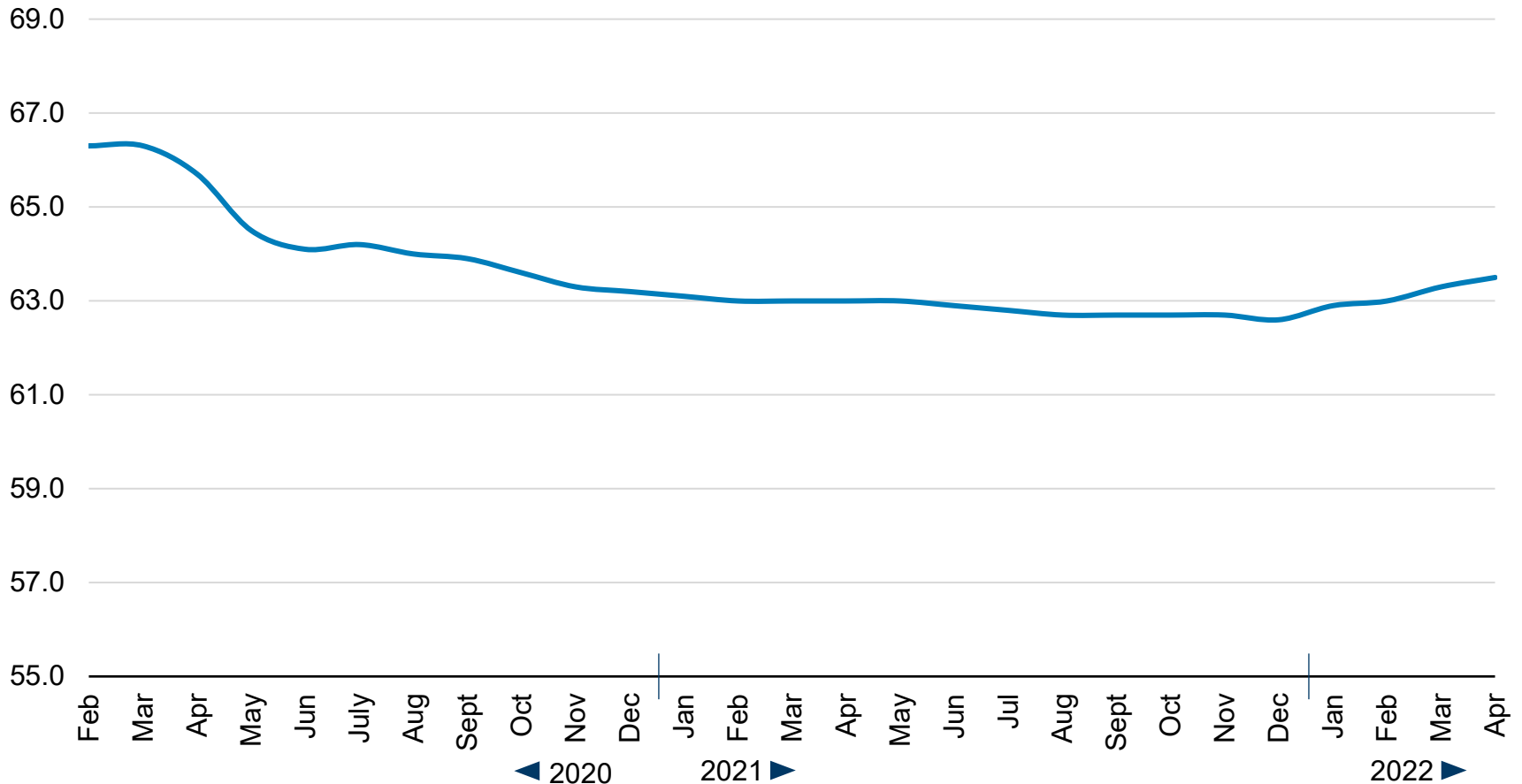
VIRGINIA UNEMPLOYMENT RATE HAS CONSISTENTLY BEEN LOWER THAN MOST BENCHMARK STATES

State	April 2020 unemployment (%)	State rank	April 2022 unemployment (%)	State rank
Virginia	11.6	15	3.0	15
Florida	13.2	26	3.0	15
Georgia	12.3	22	3.1	18
Tennessee	15.9	37	3.2	19
South Carolina	11.6	15	3.3	23
North Carolina	14.2	32	3.4	26
New Jersey	15.5	35	4.1	33
Massachusetts	17.1	46	4.1	33
Maryland	9.5	8	4.2	40
Texas	12.6	23	4.3	40
New York	16.2	39	4.5	43
Illinois	17.4	47	4.6	45
Pennsylvania	16.5	42	4.8	47

VIRGINIA'S LABOR FORCE PARTICIPATION RATE HAS BEGUN TO TICK UP IN 2022 AFTER STEADILY DECLINING SINCE PANDEMIC OUTSET

Virginia labor force participation rate

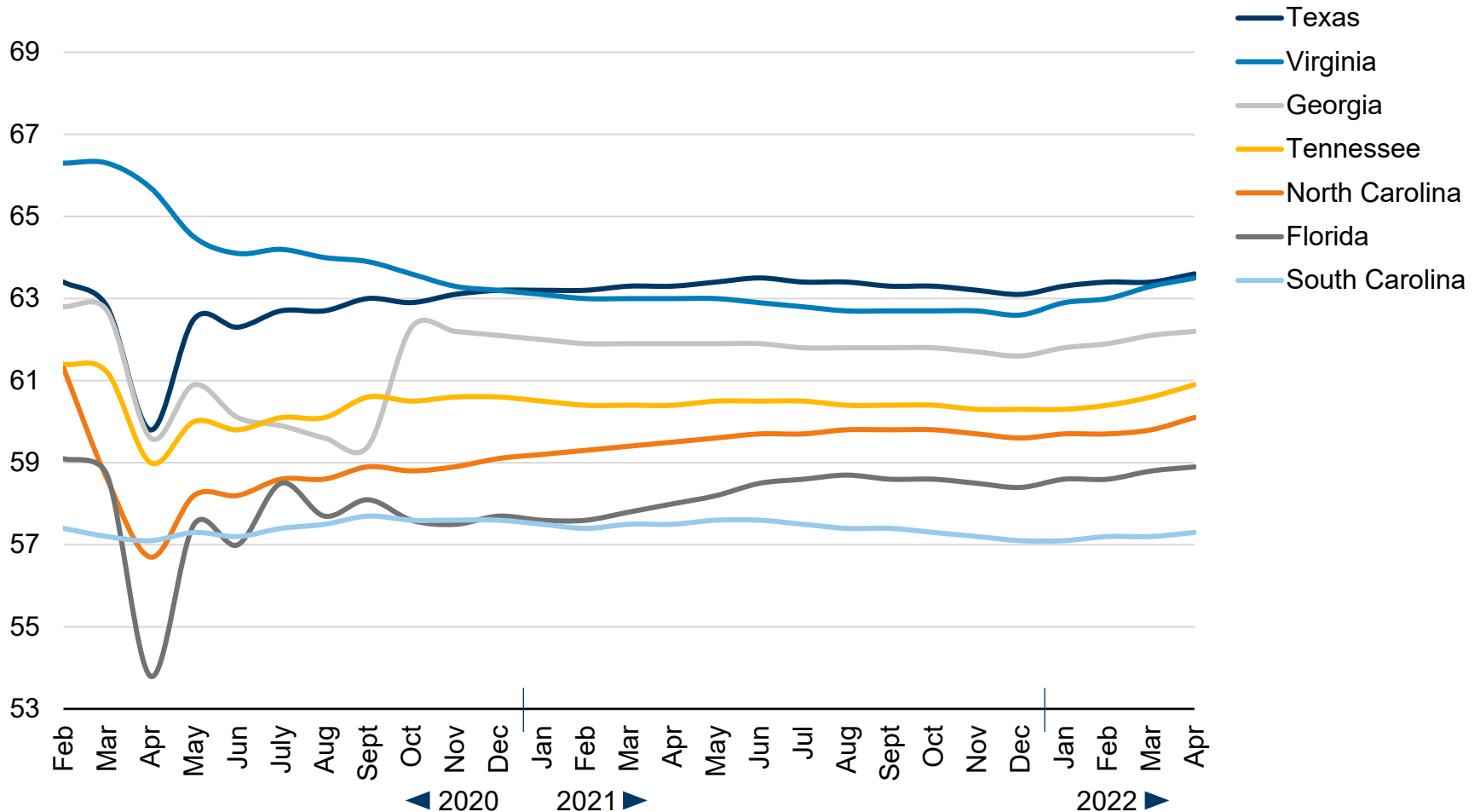
% , employed & unemployed as a % of the civilian population, Feb '20 – Apr '22, seasonally adjusted



WHILE HAVING HISTORICALLY HIGHER PARTICIPATION RATE, ASPIRATIONAL GROWTH STATES HAVE SEEN QUICKER RECOVERY

Virginia labor force participation rate compared to aspirational growth states

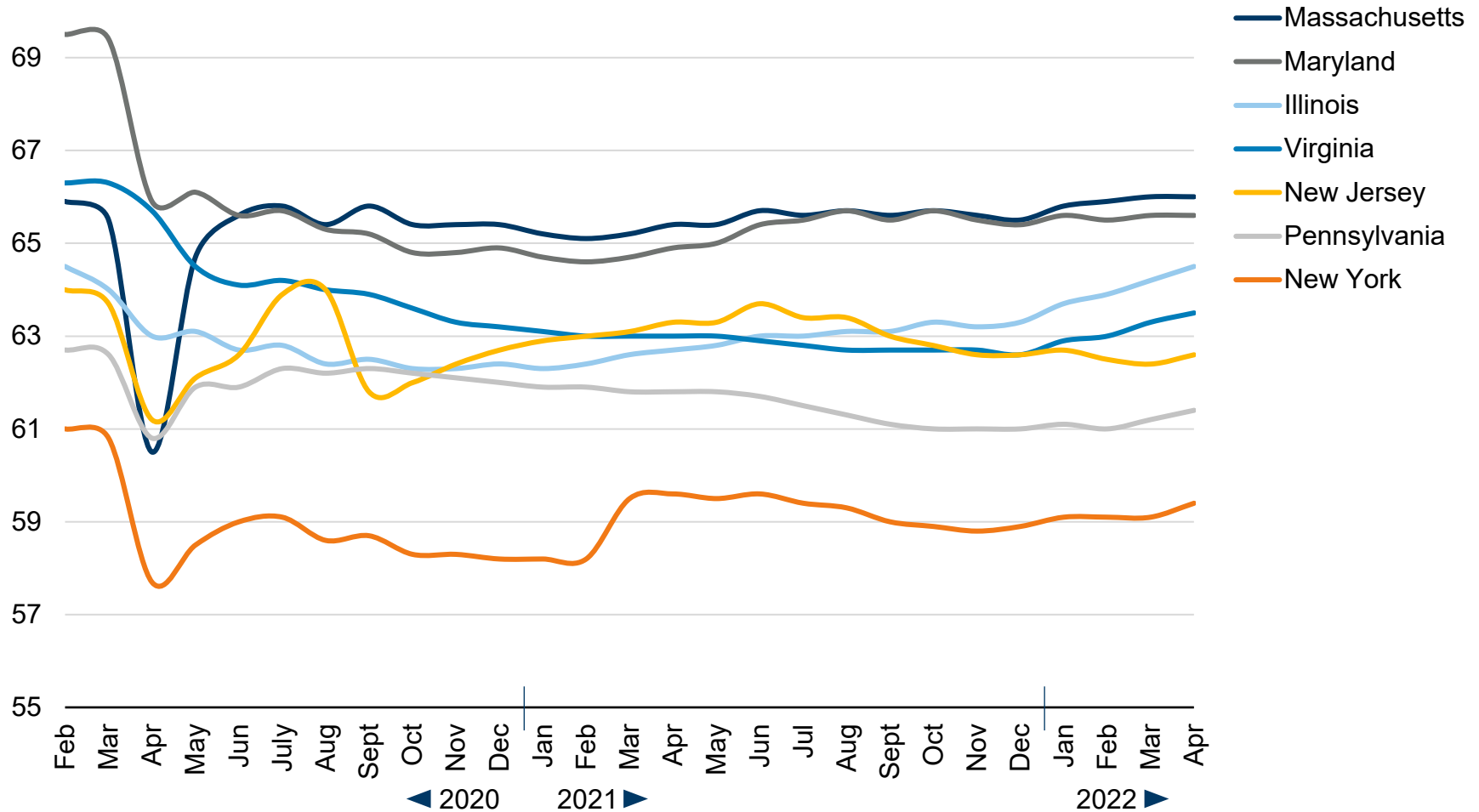
% , employed & unemployed as a % of the civilian population, Feb '20 – Apr '22, seasonally adjusted



EVEN MOST HIGH-COST STATES – WITH THE EXCEPTION OF MD – HAVE SEEN STRONGER RECOVERY OF PARTICIPATION RATES

Virginia labor force participation rate compared to high-cost states

% , employed & unemployed as a % of the civilian population, Feb '20 – Apr '22, seasonally adjusted



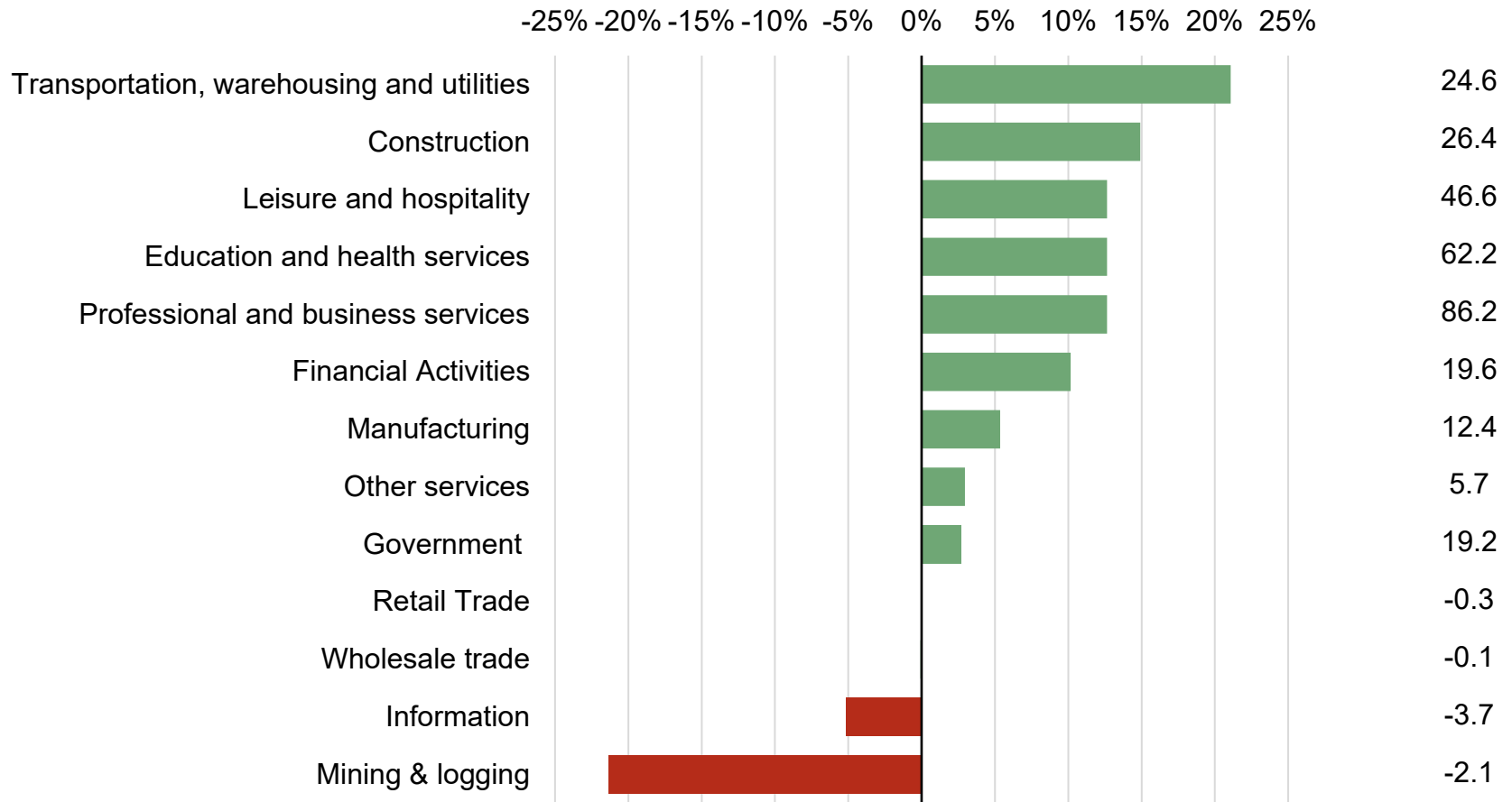
WHILE VIRGINIA LABOR FORCE PARTICIPATION RATE HAS DROPPED SIGNIFICANTLY, IT RANKS HIGHER THAN MANY BENCHMARK STATES

State	Pre-pandemic (2019 avg.) (%)	State rank	April 2022 (%)	State rank
Massachusetts	66.9	12	66.0	12
Maryland	68.6	8	65.6	13
Illinois	64.9	19	64.5	16
Texas	63.7	27	63.6	19
Virginia	66.3	16	63.5	20
New Jersey	63.8	26	62.6	24
Georgia	62.8	31	62.2	27
Pennsylvania	63.0	30	61.4	31
Tennessee	61.9	36	60.9	34
North Carolina	61.5	39	60.1	38
New York	60.9	42	59.4	41
Florida	59.4	43	58.9	43
South Carolina	58.0	48	57.3	46

A MAJORITY OF SUPERSECTORS IN VIRGINIA SAW GROWTH FROM 2013 TO 2019, JUST BEFORE THE ONSET OF THE PANDEMIC

Virginia employment change 2013 – 2019 by supersector
 % non-farm payroll employment change from 2013 – 2019, seasonally adjusted

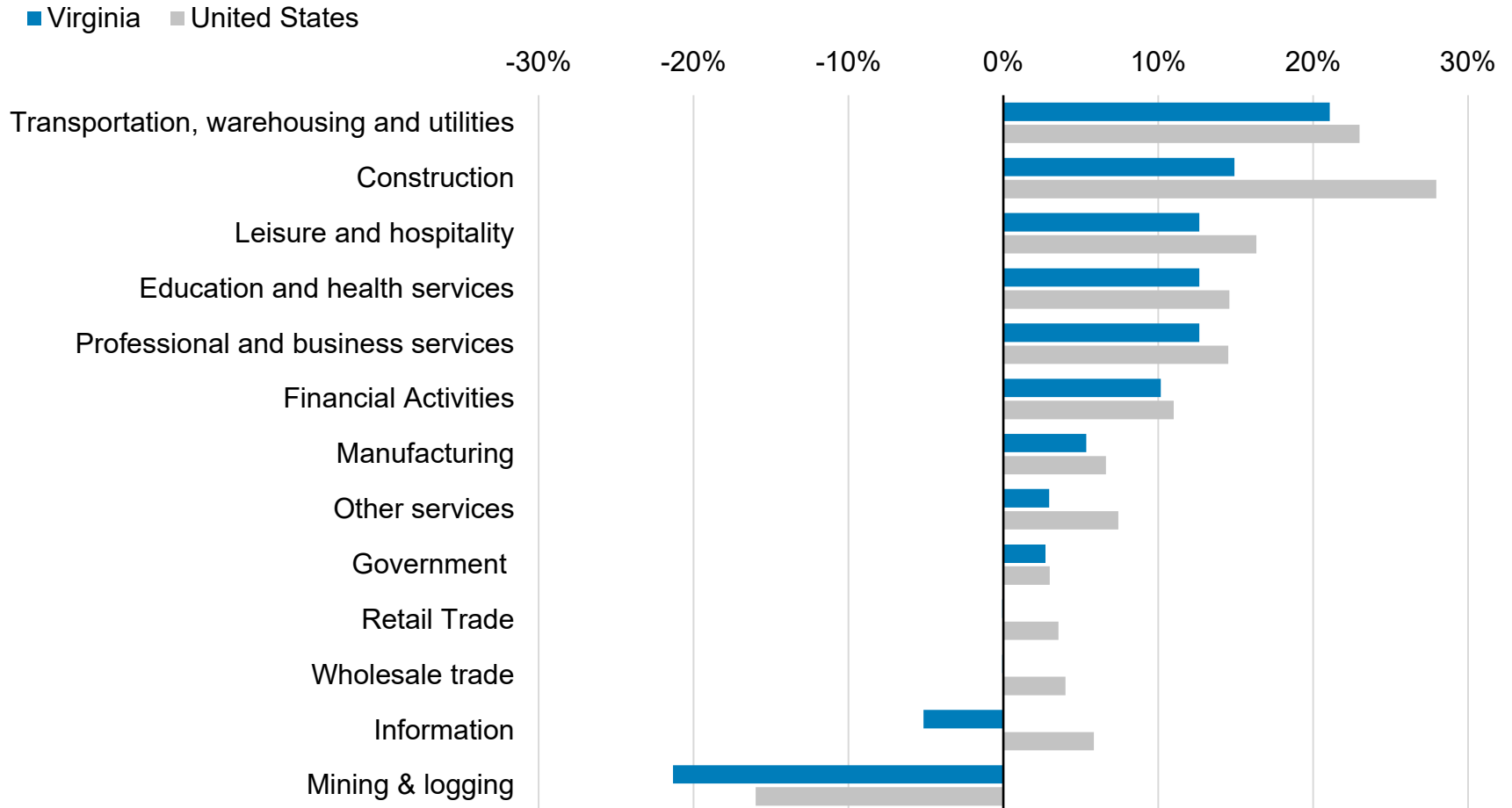
Change in # jobs
 Thousands of jobs



HOWEVER, VIRGINIA UNDERPERFORMED U.S. GROWTH LEVELS IN EVERY SUPERSECTOR DURING THIS PERIOD

Virginia & U.S. employment change 2013 – 2019 by supersector

% non-farm payroll employment change from 2013 – 2019, seasonally adjusted

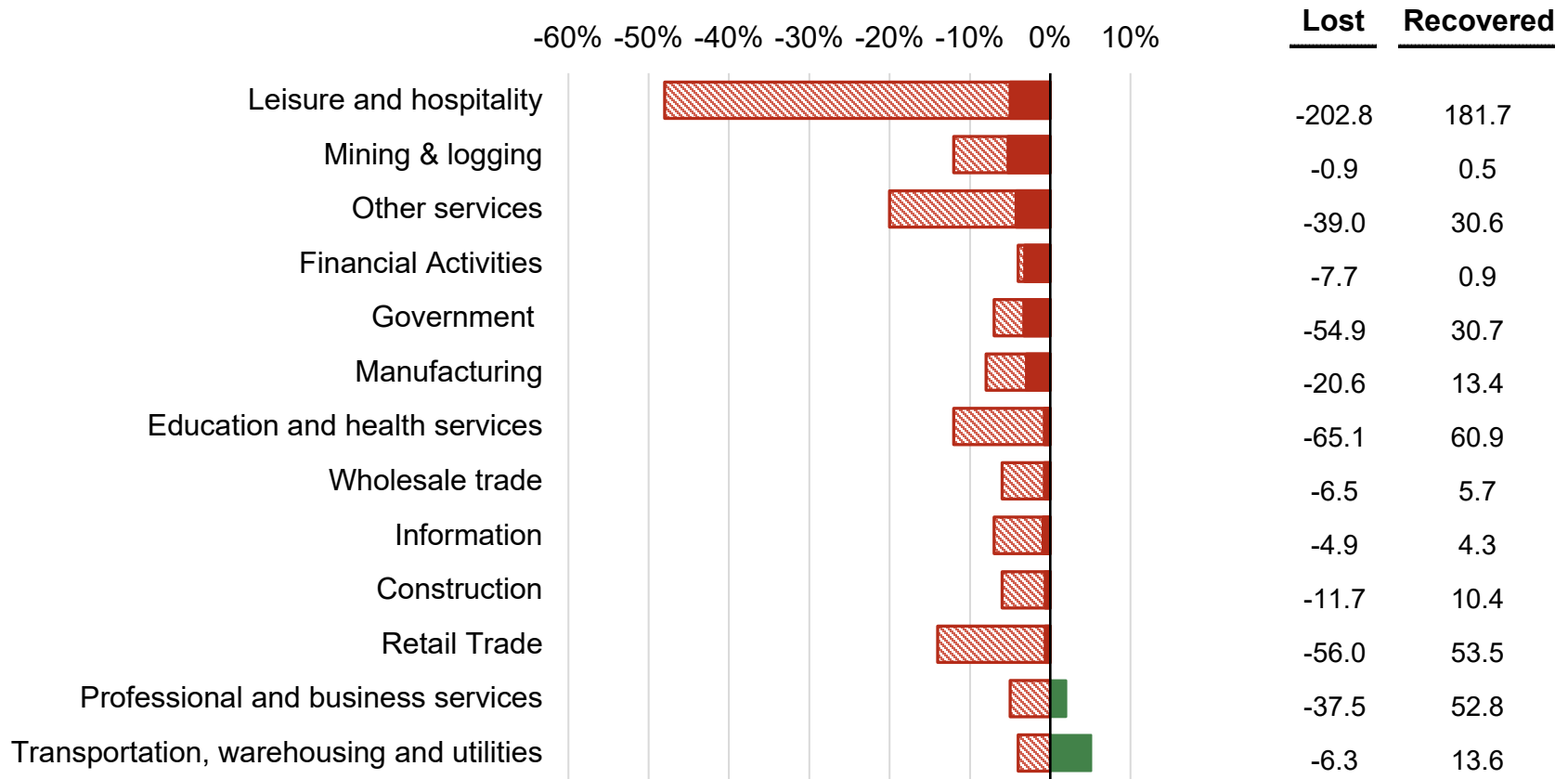


THE PANDEMIC SAW BROAD-BASED IMPACTS, AND EMPLOYMENT REMAINS BELOW FEB 2020 LEVELS IN MOST SUPERSECTORS

Virginia employment change since Jan '20 by supersector
 % non-farm payroll employment change from Jan '20 – Apr '22, seasonally adjusted

Change in # jobs since Jan¹
 Thousands of jobs

▨ Lowest employment level ■ Current employment level

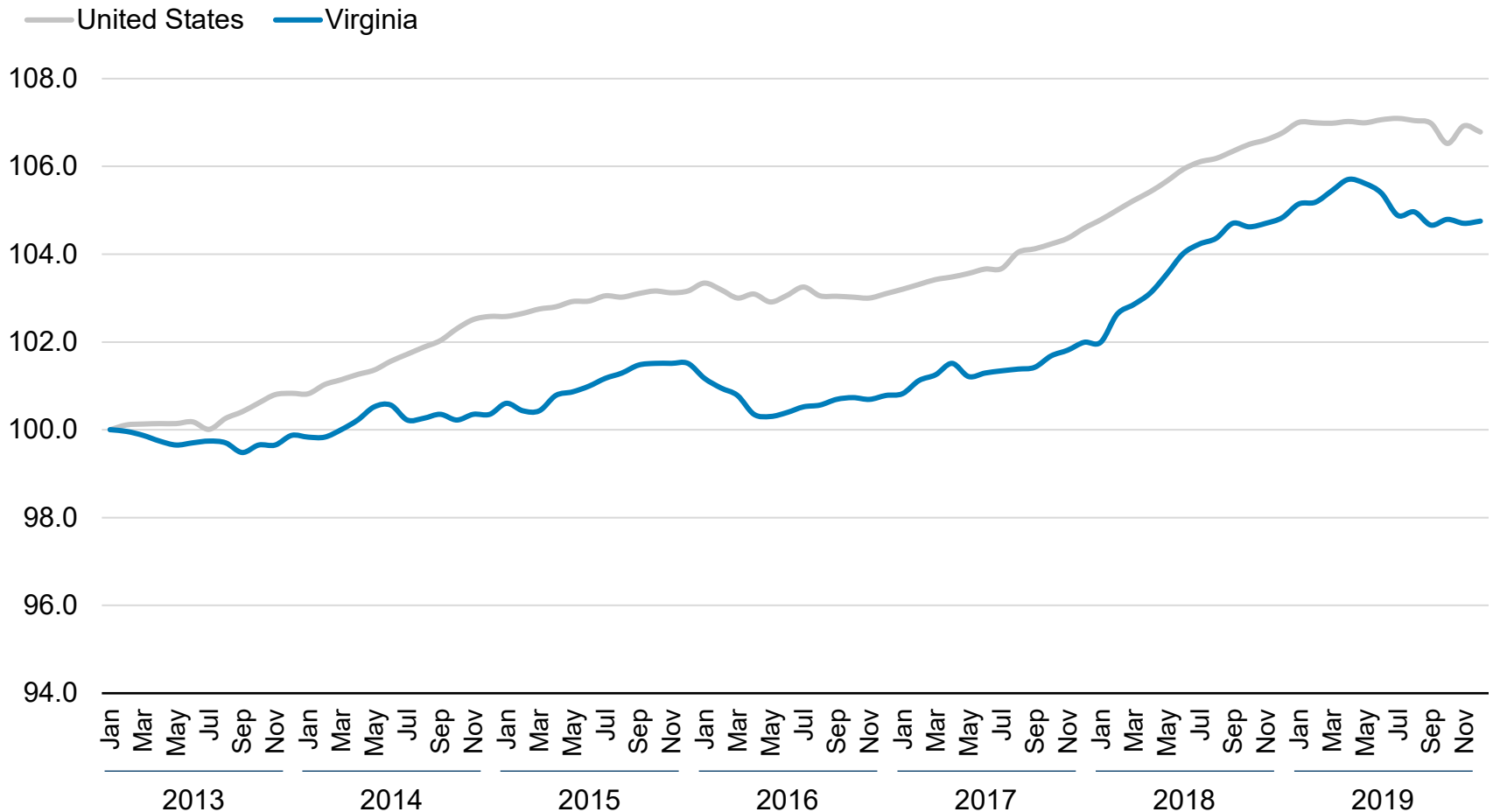


¹Jobs lost at / recovered since lowest employment level for industry. Industry sub-totals do not equal state total due to differing time frames

GROWTH IN VIRGINIA MANUFACTURING EMPLOYMENT LAGGED NATIONAL LEVEL IN YEARS BEFORE THE PANDEMIC

Virginia and U.S. manufacturing employment

Employed persons in manufacturing, 2013 – 2019, seasonally adjusted, indexed to January 2013 levels

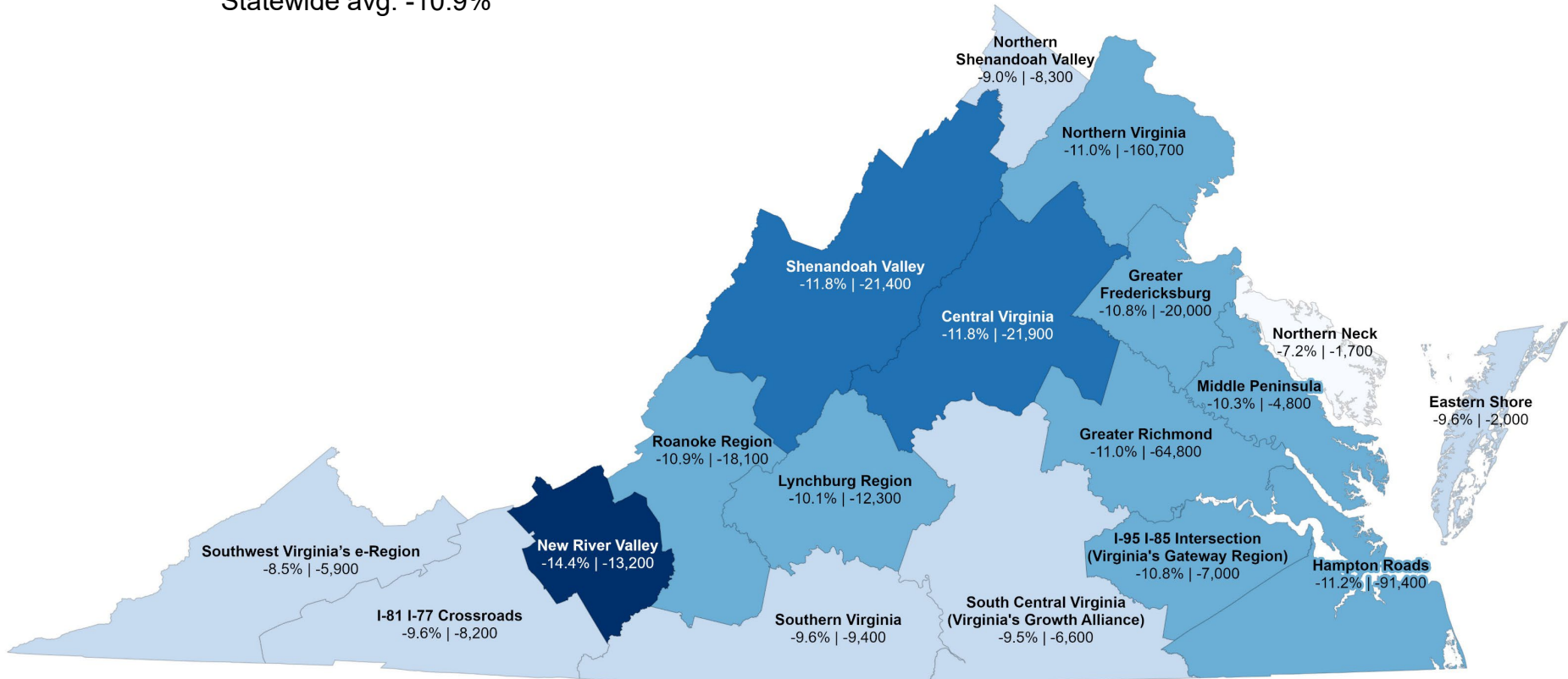


GROWTH OF VIRGINIA'S MANUFACTURING WORKFORCE LAGGED PRIOR TO PANDEMIC, AND HAS NOT FARED WELL DURING COVID-19

State	CAGR % (2013 – 2019)	State rank	Pandemic % change (Feb '20 – Apr '22)	State rank
Florida	3.0	3	4.2	6
Tennessee	2.0	13	1.3	12
Georgia	2.2	9	1.0	16
South Carolina	2.4	5	0.4	18
North Carolina	1.2	21	-0.1	22
Texas	0.6	36	-0.3	24
Massachusetts	-0.2	45	-0.4	25
Pennsylvania	0.3	40	-1.4	30
Illinois	0.2	41	-1.4	32
Maryland	0.6	35	-2.1	36
New Jersey	0.7	34	-2.5	37
Virginia	0.9	30	-3.0	42
New York	-0.6	48	-4.3	46
United States	1.1	-	-0.4	-

EMPLOYMENT LOSSES PEAKED IN APRIL / MAY 2020, IMPACTING REGIONS TO DIFFERENT DEGREES

Employment change from February to April / May¹ 2020
 % | absolute employment change, not seasonally adjusted

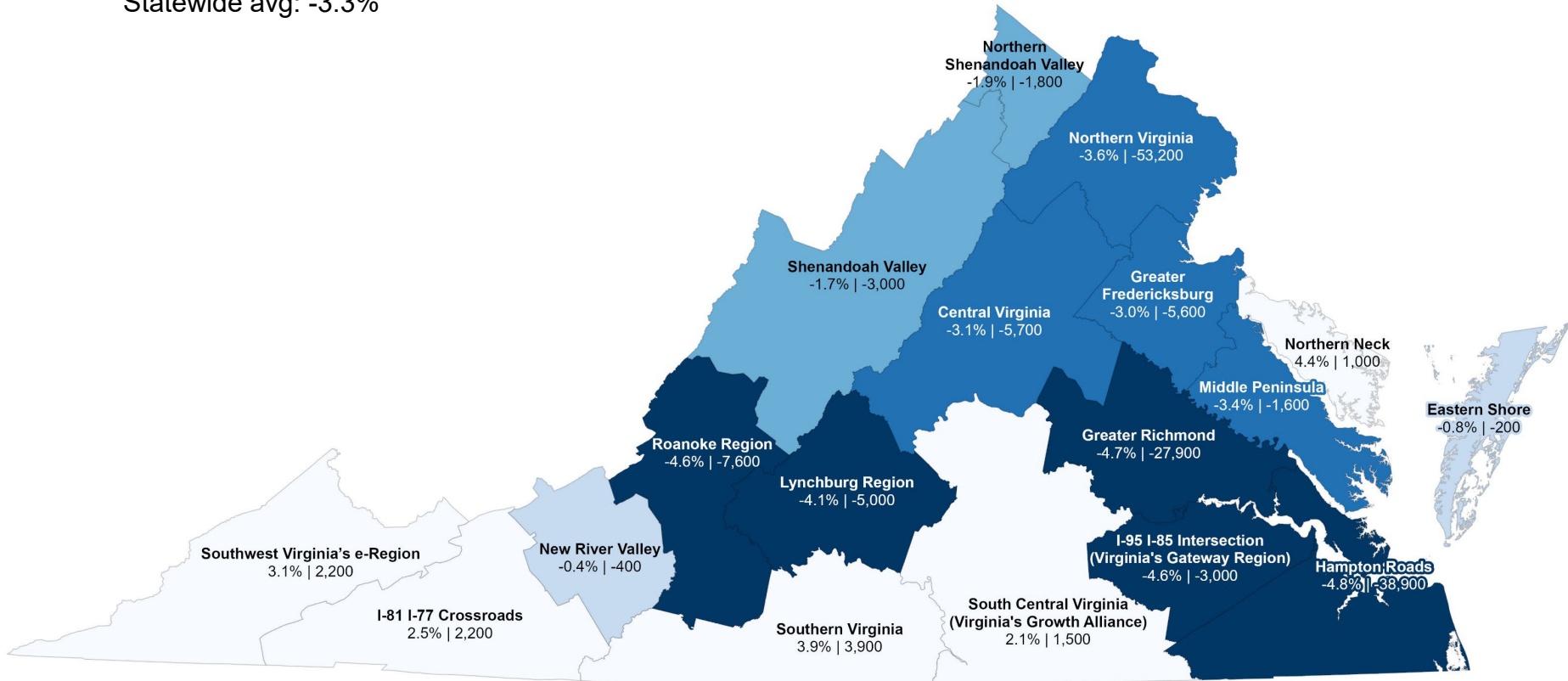
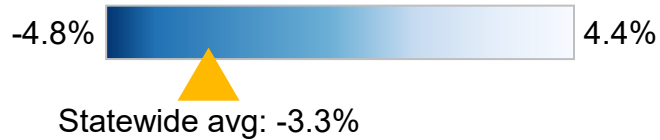


¹Employment losses peaked in May for all regions except Northern Neck, where it peaked the preceding month

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

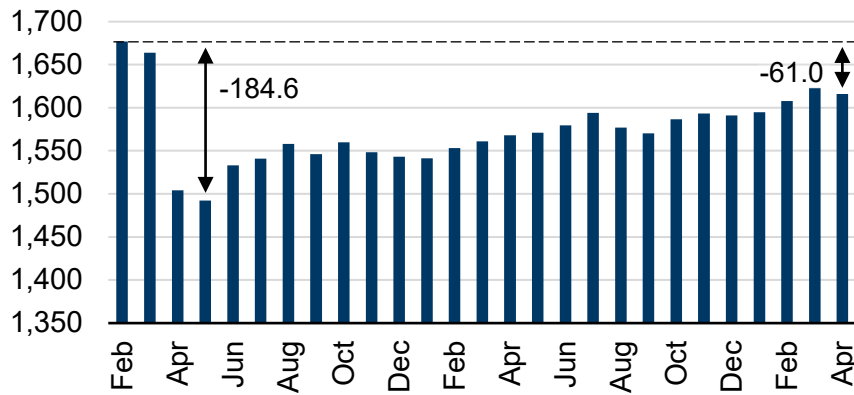
VIRGINIA HAS SEEN PROGRESSIVE RECOVERY OF JOBS LOST, BUT NOT ALL REGIONS HAVE RECOVERED TO THE SAME EXTENT

Employment change from Feb '20 - April '22
 % | absolute employment change, not seasonally adjusted

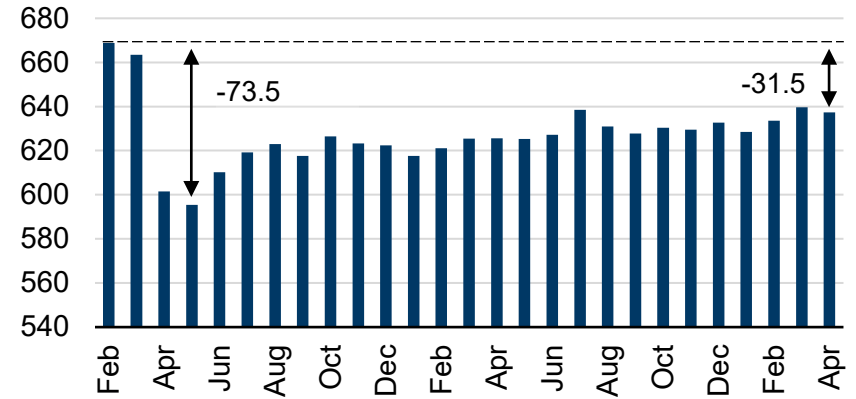


VIRGINIA REGIONAL EMPLOYMENT FEBRUARY 2020 – APRIL 2022: MAJOR METRO AREAS LAGGING

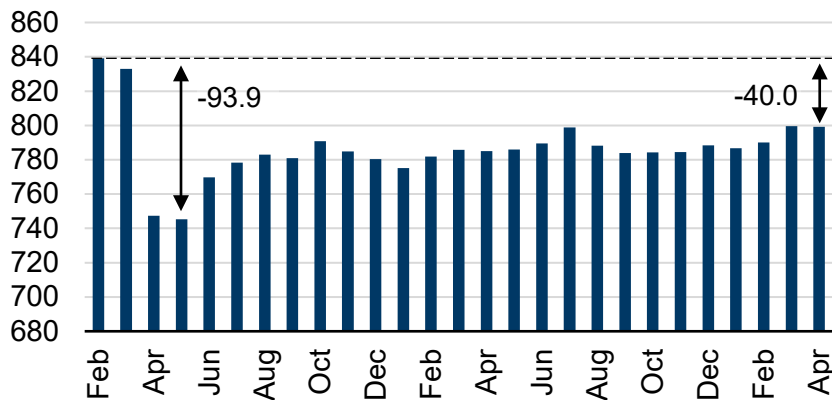
Northern Virginia



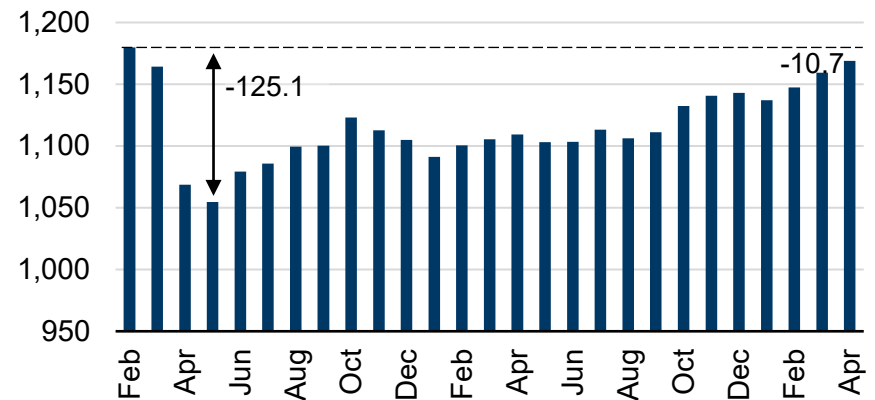
Richmond



Hampton Roads



Balance of state



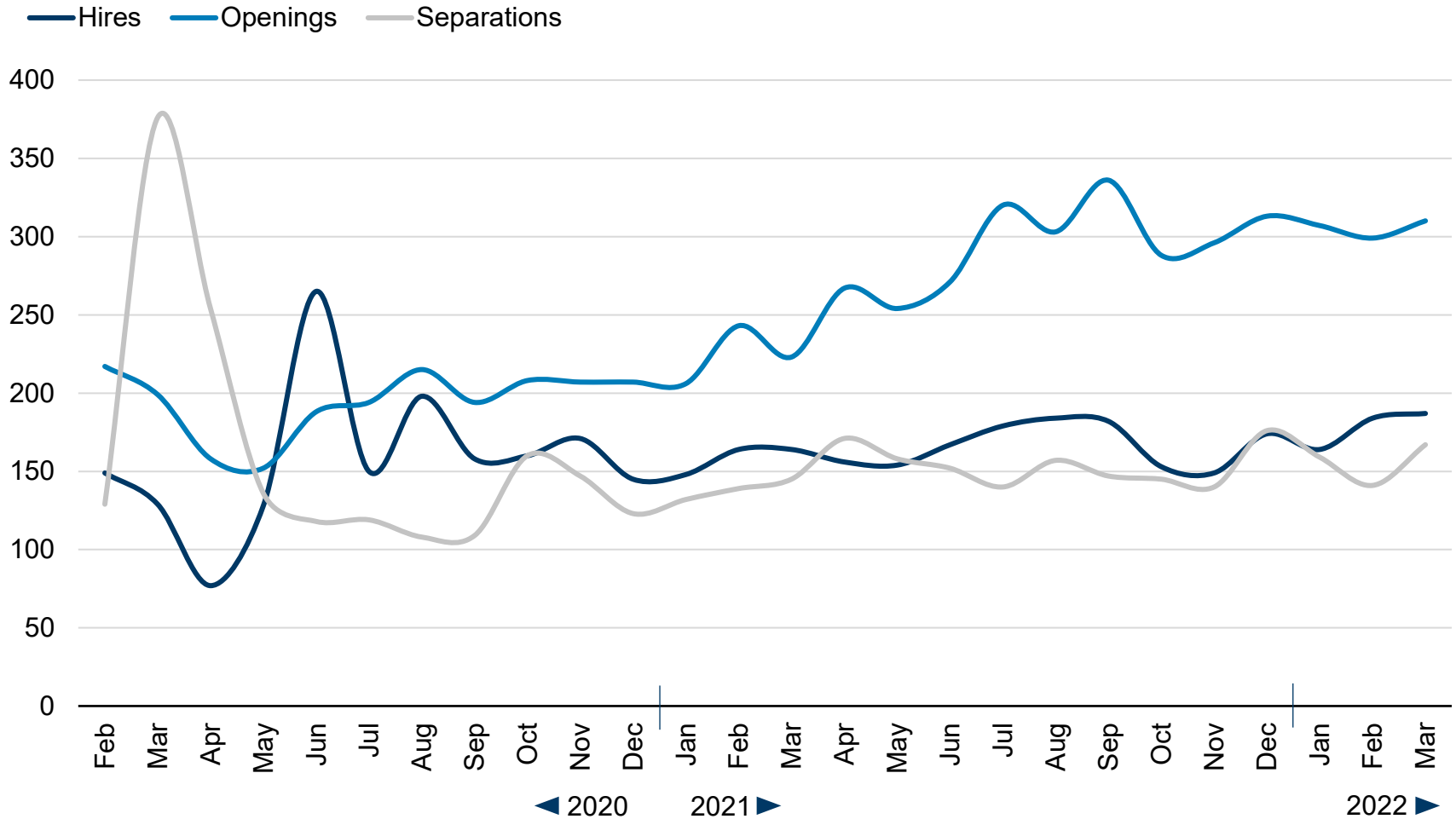
Note: regions based on Metropolitan Statistical Areas – differ slightly from regions used on previous slides

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

JOB OPENINGS HAVE CONTINUED TO RISE OVER THE COURSE OF 2021 AND 2022, REACHING HISTORIC HEIGHTS

Monthly hires, openings, and separations in Virginia

Thousands of hires, openings, and separations, Feb '20 – Mar '22, seasonally adjusted



TECH, HEALTHCARE AND MANAGEMENT OCCUPATIONS ARE AMONG THE MOST IN DEMAND IN VIRGINIA AT PRESENT

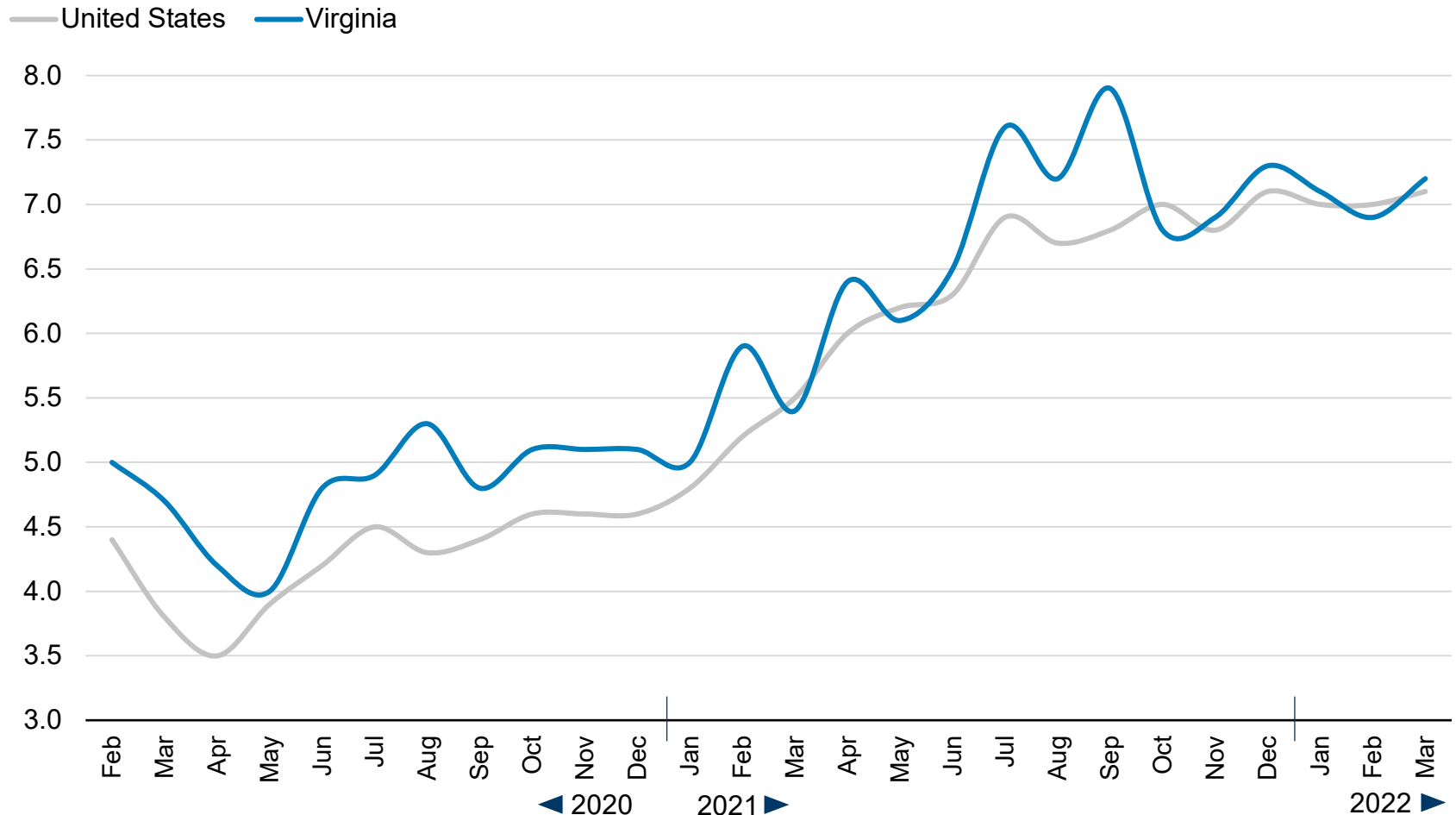
Active job postings in Virginia (Mar / Apr 2022)

Occupation group (2-digit SOC)	Unique active postings	Postings per 100 existing workers	Companies competing
Computer and Mathematical Occupations	71,456	31	5,682
Healthcare Practitioners and Technical Occupations	59,694	27	3,475
Management Occupations	56,768	29	7,831
Sales and Related Occupations	47,469	13	5,334
Office and Administrative Support Occupations	42,468	9	7,820
Business and Financial Operations Occupations	35,867	12	5,497
Food Preparation and Serving Related Occupations	26,535	9	2,037
Transportation and Material Moving Occupations	25,146	8	3,220
Installation, Maintenance, and Repair Occupations	16,045	11	3,000
Healthcare Support Occupations	15,011	10	1,599
Architecture and Engineering Occupations	13,011	17	2,346
Educational Instruction and Library Occupations	12,712	6	1,576

VIRGINIA HAS SEEN A SLIGHTLY HIGHER OPENINGS RATE THAN AT NATIONAL LEVEL, INDICATING DIFFICULT HIRING CONDITIONS

Monthly openings rate in Virginia and the U.S.

Number of openings as a percent of total employment, Feb '20 – Mar '22, seasonally adjusted

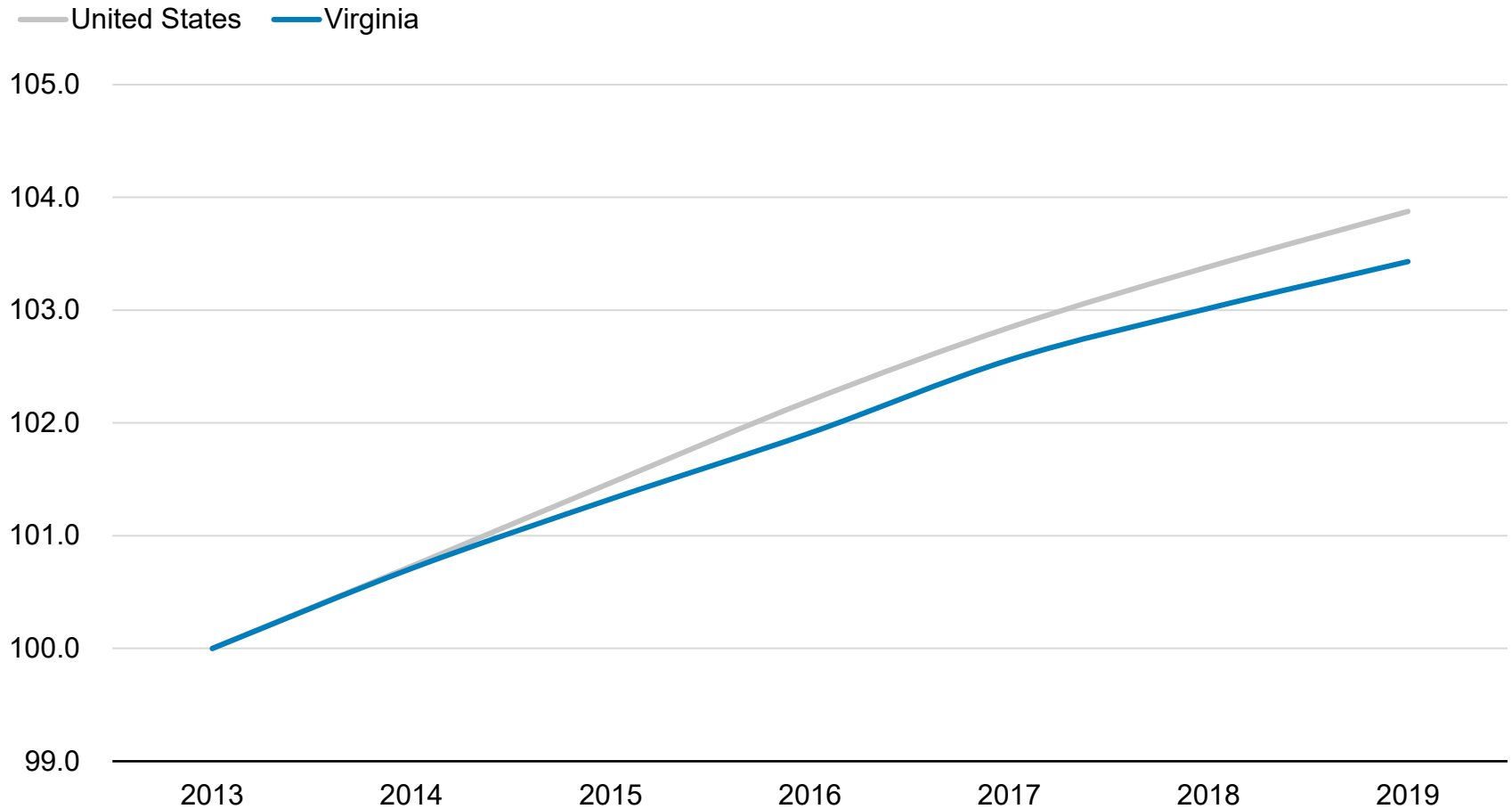


JOB OPENINGS RATE HAS INCREASED SIGNIFICANTLY, BUT LESS RELATIVE TO BENCHMARK STATES

State	Feb 2020 openings rate (%)	State rank	Mar 2022 openings rate (%)	State rank
New York	3.8	1	6.0	2
Pennsylvania	4.1	5	6.5	5
New Jersey	4.4	15	6.5	5
Texas	4.0	3	6.9	15
Illinois	4.2	10	7.2	23
Virginia	5.0	42	7.2	23
Tennessee	4.9	40	7.3	28
Florida	4.4	15	7.5	32
Maryland	5.3	47	7.6	35
Georgia	4.6	28	7.8	40
North Carolina	4.7	31	7.9	43
South Carolina	4.6	28	7.9	43
Massachusetts	4.7	31	8.0	46

IN YEARS LEADING UP TO PANDEMIC, VIRGINIA SAW POPULATION GROWTH GAP WITH U.S. WIDEN

Virginia and United States population growth
Population, 2013 – 2019, indexed to 2013 levels

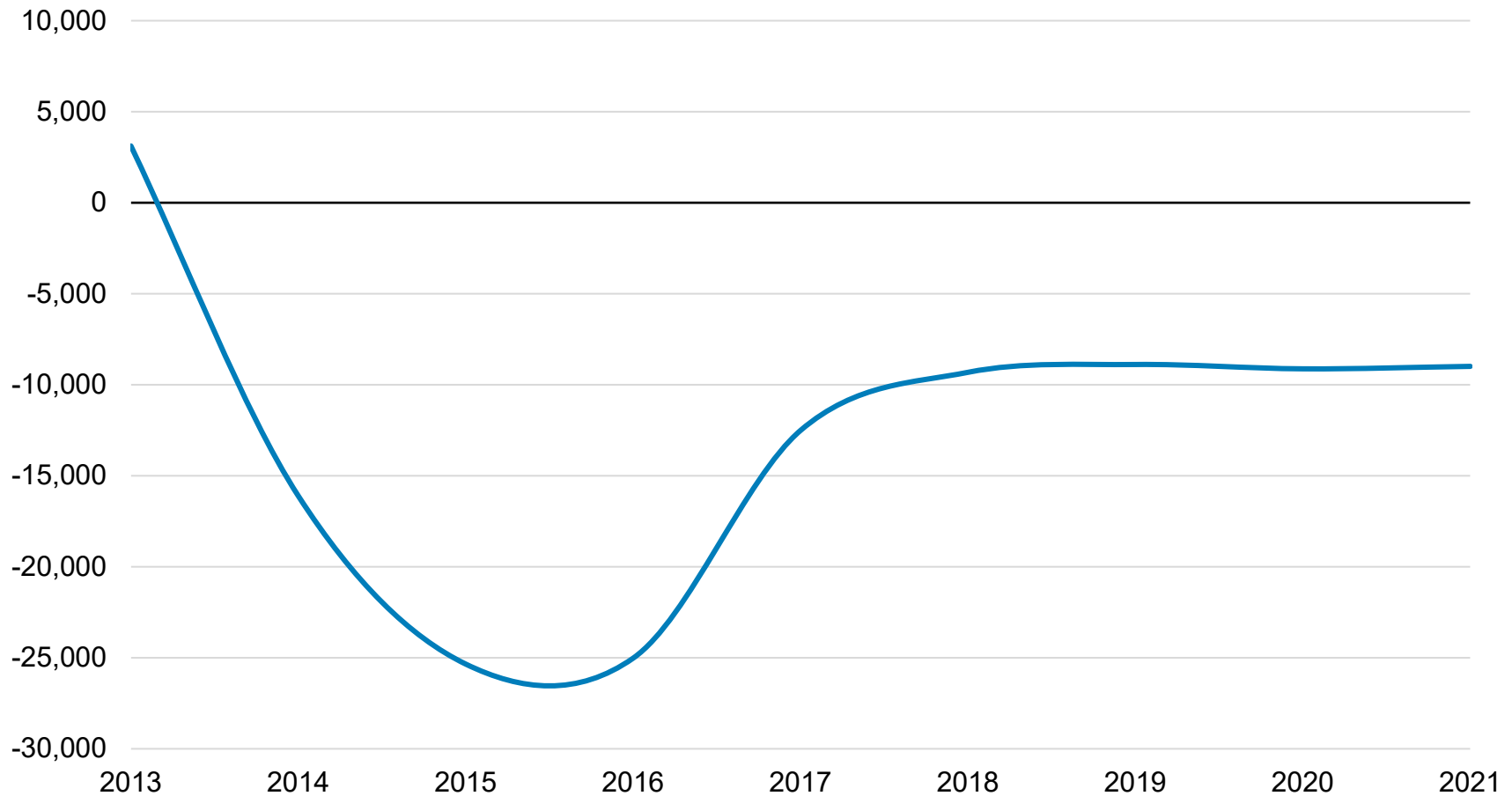


VIRGINIA'S POPULATION GROWTH HAS LAGGED THAT OF MANY HIGH GROWTH COMPETITORS ACROSS THE SUNBELT

State	2013 – 2019 % change	State rank	2020 – 2021 % change	State rank
South Carolina	8.1	10	1.4	5
Texas	9.5	6	1.3	7
Florida	9.9	4	1.1	9
North Carolina	6.6	12	1.1	10
Tennessee	5.2	17	0.9	12
Georgia	6.5	13	0.8	14
Virginia	3.4	21	0.1	26
Maryland	2.1	27	-0.2	38
New Jersey	0.3	41	-0.2	39
Pennsylvania	0.2	43	-0.3	41
Massachusetts	2.7	24	-0.6	45
Illinois	-1.7	50	-1.1	49
New York	-0.9	49	-1.8	50
United States	3.9	-	0.1	-

SINCE 2014, VIRGINIA HAS SEEN NEGATIVE NET DOMESTIC IN-MIGRATION, MEANING MORE PEOPLE LEAVE THAN MOVE TO STATE

Virginia net domestic in-migration
Net domestic in-migration, 2013 – 2021



VIRGINIA HAS ATTRACTED FEWER MOVERS THAN ASPIRATIONAL GROWTH STATES, BUT LOST FEWER THAN HIGH-COST STATES

State	2013 – 2019 net in-migration	State rank ¹	2021 net in-migration	State rank ¹
South Carolina	369,029	2	64,833	4
Florida	1,287,676	6	220,890	7
Tennessee	262,102	15	61,390	10
North Carolina	478,736	9	88,673	11
Texas	1,141,580	13	170,307	16
Georgia	256,919	17	50,632	18
Pennsylvania	-262,633	34	-3,194	32
Virginia	-71,125	27	-8,995	36
New Jersey	-489,683	47	-27,766	41
Maryland	-159,615	40	-19,871	42
Massachusetts	-158,179	37	-46,187	45
Illinois	-865,293	49	-122,460	49
New York	-1,381,877	50	-352,185	50

¹State rank based on domestic net migration as percent of total state population
Source: Census Bureau, Population Estimates Program

Partnership Overview

The Virginia Economic Development Partnership (VEDP) was created by the Virginia General Assembly in 1995 to encourage, stimulate, and support development and expansion of the Commonwealth's economy. To accomplish these objectives, the Partnership focuses on business recruitment, expansion, and international trade. VEDP is governed by a 17-member Board of Directors. The Board selects the President and Chief Executive Officer and ensures that VEDP complies with all Board and statutory directives. The Board works with VEDP's staff to develop, implement, and update strategic and marketing plans for the Commonwealth and an operational plan for VEDP.

With dedicated and knowledgeable professionals committed to Virginia's economic success, VEDP helps businesses find the resources they need to make relocation and expansion successful endeavors.

Board of Directors

Dan M. Pleasant – Chair

Chief Operating Officer
Dewberry

The Honorable Caren Merrick – Vice Chair

Secretary of Commerce and Trade
Commonwealth of Virginia
Ex Officio Member

Nancy Howell Agee

President and CEO, Carilion Clinic
Chair, GO Virginia
Ex Officio Member

Carrie Hileman Chenery

Principal
Valley Pike Partners

C. Daniel Clemente

Chairman and Chief Executive Officer
Clemente Development Company Inc.

The Honorable Stephen E. Cummings

Secretary of Finance
Commonwealth of Virginia
Ex Officio Member

Stephen A. Edwards

CEO and Executive Director
The Port of Virginia
Ex Officio Member

Greg B. Fairchild

Associate Dean for Washington, D.C.
Area Initiatives
University of Virginia, Darden School
of Business

Deborah K. Flippo

Economic Development Program
Manager, Draper Aden Associates, Inc.

Richard "Rick" O. Harrell, III

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

April Kees

Director
Senate Finance and Appropriations
Committee
Ex Officio Member

Ned W. Masee

Croatian Advisors

Vincent J. Mastracco

Partner
Kaufman & Canoles PC

Anne Oman

Director
House Appropriations Committee
Ex Officio Member

Marianne Radcliff

President
Kemper Consulting, Inc.

Xavier R. Richardson

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

Steven David Stone

Equity Principal
Offit Kurman

Committees of the Board of Directors

Executive Committee:

Dan Pleasant, Chair	Marianne Radcliff
Carrie Chenery	Greg Fairchild
Stephen Cummings	Rick Harrell
Caren Merrick	Xavier Richardson

Bylaws Responsibility: The Executive Committee shall be comprised of the Chairman, the Vice Chairman, the Secretary of Finance, and the chairs of the standing committees set forth in Section 4.2. The Executive Committee may take any and all actions required of the full Board when the full Board is not meeting. At the request of the CEO, the Executive Committee will provide guidance to the CEO on issues facing the Authority.

Finance & Audit Committee (Standing Committee):

Greg Fairchild, Chair	April Kees
Stephen Cummings	Caren Merrick
Deborah Flippo	Steven Stone
Rick Harrell	

Bylaws Responsibility: The primary purposes of the Finance and Audit Committee (FAC) are to review and recommend to the Board the Authority's annual Operational Plan, which includes the proposed budget and proposed performance metrics for the coming Fiscal Year; be the primary Board contact with the Auditor of Public Accounts (APA), accept from the APA the Authority's annual audit and work with the Authority staff to resolve any deficiencies noted in the audit; receive (through the FAC Chair) fraud and abuse claims and make inquiries regarding their authenticity; and be the primary Board contact with the Internal Auditor, accept audit reports from the Internal Auditor and work with the Authority staff to resolve any deficiencies noted in an audit. **Additional Responsibilities: See the attached Finance and Audit Committee Charter.**

Personnel Committee (Standing Committee):

Carrie Chenery, Chair	Ned Masee
April Kees	Xavier Richardson

Bylaws Responsibility: The primary purposes of the Personnel Committee are to: At the request of the Executive Committee, evaluate the performance of the CEO; and at the request of the CEO, provide guidance to the CEO on personnel issues facing the Authority.

Nominating Committee (Standing Committee):

Xavier Richardson, Chair	Ned Masee
Carrie Chenery	Vince Mastracco

Bylaws Responsibility: The primary purpose of the Nominating Committee is to nominate and present a slate of qualified candidates for the Board officer positions.

Legislation Committee (Standing Committee):

Marianne Radcliff, Chair	Deborah Flippo
Nancy Howell Agee	Ned Masee
Carrie Chenery	Vince Mastracco
Dan Clemente	

Bylaws Responsibility: The primary purposes of the Legislation and Policy Committee are to coordinate efforts of the Directors to advocate the Authority's interests with legislators, Administration officials and other external stakeholders; and at the request of the CEO, provide guidance on legislative and budget initiatives to be advanced by the Authority.

Rural Action Committee (Standing Committee):

Rick Harrell, Chair	Stephen Edwards
Nancy Howell Agee	Deborah Flippo
Carrie Chenery	Caren Merrick

Bylaws Responsibility: The primary purposes of the Rural Virginia Action Committee are to explore the challenges and opportunities of attracting jobs and capital investment to underserved and distressed communities in the Commonwealth; and, provide guidance to the Authority and other stakeholders on policies and practices to enhance economic development opportunities in underserved and distressed communities in the Commonwealth.

Statutory Advisory Committees

Statutory Advisory Committee Members:

Beth Doughty

Beth Doughty LLC

Bob Feeser

President
Riverwind Advisors, LLC

Tag Greason

Chief Hyperscale Officer
QTS Data Centers

Greg Hitchin

Director, Economic
Development and Tourism
City of Waynesboro

John Kilgore

Executive Director
Scott County Economic
Development

H. Michael Ligon

Retired Vice President of
Corporate Affairs
Universal Corporation

The Honorable Matthew Lohr

Secretary of Agriculture
and Forestry
Commonwealth of Virginia

Stuart S. Malawer, JD, PhD

Distinguished Service
Professor of Law &
International Trade
George Mason University

John G. Milliken

Chairman
Virginia Port Authority

Amy Parkhurst

Senior Vice President of
Business Development
Hampton Roads Alliance

Paige Read

Director of Tourism and
Economic Development
Town of Culpeper

Curry Roberts

President
Fredericksburg Regional
Alliance

Matthew Rowe

Director of Economic
Development
Pittsylvania County

Leonard Sledge

Director, Department of
Economic Development
City of Richmond

David White

Executive Vice President
Virginia Maritime
Association

Christina Winn

Executive Director
Prince William County
Department of Economic
Development

James Yongjije Xu

Executive Vice President
Evergreen Enterprises

Business Development & Marketing (Advisory Committee):

Beth Doughty, Chair
Greg Hitchin, Vice Chair
Deborah Flippo
(VEDP Board Appointee)
John Kilgore
Amy Parkhurst

Paige Read
Curry Roberts
Matthew Rowe
Leonard Sledge
Christina Winn

Bylaws Responsibility: The primary purpose of the Advisory Committee on Business Development and Marketing is to advise the Board on all matters relating to business development and marketing and make recommendations upon request of the Board.

International Trade (Advisory Committee):

Mike Ligon, Chair
Bob Feeser, Vice Chair
Tag Greason
Matthew Lohr
Stuart S. Malawer, JD, PhD

John G. Milliken
Ned Masee
(VEDP Board Appointee)
David White
James Yongjije Xu

Bylaws Responsibility: The primary purposes of the International Trade Committee are to advise the Board on all matters relating to international trade and trade promotion; and, make such recommendations to the Board as the Committee may deem desirable.

Employment Verification (Advisory Committee):

Stephen Cummings
April Kees

Caren Merrick
Anne Oman

Bylaws Responsibility: The primary purposes of the Advisory Committee on Employment Verification are to review employment information received from the Virginia Employment Commission in order to assist the Division of Incentives with the verification of employment and wage claims of businesses that have received discretionary economic development incentives.

Additional Responsibilities: Any such information received by the Committee on Employment Verification shall be confidential and shall not be (i) disclosed by a member of the Committee on Employment Verification to anyone other than another member of the Committee on Employment Verification or an employee of the Authority, or (ii) subject to disclosure under the Virginia Freedom of Information Act.

AGENDA

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY EXECUTIVE COMMITTEE MEETING

JUNE 22, 2022

3:30 P.M. - 5:00 P.M.

**901 East Cary Street
James Center One, Katherine Johnson Room
Richmond, VA 23219**

- | | |
|------------------------------|--|
| 3:30 p.m. – 3:33 p.m. | Welcome/Call to Order — Dan Pleasant, Chairman |
| 3:33 p.m. – 3:35 p.m. | Public Comment Period |
| 3:35 p.m. – 3:40 p.m. | Approval of Minutes for 3/16/22 Meeting |
| 3:40 p.m. – 3:50 p.m. | President’s Report — Jason El Koubi |
| 3:50 p.m. – 4:00 p.m. | Internal Audit Risk Assessment and Audit Plan — DHG <ul style="list-style-type: none">▪ Action Item: Vote to Accept |
| 4:00 p.m. – 4:50 p.m. | CLOSED SESSION: FY23 Performance Metrics; Personnel |
| 4:50 p.m. – 4:55 p.m. | Votes Regarding Closed Session Items |
| 4:55 p.m. – 5:00 p.m. | Topics for Next Meeting |
| 5:30 p.m. | ADJOURNMENT |

**Minutes
Executive Committee Meeting
Board of Directors of the Virginia Economic Development Partnership Authority
March 16, 2022
4:00 p.m.**

**901 East Cary Street
One James Center, Katherine Johnson Room
Richmond, VA 23219**

Welcome and Call to Order

The meeting was called to order at 4:15 p.m. by Chair Dan Pleasant, who noted that a quorum was present.

In person Committee Members: Dan Pleasant, Carrie Chenery, Secretary Stephen Cummings, Greg Fairchild, Rick Harrell, Secretary Caren Merrick, Marianne Radcliff, and Xavier Richardson

Committee Members Absent: None

Other Board Members: Stephen Edwards, Deborah Flippo, Ned Masee, and Vince Mastracco

VEDP Staff Members: Jason El Koubi, Nicole David, Stephanie Florie, Jennifer Garrett, Sandi McNinch, and Tim Stuller

Guests: None

Public Comment Period

Chair Pleasant solicited public comments. There were none.

Approval of Minutes for October 20, 2021 and November 17, 2021

Chair Pleasant asked for approval of the minutes from the October 20, 2021 and November 17, 2021 Committee meetings. A motion was made by Ms. Radcliff and seconded by Mr. Richardson and the motion was approved. Mr. Fairchild was absent for the vote.

President's Report

Chair Pleasant introduced Mr. El Koubi to deliver the President's Report.

Mr. El Koubi stated that the last several months have been a significant time of transition with the VEDP President and CEO role, the new Administration coming in, and the General Assembly session.

Mr. El Koubi shared an update on Business Investment metrics for the fiscal year. He said that VEDP is at about 70% for the fiscal year. He reported that the team has blown the cap ex goal out of the water, due to data centers and other projects. He said the team also recently met the jobs goal for the fiscal year, and exceeded the leads converted goal. He said VEDP is ahead of schedule on the leads generated target and on track to achieve that goal as well.

Mr. El Koubi shared information on the project pipeline. He said it is very significant with 350 projects currently in the pipeline. He said that we are living in the era of mega projects. He explained that VEDP is seeing very large manufacturing projects that generally create more than 1,000 jobs and \$1 billion in cap ex. He said VEDP is seeing these opportunities on a frequent basis and the team is spending a lot of time managing these opportunities.

Chair Pleasant asked which jobs are included in “VEDP-assisted projects?” Mr. El Koubi answered that these are direct jobs that are announced by the Governor for the fiscal year and in which VEDP had a direct role in assisting the projects.

Mr. El Koubi shared that VEDP’s International Trade team is on track to meet its goal of enrolling 360 companies in Trade programs this fiscal year.

Mr. El Koubi said the Virginia Talent Accelerator Program continues to ramp up with the team supporting a nice mix of VEDP-assisted projects.

Mr. El Koubi explained that he, Mr. Hartka, the Research team, and others at VEDP have been working closely on analyzing economic recovery data and have been sharing these insights with partners, including the new Administration. Mr. El Koubi shared some of the latest data with the Committee and the members engaged in a discussion about the information.

Secretary Merrick and Secretary Cummings spoke about how the new Administration is taking a cross-agency approach to finding innovative ways to attract jobs and address workforce challenges to meet the Governor’s goals. They offered to share the data pack that the Administration is building that shares insightful economic data at the next Committee meeting.

Mr. El Koubi provided an update on VEDP’s major initiatives for the year. He said that VEDP is making great progress but noted a few initiatives are behind schedule due to various factors. He said VEDP should be able to catch up on those by the end of the fiscal year or the very beginning of FY23. He said that the one exception may be the initiative related to data management capabilities within the BI function. He explained that this initiative may not be completed on time, mostly due to the fact that this team has been under water managing a large number of project opportunities and they have not been able to focus enough attention on this area.

Mr. El Koubi highlighted a few programs/initiatives, including the Virginia Talent Accelerator Program, the Virginia Business Ready Sites Program, and the International Trade plan, stating that VEDP hopes to receive additional funding to implement additional elements of each.

Mr. El Koubi shared notable developments since the last Board meeting.

Mr. El Koubi spoke about the increased level of project activity and active involvement across VEDP with the General Assembly session and the Youngkin Administration.

Mr. El Koubi highlighted Virginia being named state of the year for Overall Business Climate by *Business Facilities*.

Mr. El Koubi shared other organizational highlights including completion of the Value Prop initiative; the launch of VEDP's Real Estate Solutions division; continued expansion of the Virginia Talent Accelerator Program to meet project demand; completion of Virginia Business Ready Sites Program (VBRSP) grants; and implementation of additional elements of the International Trade Plan.

Mr. El Koubi highlighted the Q4 2021 issue of *Virginia Economic Review*, which was co-mailed with *Chief Executive* magazine in January of 2022. He explained that readers of Chief Executive inform how Virginia shows up in their own ranking, which is a perception-based ranking, so it is advantageous for Virginia to tell its story to this audience.

Mr. El Koubi spoke about the recent round of Virginia Business Ready Sites Program grants, which was the largest ever at \$7 million. He said the feedback from the communities that were served by those grants has been very positive. He added that while this is a great start, Virginia needs to do much more on site development.

Mr. El Koubi shared that he recently completed annual Staff & CEO Sync Ups, where he met with staff in small groups to get feedback on how things are going. He said that there were no major concerns or big surprises coming out of those meetings.

Mr. El Koubi shared his top priorities for the next few months.

Mr. El Koubi highlighted ensuring that VEDP does a great job managing project opportunities, including several high-impact projects; working to support the alignment and launch of the significantly expanded site development initiative; refining VEDP's FY23 Operational Plan and Marketing Plan; and conducting searches for important VEDP leadership positions, including General Counsel to replace Sandi McNinch who is retiring later in 2022 and Vice President of Research. Mr. El Koubi recognized Mr. Hartka for stepping in to serve as Interim Vice President of Research.

Mr. El Koubi also spoke about the upcoming Site Consultant Symposiums and the State Tour for Secretary Merrick, stating that multiple VEDP teams are working to coordinate these important events.

Mr. El Koubi spoke about upcoming VEDP staff engagement opportunities including Annual Career Conversations and the Q1 VEDP All-Staff Meeting.

Mr. El Koubi thanked the Board for their support during the current leadership transition period at VEDP. He shared that it continues to be a very busy time at VEDP and that a lot of staff members are working very hard, in some cases unsustainably hard, and that is something the organization's leadership needs to continue to work on to find balance as things move forward.

Secretary Merrick said that Mr. El Koubi and the entire VEDP team are doing extraordinary work and that it has been a delight to work with the organization. She added that she looks forward to all the Administration and VEDP will accomplish together.

Chair Pleasant thanked Mr. El Koubi for his report and his leadership.

Closed Meeting:

Business Outreach Strategy (BRE/Talent Solutions); FY23 Operational Plan Development; Personnel

A motion was made by Mr. Harrell and seconded by Mr. Richardson to move into a closed meeting. The motion shown below was unanimously approved by the members.

I MOVE THAT THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY CONVENE A CLOSED MEETING

PURSUANT TO VIRGINIA CODE §2.2-3711(A)(1) TO ENGAGE IN A DISCUSSION, CONSIDERATION OR INTERVIEWS OF PROSPECTIVE CANDIDATES FOR EMPLOYMENT, AND REGARDING THE ASSIGNMENT, APPOINTMENT, PROMOTION, PERFORMANCE, DEMOTION, SALARIES, DISCIPLINING, OR RESIGNATION OF VEDP'S EMPLOYEES, INCLUDING COMPENSATION, FRINGE BENEFITS AND SUCCESSION PLANNING RELATED TO THE TRANSITION IN EXECUTIVE MANAGEMENT AT VEDP; AND PURSUANT TO VIRGINIA CODE §2.2-3711(A)(50) TO ENGAGE IN A DISCUSSION OR CONSIDERATION OF THOSE PORTIONS OF VEDP'S STRATEGIC PLAN, MARKETING PLAN OR OPERATIONAL PLAN, THAT MAY RELATE TO 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.

Mr. El Koubi asked that VEDP staff be allowed to stay for the closed meeting for all matters, with the exception of Personnel, and Chair Pleasant agreed.

Back in Open Meeting, Certification of Closed Meeting – Followed by a Roll Call vote:

WHEREAS, THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY HAS CONVENEED A CLOSED MEETING ON THIS DATE PURSUANT TO AN AFFIRMATIVE RECORDED VOTE AND IN ACCORDANCE WITH THE PROVISIONS OF THE VIRGINIA FREEDOM OF INFORMATION ACT; AND

WHEREAS, THE ACT REQUIRES A CERTIFICATION BY THIS COMMITTEE THAT SUCH CLOSED MEETING WAS CONDUCTED IN CONFORMITY WITH THE ACT;

NOW, THEREFORE, BE IT RESOLVED, THAT THE COMMITTEE CERTIFIES THAT, TO THE BEST OF EACH MEMBER'S KNOWLEDGE, (I) ONLY PUBLIC BUSINESS MATTERS LAWFULLY EXEMPTED FROM OPEN MEETING REQUIREMENTS UNDER THE ACT WERE DISCUSSED IN THE CLOSED MEETING TO WHICH THIS CERTIFICATION RESOLUTION APPLIES, AND (II) ONLY SUCH PUBLIC BUSINESS MATTERS AS WERE IDENTIFIED IN THE MOTION BY WHICH THE CLOSED MEETING WAS CONVENED WERE HEARD, DISCUSSED, OR CONSIDERED IN THE CLOSED MEETING BY THE COMMITTEE.

Upon the vote:	Chair Pleasant	Aye
	Carrie Chenery	Aye
	Secretary Cummings	Absent for the Vote
	Mr. Fairchild	Aye
	Mr. Harrell	Aye
	Secretary Merrick	Aye
	Ms. Radcliff	Aye
	Mr. Richardson	Aye

Next Meeting and Adjournment

The next meeting of the Executive Committee will be held on June 22, 2022 time TBD. There being no further business, the meeting was adjourned at 5:18 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary

PRESIDENT'S REPORT

June 2022

TOPICS FOR TODAY

FY22 performance metrics to date: BI and Trade

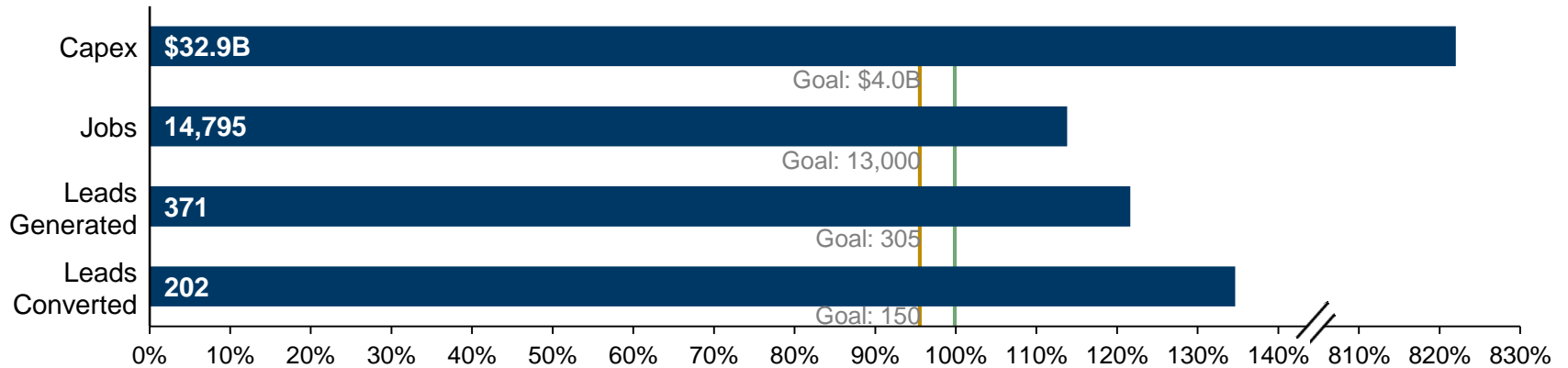
FY22 operational plan – progress dashboard

Notable developments since last meeting

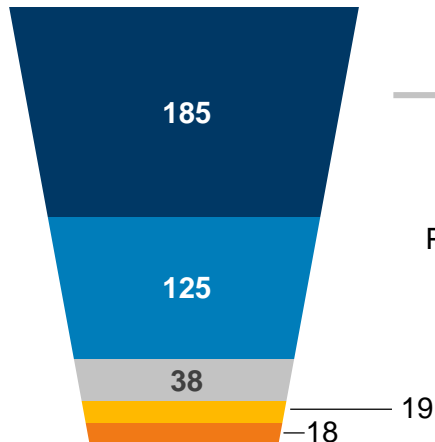
Top priorities for the next few months

PROGRESS AND PIPELINE FOR VEDP-ASSISTED PROJECT DECISIONS TO-DATE JULY 1, 2021 – JUNE 14, 2022 (95.9% THROUGH FY22)

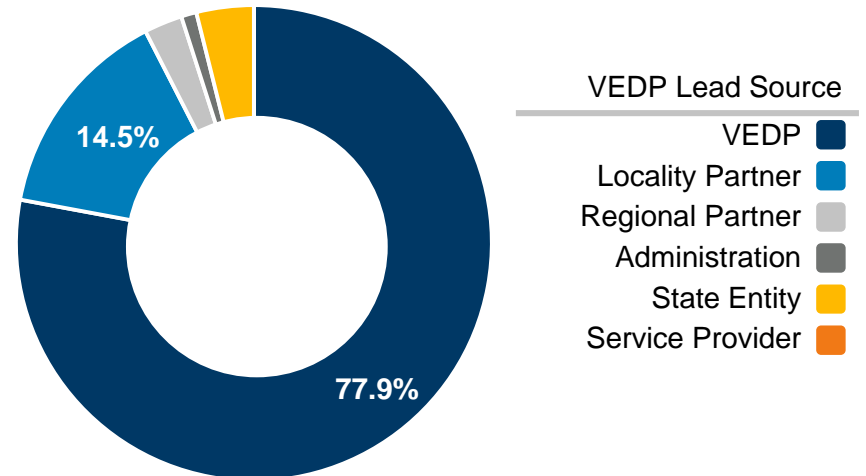
VEDP-Assisted Project Decisions
N = 100



VEDP Open Pipeline (385)

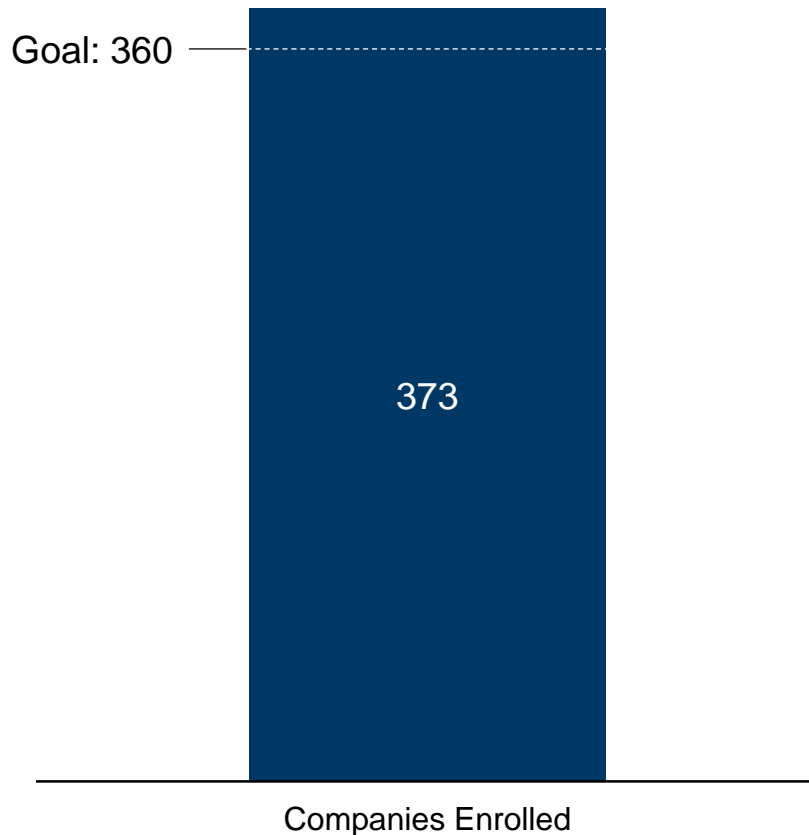


% of VEDP Leads for Open Pipeline



VEDP'S INTERNATIONAL TRADE DIVISION IS ON TRACK TO EXCEED ITS GOAL OF ENROLLING 360 COMPANIES IN FY22

Companies enrolled in trade programs
July 1, 2021 to June 3, 2022










FY21 Summary

- In FY21, a total of 330 companies enrolled in international trade programs (103% of goal).
- These companies attributed \$670M in international sales and 6,030 trade-supported jobs to VEDP's international trade programs.








Next Steps

- International Trade is preparing to survey FY22 enrolled companies beginning in July.
- The data from the annual survey will be available in September and will be used to update sales and job metrics for FY22.

FY22 OPERATIONAL PLAN PROGRESS TRACKER: MAJOR INITIATIVES (1 OF 2)

	Major initiative	Primary owner	Status (% complete)	Comments	Next steps
1.	Develop a playbook to become one of America's top states for tech sector growth across Virginia	Welch	 90%	Rural Tech Phase 3 companies identified, completing outreach by end of June	Hit the ground running on FY23 tech growth initiatives
2.	Build out the best customized workforce recruitment & training incentive program in the U.S.	Grundmann	 95%	Engaged with 99 new opportunities; prepared 48 proposals; hired 8 FYTD	Expand Video Services capacity by hiring writer/producer/editor
3.	Expand the Virginia Business Ready Sites Program with a strategic approach and statewide participation	Devan	 95%	Secured significant additional funding for VBRSP and have been proactively working with high-priority sites to prepare them to apply for funding	Update guidance and timing for VBRSP applications in-line with anticipated incremental grant funding (\$34M in July 2022, with incremental funding at the end of CY22 and in FY24)
4.	Expand exports and imports through implementation of high priority initiatives in the International Trade Plan	Agee	 95%	Implemented no-cost ITP initiatives and made substantial progress on initiatives funded in FY22	Continue implementation of FY22 initiatives and begin work on initiatives that will be funded in FY23
5.	Establish, design, and launch the newly created Virginia Office of Education Economics within VEDP	McKay	 95%	Began data visualization process; completed first phase of web platform development; continued building data sets	Collect stakeholder feedback on web platform; conduct analysis and visualize other occupational areas
6.	Develop and implement a comprehensive HR talent management strategy	Cox	 65%	Implemented Onboarding and Time & Attendance modules; finalizing FY22 division comp study; developed learning & development strategy; launched internship program	Determine divisions for comp studies for FY23; consider consultant for career paths; roll-out learning & development plan; implement performance evaluation and learning management systems
7.	Complete launch and implementation of Team Virginia to enhance consultant and executive perceptions of Virginia	Melançon	 100%	FY22 events were successful	Planning underway for FY23

FY22 OPERATIONAL PLAN PROGRESS TRACKER: MAJOR INITIATIVES (2 OF 2)

	Major initiative	Primary owner	Status (% complete)	Comments	Next steps
8.	Complete value prop materials for all target sectors and facilitate ongoing updates	Melançon; Hartka	 95%	All industries complete and brochures printed; update process in development	Finalize process for maintaining information and updating materials (likely to continue into July)
9.	Build processes and capabilities needed to effectively and efficiently produce holistic project responses	Barnett; Hartka	 95%	Collected feedback and developed plan of action; developed new processes	Day-long internal training on new processes scheduled for July due to limited availability
10.	Further develop and execute strategies to capture post-COVID economic recovery and growth opportunities	Devan	 95%	Supported four applications and two finalists for Build Back Better funding; developed content to spread awareness of federal infrastructure grants	Support Build Back Better Regional Challenge applications for two VA finalists; support cluster growth regardless of outcome; explore NSF funding opportunities
11.	Implement a best-in-class BRE program, including clear protocols, high productivity, and reporting of insights	Barnett	 n/a	Initiative has been paused due to the program transition to Talent Solutions	Evaluate BRE program and evaluate transition to Talent Solutions
12.	Develop a comprehensive strategy for supporting local and regional EDOs	Watkins; Morton	 25%	Supported partners' EDA grant applications and providing support for federal infrastructure grants	Planning for LRCI refresh; development of pilot program for technical support for EDOs <u>paused due to lack of funding</u>
13.	Improve data management and capabilities to expand utilization across VEDP to better guide activities	Barnett; Melancon	 30%	Continued cross-divisional assessment to identify current processes, resources, and utilization	Finalize existing processes and needs assessment; research potential technology tools
14.	Fully leverage IT platforms to enhance organizational effectiveness	Hughes	 40%	Completed survey and interview portion of IT assessment; SOW ready for next steps of Office 365 best-practice deployment	Develop collaboration vision; meet with ELT for organizational buy-in and develop collaboration champions; implement collaboration vision to fully leverage IT platforms in secure manner

NOTABLE DEVELOPMENTS SINCE OUR LAST BOARD MEETING

- Continued strong engagement in business development activity (project announcements and cultivation of opportunities in the pipeline)
- Participated in Secretary Merrick's tour of Southwest Virginia, with other regional tours on the calendar and being planned over the next several months
- Organized Consultant Symposiums: three events between late-April and early-May; hosted 28 site consultants in collaboration with Team Virginia
- Completed two executive leadership team searches: Stephen Hartka, VP of Research and Lisa Wallmeyer, General Counsel
- Finalized drafts of VEDP's FY23 Operational Plan and FY23 Marketing Plan for approval by VEDP's Board of Directors
- Distributed Q1 2022 issue of *Virginia Economic Review: Life Sciences* mailed late March
- Held VEDP All-Staff Meeting (6/17)

TOP PRIORITIES FOR THE NEXT FEW MONTHS

- Aggressively cultivate several high-impact economic development projects
- Finalize VEDP's leadership structure to improve organizational effectiveness, capacity, and resiliency
- Complete searches for VEDP's Vice President of Incentives, Vice President of Information Technology, and Vice President of Human Resources
- Oversee strong execution of newly funded activities and other FY23 major initiatives, including site development, International Trade Plan, Virginia Talent Accelerator Program, VOEE initiatives, and BI and related staff capacity enhancements
- Participate in regional tours with Secretary Merrick and team
- Complete annual performance evaluations for VEDP Staff
- Publish *Q2 2022 issue of Virginia Economic Review*, which focuses on the partnership between higher Ed and the private sector
- Begin work on VEDP's FY22 Annual Report

THANK YOU



Virginia Economic Development Partnership

Internal Audit Risk Assessment for FY23

May 13, 2022

Table of Contents

Objective, Scope, and Procedures	1
Internal Audit Plan	5
Appendix A: Functional Area Potential Risks	7

Confidential: The use of this document is intended solely for internal purposes by the management of **VEDP** and should not be distributed to third parties or used for any other purposes unless specified by law.

Objective, Scope, and Procedures

Our objective was to complete the annual Virginia Economic Development Partnership (VEDP) Internal Audit risk assessment and develop the FY23 Internal Audit Plan. It is important to note that the potential risks identified in this report don't necessarily point to known control weaknesses, since testing would have to be performed to determine the controls that exist and how these risks are managed. We collaborated with VEDP to perform the following tasks, which are further outlined in the Scope and Procedures section below.

- Information Gathering
- Perform Risk Assessment and Identify the Audit Universe
- Develop the FY23 Internal Audit Plan

This section provides a detailed outline of the key steps we performed:

Information Gathering

1. We obtained and reviewed:
 - VEDP's Organization Chart
 - VEDP's Operational Plan
 - Various VEDP Policy and Procedures
 - Recent external audits of VEDP performed by the Auditor of Public Accounts (APA)
 - Other documentation specific to individual VEDP functional areas
2. We performed 18 interviews, which included the following:
 - The Chairman of VEDP's Board of Directors
 - The Chairman of the Finance and Audit Committee (FAC) of the VEDP's Board of Directors
 - The VEDP Executive President and CEO
 - The Vice President and other leaders from each VEDP functional area

Perform Risk Assessment and Identify the Audit Universe

For each functional area, we identified key processes and evaluated their associated risks based on the information we gathered. We then assessed the potential likelihood of risks not being mitigated and the significance of its impact to VEDP based on the following table:

RISK LEVEL	EXAMPLES
High	<ul style="list-style-type: none"> * Events may result in significant non-compliance with legal / regulatory requirements * Events may result in significant concerns with the accuracy of financial reporting * Events may result in sustained or serious loss of earnings, cash flow or credit * Events may create significant opportunity for fraud, such as misappropriation of assets or fraudulent financial reporting * Significant reliance on technology exists, and sufficient automation does not exist * Key operational processes are not mature or properly monitored / controlled * Significant issues remain unresolved from previous audits * Key personnel resources do not exist or are not competent * An issue materializing is probable and requires Board attention and Senior Management action * Volume of transactions is significant * Dollar amount of transactions is significant * Events may result in significant adverse publicity or serious loss in brand value * Events may have significant negative impact on the accomplishment of the Operating / Strategic Plan
Medium	<ul style="list-style-type: none"> * Events may result in a moderate level of non-compliance with legal / regulatory requirements * Events may result in some concerns with the accuracy of financial reporting * Events may result in some loss of earnings, cash flow or credit * Events may create some opportunity for fraud, such as misappropriation of assets or fraudulent financial reporting * Moderate amount of reliance on technology exists, and automation needs improvement * Some operational processes are not mature or properly monitored / controlled * Issues that remain unresolved from previous audits are not significant but need attention * Some personnel resources may not exist or are not competent * An issue materializing is possible and requires Senior Management attention and Middle Management action * Volume of transactions is moderate * Dollar amount of transactions is moderate * Events may result in moderate adverse publicity or moderate loss in brand value * Events may have moderate negative impact on the accomplishment of the Operating / Strategic Plan

RISK LEVEL	EXAMPLES
Low	<ul style="list-style-type: none"> * Events are unlikely to result in non-compliance with legal / regulatory requirements * Events are unlikely to impact the accuracy of financial reporting * Events may result in minimal or no loss of earnings, cash flow or credit * Events are unlikely to create opportunities for fraud, such as misappropriation of assets or fraudulent financial reporting * Minimal reliance on technology exists, and sufficient automation exists * Operational processes are sufficient and properly monitored / controlled * Issues from previous audits are resolved or are minor * Personnel resources are sufficient in number and are competent * An issue materializing is unlikely and can be resolved by Middle Management * Volume of transactions is minor * Dollar amount of transactions is minor * Events may result in minimal impact on publicity or brand value * Events may have minimal negative impact on the accomplishment of the Operating / Strategic Plan

Based on discussions with the Board, we added a new category to rate the audit risk for each of the functional areas. The audit risk rating was judgmentally assigned from “High” to “Low” based on the type and number of findings identified during prior audits. Since the Virginia Office of Education Economics and Real Estate Solutions are new functional areas, we rated them as medium.

We compiled the results of the risk assessment and classified the risk in each functional area as “High”, “Medium” or “Low” for each of the following eight risk categories, which were considered when developing the descriptions in the table above:

- Compliance
- Financial
- Fraud
- Technology
- Operational
- Reputation
- Strategic
- Audit

We then assigned an overall composite risk rating of “High”, “Medium” or “Low” to the functional area based on the individual risk ratings of the eight risk categories (see Summary Risk Ratings section). These overall composite risk ratings were then used as the basis for identifying key risk priorities that would be most important to VEDP. However, VEDP management is responsible for making final risk determinations and reporting results to the Board.

Also included for each functional area is a list of potential risks (see Appendix A: Functional Area Potential Risks section) we identified during our information gathering and communications with VEDP Management and the Board. In total, we identified over 200 potential risks across all the functional areas. However, these listings are not intended to be all-inclusive.

Develop the FY23 Internal Audit Plan

After performing the risk assessment, identifying potential risks in the audit universe, and consulting with VEDP we drafted the FY23 Internal Audit Plan. Our Plan is a tool to help VEDP make business risk decisions. However, VEDP Management, in consultation with the Board, is responsible for determining the timing and extent of audit coverage based on their risk appetite and the amount of resources they want to devote to the internal audit process.

Internal Audit Plan

The table on page 6 depicts the audits performed in FY18 thru FY22, and the tentative FY23 thru FY27 Internal Audit Plan (Plan) for VEDP. We have also included in the Plan the completion of the annual risk assessment and follow-up on management action plans from findings issued during these internal audits. These are routine tasks that exist for any internal audit function.

The table below depicts our summary risk rating for each functional area, which are based on the risk rating of the eight risk categories. These individual risk categories are assigned 3 points if rated “High”, 2 points if rated “Medium”, and 1 point if rated “Low”. The points for each of the eight risk categories were totaled to determine the composite rating for each functional area, in accordance with the composite rating point scale below.

High (20 - 24points)
Medium (15 - 19 points)
Low (8 - 14 points)

Functional Area	Compliance	Financial	Fraud	Technology	Operational	Reputation	Strategic	Audit	Composite Rating
Business Investment	High	High	High	High	High	High	High	High	21
Talent Solutions - Other	High	High	High	High	High	High	High	High	21
Human Resources	High	High	High	High	High	High	High	High	20
Incentives	High	High	High	High	High	High	High	Low	20
Real Estate Solutions*	High	High	High	High	High	High	High	High	20
Talent Solutions - VJIP	High	High	High	High	High	High	High	Low	20
Research	High	High	High	High	High	High	High	High	19
Information Technology	High	Low	High	High	High	High	High	High	17
International Trade	High	High	High	High	High	High	High	High	17
Marketing and Communications	Low	High	High	High	High	High	High	Low	17
VA Office of Education Econ*	High	High	Low	High	High	High	High	High	17
External Affairs	High	High	Low	Low	High	High	High	Low	14
Economic Competitiveness	Low	Low	Low	High	High	High	High	Low	13
Fiscal & Support Services	High	High	High	Low	Low	Low	Low	Low	12
General Counsel	High	Low	Low	Low	Low	High	Low	Low	12

* Audit risk for Real Estate Solutions and Virginia Office of Education Economics was rated “Medium” since these functions are new.

We have included the following FY23 thru FY27 Internal Audit Plan for VEDP Management and the Board. The table below also depicts which functional areas were audited in FY18 thru FY22, as well as a one-time audit we performed in FY20 on VEDP’s efforts towards addressing the JLARC findings / recommendations in their November 2016 report. The extent of audit coverage for FY23 thru FY27 will be determined by VEDP Management and the Board based on how many resources they want to leverage for the internal audit function. The current Plan includes each “High” risk function scheduled to get audited twice over from FY23 thru FY27, as compared to one audit for all “Medium” and “Low” rated functions.

High (20 – 24 points)
Medium (15 - 19 points)
Low (8 - 14 points)

Functional Area	Composite Rating	Last Audit Date & Results		Prior Audit Cycle					5 Year Plan				
		Report Date	# of Findings	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Business Investment	21	1/5/2021	3-L				X			X		X	
Talent Solutions - Other	21	4/1/2022	1-M, 1-L					X			X		X
Human Resources	20	1/23/2020	2-H, 6-M			X				X			X
Incentives	20	4/16/2020	1-L			X					X		X
Real Estate Solutions	20	New	-							X		X	
Talent Solutions - VJIP	20	1/1/2021	2-L				X		X			X	
Research	19	5/21/2018	1-H, 4-M, 2-L	X					X				
Information Technology	17	6/4/2018	1-M, 6-L	X					X				
International Trade	17	4/10/2019	2-M, 1-L		X					X			
Marketing and Communications	17	4/15/2021	1-L				X				X		
Virginia Office of Education Econ.	17	New	-								X		
External Affairs	14	12/17/2021	0					X				X	
Economic Competitiveness	13	4/10/2019	2-L		X				X				
Fiscal & Support Services	12	4/1/2022	1-L					X					X
General Counsel	12	12/13/2021	1-L					X				X	
Annual - Risk Assessment	N/A	N/A	N/A	X	X	X	X	X	X	X	X	X	X
Annual - Action Plan Follow-up	N/A	N/A	N/A	X	X	X	X	X	X	X	X	X	X
JLARC Remediation Audit	N/A	5/5/2020	N/A			X							

Appendix A: Functional Area Potential Risks

This section includes potential risks for each functional area that were identified during our information gathering and communications with VEDP Management and the Board. These potential risks don't necessarily point to known control weaknesses since testing would have to be performed to determine the controls that exist and how these risks are managed. These risks will be evaluated in our audits.

Functional Area – Business Investment (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- System integrity controls over data entry and reporting in Salesforce
- Lead Generation strategy / plan for targeting companies/ campaigns, Business Retention and Expansion (high yield, impact, etc.)
- Project documentation (timely, accurate, complete, etc.)
- Project management
- Lead Generation / industry teams (domestic and international)
- International contractor management
- Collaboration with external stakeholders
- Confidentiality of company information and conflict of interest management
- External stakeholder feedback mechanisms
- Outbound call center (scripting, metrics, lead generation, etc.)
- Type and location of customers targeted
- Administration of business ready laws
- Cross divisional discussion about trade show success/issues

Functional Area – Talent Solutions – Other (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Client needs and training analysis (consulting services)
- Client eligibility
- Project budgeting / approval
- Marketing presentations
- Client assistance (communication, frequency, etc.)
- Program funding
- Client letters (incentives, commitment, retraining, etc.)
- Salesforce data entry
- Project management / documentation
- Press releases
- Data collection / documentation standards
- Custom workforce program development
- Confidentiality of client information

Functional Area – Human Resources (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Employee feedback mechanisms (engagement survey, etc.)
- Number of and skill sets of resources across all functional areas
- Diversity program
- Performance evaluation process and calibration
- Rewards and recognition program
- Job descriptions / employee work profiles
- New hire orientation programs / onboarding
- Recruiting / hiring practices
- Termination processing
- Fiscal related payroll assistance
- Background checks
- Benefits administration
- Overtime
- Career pathing
- Teleworking
- Human resource information / management system
- Virginia Tourism Corporation assistance

Functional Area – Incentives (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Due diligence on companies
- Incentives structuring (ROI analysis, etc.)
- Project Review and Credit Committee assistance
- Incentive management and program compliance – reporting / monitoring of job creation, wages paid, capital expenditures, etc. (during and after performance period)
- Project Review and Credit Committee approval
- Clawback provisions
- Certification of companies eligible to decrease income taxed
- Adherence to performance extensions
- Salesforce data entry / documentation / reporting
- Business ready sites program

Functional Area – Real State Solutions (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Review of Brownfields Assistance Fund applications
- Maintenance of the VA Real Estate database tool
- Use of grant funds and compliance with requirements
- Real Estate subject matter expertise consulting
- Support of business ready sites
- Management of the Real Estate Development strategic plan
- Stakeholder reporting and presentations
- Managing Regional and Local Real Estate Familiarization Tours
- Train local and regional partners on the Real Estate database tool

Functional Area – Talent Solutions - VJIP (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Client needs and training analysis (consulting services)
- Client eligibility
- Project budgeting / approval
- Marketing presentations
- Client reimbursement requests (data validation / reconciliation with VA Employment Commission, duplicate payments, sufficiency of documentation, legitimacy of business, etc.)
- Grant reimbursement (timeliness, accuracy, etc.)
- Client assistance (communication, frequency, etc.)
- VJIP Workforce Development Reports
- Program funding
- Client letters (incentives, commitment, retraining, etc.)
- Salesforce data entry
- Project management / documentation
- VJIP incentive compliance
- Press releases
- Data collection / documentation standards
- Custom workforce program development
- Confidentiality of client information

Functional Area – Research (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Maintenance of the VA Real Estate database tool
- Workforce data
- Website content
- Custom proposals / prospect response
- Economic trend analysis
- Company targeting
- Data integrity / protocols
- Tax rate data
- GIS
- Benchmarking economic development, etc.
- Lead generation support
- Salesforce administration
- Participation in major projects team
- Maintain value proposition and content creation

Functional Area – Information Technology (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Automation of business processes
- Impact of technology on successful implementation of the Operating / Strategic Plan
- IT vendor risk management (SOC reports)
- Cybersecurity strategy and practices
- Overall IT governance strategy
- Disaster recovery / business continuity / incident response
- Granting and terminating access to systems / applications /periodic user access review
- System and application oversight / support
- Software licensing reviews
- Change control process for new technology or enhancements to current technology
- SharePoint and other internal communication mechanisms
- Data usage / storage space capacity
- System integrity controls over data entry and reporting
- Segregation of duties and principle of least privilege controls within IT systems
- Classification and identification of sensitive data within IT systems
- Risk assessments for IT systems
- Employee IT training (security, data privacy, etc.)
- Compliance with VITA technology policies
- Virginia Tourism Corporation assistance
- Succession planning

Functional Area – International Trade (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Screening process for selecting clients / partners
- Advice / consulting on international business
- Contract development / review / approval
- Survey data analysis
- Market research services / Global networking
- Program expense reimbursements
- Salesforce data integrity / documentation
- Trade mission / show collaboration / alignment
- Certificates of Free Sale
- Monitoring changes in federal grants and legal / regulatory requirements
- Program / grant management and communication (VALET, GDP, STEP, etc.)
- Education events
- Foreign travel insurance
- External partner communication

Functional Area – Marketing and Communications (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Overall marketing plan and strategy
- Brand standards (graphics, logos, tag lines, etc.)
- Media communications (protocols, message crafting, etc.)
- Brand awareness
- Contractual agreements
- ROI (discretionary spend, volume, cost, etc.)
- Social media efforts
- Trade shows / missions / event management
- Data integrity and recordkeeping

Functional Area – Virginia Office of Education Economics (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Project budgeting / approval
- Grant management
- Marketing presentations
- Data collection
- Data storage
- Data integrity
- Grant reporting (public, grantor, General Assembly, etc.)
- Due diligence
- External collaboration (State and Federal Agencies, Educational institutions, etc.)
- Salesforce data entry

Functional Area – External Affairs (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Tracking of new legislation, budget amendments, etc.
- Reporting to external stakeholders such as the legislature and external partners (accuracy, timeliness, etc.)
- Rural development strategy and performance tracking
- Partner relations and outreach (includes congressional / legislature relationships)
- Identifying federal opportunities
- Salesforce documentation
- Budget preparation and development
- Preparation of the VEDP Legislative agenda
- MEI Commission interaction
- Community engagement

Functional Area – Economic Competitiveness (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Internal organizational assistance (onboarding, best practices, training, etc.)
- GO Virginia collaboration / alignment
- Statewide economic strategy collaboration / alignment
- National Ranking initiative
- Performance measure development
- Benchmarking other states
- Handling of confidential information
- Business ready sites

Functional Area – Fiscal & Support Services (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Payroll processing (approvals, leave, overtime, etc.)
- Budget development / amendments / monitoring / reallocation of funds
- Segregation of duties
- Travel / entertainment expense reimbursement
- Wire transfer verification
- Approval thresholds for certain transactions
- Financial reporting
- Facilities management
- Account reconciliations
- Cash management / accounts receivable
- Disbursements / accounts payable
- Lease management (Domestic and international)
- Split purchase monitoring
- Competitive bidding
- Bulk purchases / economies of scale with purchasing
- Purchase Card purchases / review / approval
- Vendor and contract database
- Vendor and contract management (due diligence, contract language, ongoing monitoring, etc.)
- Fleet management
- Virginia Tourism Corporation assistance
- Insurance (property, travel, auto, workers compensation)

Functional Area – General Counsel (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Compliance with local, state, federal and international laws and regulations
- Protection of confidential information
- Non-disclosure agreements
- Outsourcing of litigation
- Performance agreements for incentives
- FOIA requests
- Compliance with statutory requirements and qualifications for incentive packages
- Business licensing (domestic and international)
- Transparency of communications

AGENDA

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY MEETING OF THE FINANCE AND AUDIT COMMITTEE (FAC)

June 22, 2022

1:30 P.M. to 2:30 P.M.

901 East Cary Street
James Center One, Katherine Johnson Room
Richmond, VA 23219

- 1:30 p.m. – 1:35 p.m.** **Welcome/Call to Order** – Greg Fairchild
- 1:35 p.m. – 1:37 p.m.** **Public Comment Period** – Greg Fairchild
- 1:37 p.m. – 1:40 p.m.** **Approval of Minutes of 3/16/22 FAC Meeting** – Greg Fairchild
- Action Item - Vote to Accept
- 1:40 p.m. – 1:45 p.m.** **VEDP FY22 Financial Results (thru 3/31/2022)** – Bob Grenell
- Action Item - Vote to Accept
- 1:45 p.m. – 2:00 p.m.** **Proposed VEDP FY23 Operating Budget** – Bob Grenell
- Action Item - Vote to Accept
- 2:00 p.m. – 2:10 p.m.** **Internal Audit Update, incl. Risk Assessment and Audit Plan**– DHG
- Action Items - Vote to Accept
 - FY23 internal audit plan
 - Fiscal division audit report
 - Virginia Talent Accelerator Program audit report
 - DHG internal audit contract renewal
- 2:10 p.m. – 2:20 p.m.** **Extension Requests** – Katherine Goodwin
- Action Item - Vote to Recommend
- 2:20 p.m. – 2:25 p.m.** **Clawback Updates** – Katherine Goodwin
- Action Item - Vote to Recommend
- 2:25 p.m. – 2:30 p.m.** **Topics for Next Meeting**
- 2:30 p.m.** **Adjournment**

Next Meeting: Wednesday, September 14, 2022 after Noon

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
March 16, 2022
1:30 p.m.

901 East Cary Street
One James Center, Katherine Johnson Room
Richmond, VA 23219

Call to Order

The meeting was called to order at 1:37 p.m. by Chair Greg Fairchild.

In-Person Committee Members: Greg Fairchild, Secretary Stephen Cummings, Deborah Flippo, Rick Harrell, and Secretary Merrick

Virtual Committee Members: Steven Stone (see note below)

Committee Members Absent: April Kees

Ex-Officio Committee Member Present: Dan Pleasant

Other Board Members: Carrie Chenery, Stephen Edwards, Ned Masee, Vince Mastracco, and Marianne Radcliff

VEDP staff present: Nicole David, Jason El Koubi, Stephanie Florie, Jennifer Garrett, Bob Grenell, Sandi McNinch, and Jordan Snelling

Guests present: Chris Kalafatis, Kim McKay, Randy Sherrod, Linda Wade, and Ryan Carter

Before the meeting, Steven Stone notified Board Chair Dan Pleasant that he would be unable to attend the meeting in person due to a personal circumstance. Mr. Stone requested to participate in the meeting electronically, which would allow him to be seen and heard by all persons at the central meeting location. In accordance with Board policy, Chair Pleasant granted the request. Mr. Stone joined the meeting via Zoom from his home in Northern Virginia. This was the first meeting of the VEDP Board in calendar year 2022 in which Mr. Stone requested to participate through electronic means.

Public Comment Period

Chair Fairchild asked for public comments. There were none.

Approval of Minutes for October 20, 2021 Meeting

Chair Fairchild asked for approval of the minutes from the October 20, 2021 Committee meeting. A motion was made by Mr. Harrell and seconded by Secretary Merrick and the minutes were unanimously approved as presented.

FY21 Financial Audit

Mr. Grenell introduced Linda Wade with the Auditor of Public accounts to present the results of VEDP's FY21 annual audit. Ms. Wade introduced Ryan Carter who was part of the audit team.

Ms. Wade explained that her team issued an unmodified opinion, which is a clean audit and reviewed details of the report.

Ms. Wade said that her team looked at internal controls and there were no findings. She noted that her team followed up on two findings from last year's audit and found that those items have been adequately resolved.

Ms. Wade stated that her team does compliance testing with certain state requirements as part of the audit and found no instances of non-compliance. She said that her team followed up on one compliance finding from last year's audit and they determined the issue has been resolved.

Ms. Wade said that her team did not have any difficulties or disagreements with VEDP management. She thanked the VEDP staff for their assistance with the audit.

Chair Fairchild thanked Ms. Wade for her report.

VEDP FY22 Financial Reports (thru 12/31/2021)

Mr. Grenell shared the FY22 Operations Budget to actual for the six months ended December 31, 2021. He explained that all divisions are close to or below budget through the first six months of the fiscal year. He said that the market-facing divisions are under budget, but he expects that this spending rate will increase in the third and fourth quarters of FY22. Mr. Grenell also reviewed Projects, Pass Thru's and Grants, which are all under budget, though he also expects spending for these programs to increase later in the fiscal year.

Mr. Grenell provided a quick mention on a couple items he hopes to report on at the next Committee meeting when the state budget has been finalized: additional funding for the Talent Accelerator program; and increased funding for implementing additional elements of the International Trade Plan.

Ms. Flippo made a motion to approve the Q2 FY22 financial results. The motion was seconded by Mr. Harrell, and the motion was unanimously approved.

Internal Audit Update

Chair Fairchild introduced Mr. Kalafatis with Dixon, Hughes, Goodman, LLC (DHG) to provide a progress update on VEDP's internal audit.

Mr. Kalafatis explained that VEDP's 5-year audit plan is wrapping up. He said that his team will be working on the next audit plan, based on the upcoming Risk Assessment, to present to the Committee in June.

Mr. Kalafatis explained the different options for conducting internal audits (i.e., processes vs. functions) and the Committee discussed the pros and cons of each. The consensus was to recommend to the Board that VEDP stick with a cycle approach, where each division will be audited at least once over the next five years.

Secretary Merrick asked why VEDP has a 5-year audit cycle, instead of a 3-year audit cycle. Mr. Kalafatis answered that the schedule is based on the funds VEDP has available for its audit function and the fact that there are so many different divisions.

Mr. Kalafatis explained that most functions will be audited at least once during a 5-year period, but certain functions may be audited twice. He said that VEDP will get quality coverage with this approach.

Mr. Kalafatis introduced Mr. Sherrod to share the results from recent audits of the External Affairs and Legal divisions.

Mr. Sherrod shared that there were no findings from the External Affairs audit, adding that the overall operations of this division are very effective. He thanked Ms. Morton and Ms. Barker from the team for their excellent cooperation during the audit process.

Mr. Sherrod provided an update on the Legal division audit. He said that he appreciated the timely responses from the Legal team, adding that the DHG team enjoyed the audit. Mr. Sherrod stated that the audit produced one low-level finding related to a policy/process that needed to be updated. Management agreed with the finding, and it has since been remediated.

Mr. Sherrod concluded his report by sharing that DHG is currently working on the VEDP Fiscal audit with Mr. Grenell and his team and on an audit of the Virginia Talent Accelerator Program, part of VEDP's Talent Solutions division. Mr. Sherrod noted that he enjoyed participating in a recent tour of the Talent Accelerator Experience Center, as part of learning about the program. Mr. Sherrod stated that DHG will share the results of these two audits at the June Board meeting.

Mr. Harrell made a motion to accept the internal audit report. The motion was seconded by Ms. Flippo, and the motion was unanimously approved.

Chair Fairchild thanked Mr. Kalafatis and Mr. Sherrod for their reports.

Extension Requests

Chair Fairchild introduced Ms. Snelling to share her report.

Before Ms. Snelling began her presentation, Mr. El Koubi shared some general information about extension requests for the benefit of new Committee members. He noted that the Commonwealth is seeing an increase in extension requests due to the impacts of Covid-19.

Ms. Snelling presented 11 extension requests for the Committee's consideration. She stated that the localities where these companies are located are supportive of the extension requests.

ADP – City of Norfolk has requested a first extension of 15 months to make more progress on reaching its employment target. They have made good progress on hiring, but their offices were closed for a while due to Covid-19. The company projects that they will reach 90% of their jobs target by March of 2023. They have already exceeded their capital investment target. The COF grant ADP received was made prior to the inception of milestones, so they hold the entire \$5,000,000 COF grant.

Secretary Merrick asked if ADP and/or other companies have cited labor shortages for the lack of progress on hiring. Ms. Snelling answered that almost all of the companies have mentioned this as a challenge, especially in the rural areas.

Mr. Mastracco said that if a company has exceeded their capital investment goal, he feels that the Commonwealth should find a way to credit them toward their jobs goal for the additional value they have.

Mr. Harrell agreed, stating that the additional investment shows good faith on the part of the company.

Mr. El Koubi explained that there is not currently an allowance in the Code of Virginia to use outperformance on capital investment as a credit toward employment targets.

Aerofarms – Pittsylvania County has requested a first extension of 15 months to meet the statutory minimum for job creation. The company must reach and maintain the statutory minimum of 15 jobs through the performance date to receive any portion of the COF grant. They currently have not created any jobs, citing disruptions to their construction timeline due to Covid-19 impacts. Construction commenced in April 2021, one year later than anticipated. Aerofarms projects that they will have filled 92 jobs by the end of 2022 when they are fully operational. Aerofarms has exceeded its capital investment target.

Altec Industries – Botetourt County has requested a first extension of 15 months to meet its COF and VIP grant investment target. The company's progress was impacted by global supply chain shortages, limited availability of production materials, and record price increases on steel and other commodities during the Covid-19 pandemic. Altec has already met its job creation target.

Dupont – Chesterfield County has requested a first extension of 12 months to meet its statutory minimum for job creation. The company must reach and maintain the statutory minimum of 50 jobs through the performance date to receive any portion of the COF grant. They

have cited supply chain disruptions related to Covid-19 for delays in ramping up production and associated hiring. Dupont has exceeded its investment target.

Eldor – Botetourt County has met the statutory minimum for job creation and capital investment and has received a portion of the COF grant. The company has requested a first extension of 15 months to meet the requirement to maintain the statutory minimum of 50 jobs through the performance date to receive the remainder of the COF grant. Eldor's ramp-up at its new facility experienced significant delays due to Covid-19. The pandemic also impacted the production focus for some of Eldor's customers and suppliers, which slowed demand and delayed reaching expected production levels. Despite these challenges, the company has exceeded its investment target.

Empire Bakery – Franklin County has requested a first extension of 15 months to meet the statutory minimum for job creation. The company must reach and maintain the statutory minimum of 15 jobs through the performance date to receive any portion of the COF. The company has experienced delays in hiring due to the tight post Covid-19 labor market. They have implemented many new strategies to improve recruitment. Empire Bakery has met its investment target.

KPMG – Fairfax County has requested a first extension of 15 months to meet its job creation and capital investment targets for their COF grant. In September of 2020, due to Covid-19 impacts, KPMG was forced to reduce its national workforce to align its professionals with new market demand. The company is actively working to rebuild its workforce.

M.C. Dean – Caroline County has requested a first extension of 15 months to reach the capital investment target for their COF and VIP grants. This project was announced just prior to the start of the Covid-19 pandemic. The company's expansion experienced some early construction delays due to the pandemic, which pushed its investment beyond the anticipated timeline. The company has exceeded its employment target.

Oran Safety Glass – Greensville County has requested a first extension of 15 months to meet the statutory minimum for job creation. The company was on track to reach their employment targets in the spring of 2020, but their employment numbers dropped with the onset of the pandemic. Oran is utilizing several tactics to ramp up employment, including increasing their starting hourly pay, and utilizing staffing agencies and job fairs to fill open positions. Oran's COF grant was made prior to the inception of milestones; thus, the company holds the entire COF grant. The company must reach and maintain the statutory minimum of 15 jobs through the performance date to retain any portion of the COF.

Press Glass – Henry County has requested a first extension of 15 months for the company to fully reach its employment target. The company has cited impacts from the Covid-19 pandemic for hiring delays. They have received a portion of the COF grant but need additional time to reach their employment target to enable them to receive the remainder of the grant. Press Glass has met its investment target.

Hardywood Park Craft Brewery – Goochland County has requested a second extension to meet its COF and VIP employment and investment targets. The company has cited construction delays that postponed their opening by 12-18 months and loss of revenue from restaurant and tasting room closures as a result of the ongoing Covid-19 pandemic. The company has indicated that their employment is growing steadily but said that they need additional time to rebound. Hardywood's COF grant was made prior to the inception of milestones, so the company holds the entire COF grant. The company has not yet met the statutory minimum for job creation of 50 jobs to retain any portion of the COF grant. The company must also reach the \$25 million threshold for investment to receive its VIP grant. No VIP grant payments have been made since it is a post-performance grant. It is recommended that the 5% second extension fee be waived due to Covid-19. This second extension requires MEI approval.

The Committee engaged in a lengthy discussion on this request and ultimately decided to separate the two issues. The Committee chose to vote on recommending approval for the second extension request and to take a second vote on action regarding the 5% fee for a second extension.

Mr. Harrell made a motion to recommend approval of all of the extension requests that were presented. Ms. Flippo seconded the motion, and the recommendation was unanimously approved.

Mr. Harrell made a motion to waive the 5% fee to Hardywood for the second extension. The motion failed for the lack of a second.

Ms. Flippo made a motion to recommend to the full Board that the existing agreement with Hardywood Park Craft Brewery be amended to allow payment of the 5% fee for a second extension at the end of their performance period. Mr. Harrell seconded the motion and recommendation was unanimously approved.

Clawback Updates and OAG Referrals

Ms. Snelling stated that there have been no new referrals to the Office of the Attorney General (OAG) since the last Committee meeting.

Ms. Snelling shared the clawback report and explained that no new clawbacks are past due.

Ms. Snelling reviewed the clawbacks that have been requested but are not yet past due.

Ms. Snelling shared a progress report on COF projects that are subject to clawbacks. She said that seven clawbacks have been closed out since the Committee's last meeting in October of 2021 and that two clawbacks are still being processed.

Ms. Snelling said there are no VJIP clawbacks from this period.

Ms. Snelling shared a progress report on data center projects subject to clawback, which includes one company at this time.

Mr. Harrell made a motion to accept the clawback report. Ms. Flippo seconded the motion, and the motion was unanimously approved, except that Secretary Cummings was absent for the vote.

Semi-annual Report on Incentive Performance (as of 12/31/21)

Ms. Snelling provided the Semi-annual Report on Incentives Performance. She shared the VEDP-Administered Incentives dashboard, which offers an overview of how each program is performing and reviewed these details with the Committee.

Ms. Snelling said VEDP is still in the process of verifying some of the numbers, but she shared that overall, there is a positive trend in company performance and that the number of clawbacks are going down.

Mr. Harrell made a motion to approve the Semi-annual Report on Incentives Performance. The motion was seconded by Ms. Flippo, and the motion was unanimously approved, except that Secretary Cummings was absent for the vote.

Other Topics, Adjournment, and Next Meeting

The next meeting of the Finance and Audit Committee will be held on June 22, 2022, time TBD.

The meeting was adjourned at 3:14 p.m.

Respectfully submitted,

Nicole David

Acting Recording Secretary

CONTROLLER'S REPORT TO THE FINANCE AND AUDIT COMMITTEE

June 22, 2022

FY2022: OPERATIONS BUDGET TO ACTUAL FOR THE NINE MONTHS ENDED MARCH 31, 2022

<u>Division</u>	<u>2022 Budget</u>	<u>2022 YTD Actual</u>	<u>% Spent 75%</u>
Talent Solutions (Note)	13,115,613	4,639,679	35%
International Trade	8,635,586	5,242,639	61%
Business Investment	6,337,915	4,448,593	70%
Research	2,964,875	2,037,047	69%
Marketing and Communications	4,712,844	2,506,868	53%
Economic Competitiveness	1,033,198	656,877	64%
Real Estate Solutions	1,200,000	435,079	36%
Information Technology	1,446,265	1,055,431	73%
Incentives	658,969	520,950	79%
Administration	4,560,844	3,425,448	75%
Total VEDP Operations	44,666,109	24,968,611	56%
Projects, Pass Thru's, and Grants	11,334,062	3,557,304	31%
Total VEDP	56,000,171	28,525,915	51%

Note: Talent Solutions FY22 budget includes \$11,223,069 for the Talent Accelerator Program, \$1,092,544 for VJIP Program operations, and \$800,000 for VOEE.

FY2022: OPERATIONS BUDGET TO ACTUAL FOR THE NINE MONTHS ENDED MARCH 31, 2022

- All divisions are close to or below budget through the first nine months of the fiscal year.
- The market-facing divisions (Talent Solutions, International Trade, Business Investment, and Marketing and Communications) are under budget (51% combined). This spending rate is expected to increase in the fourth quarter of FY22.
- Projects, Pass Thru's and Grants are under budget through the first nine months of the fiscal year. The FY22 budget balance remaining is for the Virginia Business Ready Sites Development and Characterization programs. \$2.3 million for the Brownfields Restoration and Redevelopment Fund was paid in the third quarter.

FY23 OPERATIONAL PLAN APPENDIX

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2023 BUDGET SUMMARY

Revenue Sources

	<u>FY2023</u>	<u>FY2022</u>	<u>Change</u>
Revenue			
COV General Fund Budgeted	\$ 48,511,992	\$ 45,014,579	\$ 3,497,413
Obligated Carry Forward Funds	14,329,666	8,731,590	5,598,076
Participation and Mission Fees	475,000	475,000	-
Other Revenue	348,100	211,080	137,020
Total Revenue	<u>\$ 63,664,758</u>	<u>\$ 54,432,249</u>	<u>\$ 9,232,509</u>

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2023 BUDGET SUMMARY (CONT'D)

General Fund Budget Detail

	<u>Amount</u>
FY2023 General Fund Base Budget	\$ 44,514,579
Virginia Business Ready Sites	(4,500,000)
Talent Accelerator Program	2,189,613
International Trade Plan	3,500,000
Central Appropriations Compensation	1,007,800
Economic Development Studies	600,000
Incentives and Internal Audit	700,000
Governor's Domestic and International Trade Missions	500,000
FY2023 Operational Plan General Fund Budgeted	<u>\$ 48,511,992</u>
FY2022 Chapter 552 General Fund Budget	\$ 44,514,579
Governor's Domestic and International Trade Missions	500,000
FY2022 Final Operational Plan General Fund Budgeted	<u>\$ 45,014,579</u>

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2023 BUDGET SUMMARY (CONT'D)

Carry Forward Budget Detail

FY2023 Budgeted Carry Forward deployed for:

Programmatic Commitments

FY22 Talent Accelerator Funds Deployed in FY23	\$ 5,300,000
Virginia Business Ready Sites Program	<u>8,454,666</u>

Total Programmatic Commitments	\$13,754,666
---------------------------------------	---------------------

Operational Commitments

FY22 Division Operational Funds Deployed in FY23 Operations	<u>\$ 575,000</u>
---	-------------------

Total Operational Commitments	\$ 575,000
--------------------------------------	-------------------

Total FY2023 Carry Forward Funds Deployed	<u><u>\$14,329,666</u></u>
--	-----------------------------------

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2023 BUDGET SUMMARY (CONT'D)

Budgeted Expenditure Summary

	FY23		FY22		\$ Change	% Change
	Dollars	Staff	Dollars	Staff		
Division Budgets						
Talent Solutions (Note A)	\$17,332,268	53	\$13,115,613	40	4,216,655	32%
International Trade	11,756,814	31	8,635,586	22	3,121,228	36%
Business Investment (Note B)	5,976,701	32	6,337,915	34	(361,214)	-6%
Research (Note C)	3,066,507	22	2,964,875	22	101,632	3%
Marketing & Communications (Note D)	4,559,844	12	4,712,844	12	(153,000)	-3%
Economic Competitiveness	1,075,198	8	1,033,198	7	42,000	4%
Real Estate Solutions	1,343,000	5	1,200,000	4	143,000	12%
Information Technology (Note E)	1,110,227	7	1,446,265	10	(336,038)	-23%
Incentives	1,158,969	7	658,969	5	500,000	76%
Administration	4,983,064	23	4,560,844	21	422,220	9%
Total Division Budgets	✓ \$52,362,592	✓ 200	✓ \$44,666,109	✓ 177	7,696,483	17%
Pass Throughs, Grants and Projects	11,302,166	-	11,334,062	-	(31,896)	0%
Total VEDP Budget	✓ \$63,664,758	✓ 200	✓ \$56,000,171	✓ 177	7,664,587	14%

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2023 BUDGET SUMMARY (CONT'D)

- A. Talent Solutions FY23 budget includes \$14,860,00 for the Talent Accelerator Program, \$1,641,768 for VJIP Program operations, and \$830,500 for VOEE.
- B. Business Investment FY23 budget reflects the transfer of four BRE staff to VJIP Program operations, offset by the addition of two new hires (i.e., core BI staff will grow by two positions).
- C. Research FY23 budget includes the addition of three database and development staff transferred from Information Technology, offset by the transfer of two staff to Real Estate Solutions and one staff to Incentives.
- D. Marketing & Communications FY22 budget includes \$205,000 of Carry Forward Funds (i.e., recurring funding is not decreasing).
- E. Information Technology FY23 budget reduction reflects the transfer of three database and development staff to Research.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2023 BUDGET SUMMARY (CONT'D)

Budgeted Expenditure Detail

Pass Throughs, Grants, and Projects	<u>FY2023</u>	<u>FY2022</u>
Virginia Business Ready Sites Development and Characterization	\$ 8,452,166	\$ 9,084,062
Brownfields Restoration and Redevelopment Fund	2,250,000	2,250,000
Inland Port Feasibility Study	200,000	-
Eastern Shore Natural Gas Pipeline Extension Study	200,000	-
Hampton Roads Maritime Workforce Study	200,000	-
Total Pass Throughs, Grants, and Projects	<u>\$ 11,302,166</u>	<u>\$ 11,334,062</u>



Virginia Economic Development Partnership

Internal Audit Risk Assessment for FY23

May 13, 2022

Table of Contents

Objective, Scope, and Procedures	1
Internal Audit Plan	5
Appendix A: Functional Area Potential Risks	7

Confidential: The use of this document is intended solely for internal purposes by the management of **VEDP** and should not be distributed to third parties or used for any other purposes unless specified by law.

Objective, Scope, and Procedures

Our objective was to complete the annual Virginia Economic Development Partnership (VEDP) Internal Audit risk assessment and develop the FY23 Internal Audit Plan. It is important to note that the potential risks identified in this report don't necessarily point to known control weaknesses, since testing would have to be performed to determine the controls that exist and how these risks are managed. We collaborated with VEDP to perform the following tasks, which are further outlined in the Scope and Procedures section below.

- Information Gathering
- Perform Risk Assessment and Identify the Audit Universe
- Develop the FY23 Internal Audit Plan

This section provides a detailed outline of the key steps we performed:

Information Gathering

1. We obtained and reviewed:
 - VEDP's Organization Chart
 - VEDP's Operational Plan
 - Various VEDP Policy and Procedures
 - Recent external audits of VEDP performed by the Auditor of Public Accounts (APA)
 - Other documentation specific to individual VEDP functional areas
2. We performed 18 interviews, which included the following:
 - The Chairman of VEDP's Board of Directors
 - The Chairman of the Finance and Audit Committee (FAC) of the VEDP's Board of Directors
 - The VEDP Executive President and CEO
 - The Vice President and other leaders from each VEDP functional area

Perform Risk Assessment and Identify the Audit Universe

For each functional area, we identified key processes and evaluated their associated risks based on the information we gathered. We then assessed the potential likelihood of risks not being mitigated and the significance of its impact to VEDP based on the following table:

RISK LEVEL	EXAMPLES
High	<ul style="list-style-type: none"> * Events may result in significant non-compliance with legal / regulatory requirements * Events may result in significant concerns with the accuracy of financial reporting * Events may result in sustained or serious loss of earnings, cash flow or credit * Events may create significant opportunity for fraud, such as misappropriation of assets or fraudulent financial reporting * Significant reliance on technology exists, and sufficient automation does not exist * Key operational processes are not mature or properly monitored / controlled * Significant issues remain unresolved from previous audits * Key personnel resources do not exist or are not competent * An issue materializing is probable and requires Board attention and Senior Management action * Volume of transactions is significant * Dollar amount of transactions is significant * Events may result in significant adverse publicity or serious loss in brand value * Events may have significant negative impact on the accomplishment of the Operating / Strategic Plan
Medium	<ul style="list-style-type: none"> * Events may result in a moderate level of non-compliance with legal / regulatory requirements * Events may result in some concerns with the accuracy of financial reporting * Events may result in some loss of earnings, cash flow or credit * Events may create some opportunity for fraud, such as misappropriation of assets or fraudulent financial reporting * Moderate amount of reliance on technology exists, and automation needs improvement * Some operational processes are not mature or properly monitored / controlled * Issues that remain unresolved from previous audits are not significant but need attention * Some personnel resources may not exist or are not competent * An issue materializing is possible and requires Senior Management attention and Middle Management action * Volume of transactions is moderate * Dollar amount of transactions is moderate * Events may result in moderate adverse publicity or moderate loss in brand value * Events may have moderate negative impact on the accomplishment of the Operating / Strategic Plan

RISK LEVEL	EXAMPLES
Low	<ul style="list-style-type: none"> * Events are unlikely to result in non-compliance with legal / regulatory requirements * Events are unlikely to impact the accuracy of financial reporting * Events may result in minimal or no loss of earnings, cash flow or credit * Events are unlikely to create opportunities for fraud, such as misappropriation of assets or fraudulent financial reporting * Minimal reliance on technology exists, and sufficient automation exists * Operational processes are sufficient and properly monitored / controlled * Issues from previous audits are resolved or are minor * Personnel resources are sufficient in number and are competent * An issue materializing is unlikely and can be resolved by Middle Management * Volume of transactions is minor * Dollar amount of transactions is minor * Events may result in minimal impact on publicity or brand value * Events may have minimal negative impact on the accomplishment of the Operating / Strategic Plan

Based on discussions with the Board, we added a new category to rate the audit risk for each of the functional areas. The audit risk rating was judgmentally assigned from “High” to “Low” based on the type and number of findings identified during prior audits. Since the Virginia Office of Education Economics and Real Estate Solutions are new functional areas, we rated them as medium.

We compiled the results of the risk assessment and classified the risk in each functional area as “High”, “Medium” or “Low” for each of the following eight risk categories, which were considered when developing the descriptions in the table above:

- Compliance
- Financial
- Fraud
- Technology
- Operational
- Reputation
- Strategic
- Audit

We then assigned an overall composite risk rating of “High”, “Medium” or “Low” to the functional area based on the individual risk ratings of the eight risk categories (see Summary Risk Ratings section). These overall composite risk ratings were then used as the basis for identifying key risk priorities that would be most important to VEDP. However, VEDP management is responsible for making final risk determinations and reporting results to the Board.

Also included for each functional area is a list of potential risks (see Appendix A: Functional Area Potential Risks section) we identified during our information gathering and communications with VEDP Management and the Board. In total, we identified over 200 potential risks across all the functional areas. However, these listings are not intended to be all-inclusive.

Develop the FY23 Internal Audit Plan

After performing the risk assessment, identifying potential risks in the audit universe, and consulting with VEDP we drafted the FY23 Internal Audit Plan. Our Plan is a tool to help VEDP make business risk decisions. However, VEDP Management, in consultation with the Board, is responsible for determining the timing and extent of audit coverage based on their risk appetite and the amount of resources they want to devote to the internal audit process.

Internal Audit Plan

The table on page 6 depicts the audits performed in FY18 thru FY22, and the tentative FY23 thru FY27 Internal Audit Plan (Plan) for VEDP. We have also included in the Plan the completion of the annual risk assessment and follow-up on management action plans from findings issued during these internal audits. These are routine tasks that exist for any internal audit function.

The table below depicts our summary risk rating for each functional area, which are based on the risk rating of the eight risk categories. These individual risk categories are assigned 3 points if rated “High”, 2 points if rated “Medium”, and 1 point if rated “Low”. The points for each of the eight risk categories were totaled to determine the composite rating for each functional area, in accordance with the composite rating point scale below.

High (20 - 24points)
Medium (15 - 19 points)
Low (8 - 14 points)

Functional Area	Compliance	Financial	Fraud	Technology	Operational	Reputation	Strategic	Audit	Composite Rating
Business Investment	High	High	High	High	High	High	High	High	21
Talent Solutions - Other	High	High	High	High	High	High	High	High	21
Human Resources	High	High	High	High	High	High	High	High	20
Incentives	High	High	High	High	High	High	High	Low	20
Real Estate Solutions*	High	High	High	High	High	High	High	High	20
Talent Solutions - VJIP	High	High	High	High	High	High	High	Low	20
Research	High	High	High	High	High	High	High	High	19
Information Technology	High	Low	High	High	High	High	High	High	17
International Trade	High	High	High	High	High	High	High	High	17
Marketing and Communications	Low	High	High	High	High	High	High	Low	17
VA Office of Education Econ*	High	High	Low	High	High	High	High	High	17
External Affairs	High	High	Low	Low	High	High	High	Low	14
Economic Competitiveness	Low	Low	Low	High	High	High	High	Low	13
Fiscal & Support Services	High	High	High	Low	Low	Low	Low	Low	12
General Counsel	High	Low	Low	Low	Low	High	Low	Low	12

* Audit risk for Real Estate Solutions and Virginia Office of Education Economics was rated “Medium” since these functions are new.

We have included the following FY23 thru FY27 Internal Audit Plan for VEDP Management and the Board. The table below also depicts which functional areas were audited in FY18 thru FY22, as well as a one-time audit we performed in FY20 on VEDP’s efforts towards addressing the JLARC findings / recommendations in their November 2016 report. The extent of audit coverage for FY23 thru FY27 will be determined by VEDP Management and the Board based on how many resources they want to leverage for the internal audit function. The current Plan includes each “High” risk function scheduled to get audited twice over from FY23 thru FY27, as compared to one audit for all “Medium” and “Low” rated functions.

High (20 – 24 points)
Medium (15 - 19 points)
Low (8 - 14 points)

Functional Area	Composite Rating	Last Audit Date & Results		Prior Audit Cycle					5 Year Plan				
		Report Date	# of Findings	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Business Investment	21	1/5/2021	3-L				X			X		X	
Talent Solutions - Other	21	4/1/2022	1-M, 1-L					X			X		X
Human Resources	20	1/23/2020	2-H, 6-M			X				X			X
Incentives	20	4/16/2020	1-L			X					X		X
Real Estate Solutions	20	New	-							X		X	
Talent Solutions - VJIP	20	1/1/2021	2-L				X		X			X	
Research	19	5/21/2018	1-H, 4-M, 2-L	X					X				
Information Technology	17	6/4/2018	1-M, 6-L	X					X				
International Trade	17	4/10/2019	2-M, 1-L		X					X			
Marketing and Communications	17	4/15/2021	1-L				X				X		
Virginia Office of Education Econ.	17	New	-								X		
External Affairs	14	12/17/2021	0					X				X	
Economic Competitiveness	13	4/10/2019	2-L		X				X				
Fiscal & Support Services	12	4/1/2022	1-L					X					X
General Counsel	12	12/13/2021	1-L					X				X	
Annual - Risk Assessment	N/A	N/A	N/A	X	X	X	X	X	X	X	X	X	X
Annual - Action Plan Follow-up	N/A	N/A	N/A	X	X	X	X	X	X	X	X	X	X
JLARC Remediation Audit	N/A	5/5/2020	N/A			X							

Appendix A: Functional Area Potential Risks

This section includes potential risks for each functional area that were identified during our information gathering and communications with VEDP Management and the Board. These potential risks don't necessarily point to known control weaknesses since testing would have to be performed to determine the controls that exist and how these risks are managed. These risks will be evaluated in our audits.

Functional Area – Business Investment (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- System integrity controls over data entry and reporting in Salesforce
- Lead Generation strategy / plan for targeting companies/ campaigns, Business Retention and Expansion (high yield, impact, etc.)
- Project documentation (timely, accurate, complete, etc.)
- Project management
- Lead Generation / industry teams (domestic and international)
- International contractor management
- Collaboration with external stakeholders
- Confidentiality of company information and conflict of interest management
- External stakeholder feedback mechanisms
- Outbound call center (scripting, metrics, lead generation, etc.)
- Type and location of customers targeted
- Administration of business ready laws
- Cross divisional discussion about trade show success/issues

Functional Area – Talent Solutions – Other (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Client needs and training analysis (consulting services)
- Client eligibility
- Project budgeting / approval
- Marketing presentations
- Client assistance (communication, frequency, etc.)
- Program funding
- Client letters (incentives, commitment, retraining, etc.)
- Salesforce data entry
- Project management / documentation
- Press releases
- Data collection / documentation standards
- Custom workforce program development
- Confidentiality of client information

Functional Area – Human Resources (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Employee feedback mechanisms (engagement survey, etc.)
- Number of and skill sets of resources across all functional areas
- Diversity program
- Performance evaluation process and calibration
- Rewards and recognition program
- Job descriptions / employee work profiles
- New hire orientation programs / onboarding
- Recruiting / hiring practices
- Termination processing
- Fiscal related payroll assistance
- Background checks
- Benefits administration
- Overtime
- Career pathing
- Teleworking
- Human resource information / management system
- Virginia Tourism Corporation assistance

Functional Area – Incentives (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Due diligence on companies
- Incentives structuring (ROI analysis, etc.)
- Project Review and Credit Committee assistance
- Incentive management and program compliance – reporting / monitoring of job creation, wages paid, capital expenditures, etc. (during and after performance period)
- Project Review and Credit Committee approval
- Clawback provisions
- Certification of companies eligible to decrease income taxed
- Adherence to performance extensions
- Salesforce data entry / documentation / reporting
- Business ready sites program

Functional Area – Real State Solutions (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Review of Brownfields Assistance Fund applications
- Maintenance of the VA Real Estate database tool
- Use of grant funds and compliance with requirements
- Real Estate subject matter expertise consulting
- Support of business ready sites
- Management of the Real Estate Development strategic plan
- Stakeholder reporting and presentations
- Managing Regional and Local Real Estate Familiarization Tours
- Train local and regional partners on the Real Estate database tool

Functional Area – Talent Solutions - VJIP (High Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Client needs and training analysis (consulting services)
- Client eligibility
- Project budgeting / approval
- Marketing presentations
- Client reimbursement requests (data validation / reconciliation with VA Employment Commission, duplicate payments, sufficiency of documentation, legitimacy of business, etc.)
- Grant reimbursement (timeliness, accuracy, etc.)
- Client assistance (communication, frequency, etc.)
- VJIP Workforce Development Reports
- Program funding
- Client letters (incentives, commitment, retraining, etc.)
- Salesforce data entry
- Project management / documentation
- VJIP incentive compliance
- Press releases
- Data collection / documentation standards
- Custom workforce program development
- Confidentiality of client information

Functional Area – Research (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Maintenance of the VA Real Estate database tool
- Workforce data
- Website content
- Custom proposals / prospect response
- Economic trend analysis
- Company targeting
- Data integrity / protocols
- Tax rate data
- GIS
- Benchmarking economic development, etc.
- Lead generation support
- Salesforce administration
- Participation in major projects team
- Maintain value proposition and content creation

Functional Area – Information Technology (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Automation of business processes
- Impact of technology on successful implementation of the Operating / Strategic Plan
- IT vendor risk management (SOC reports)
- Cybersecurity strategy and practices
- Overall IT governance strategy
- Disaster recovery / business continuity / incident response
- Granting and terminating access to systems / applications /periodic user access review
- System and application oversight / support
- Software licensing reviews
- Change control process for new technology or enhancements to current technology
- SharePoint and other internal communication mechanisms
- Data usage / storage space capacity
- System integrity controls over data entry and reporting
- Segregation of duties and principle of least privilege controls within IT systems
- Classification and identification of sensitive data within IT systems
- Risk assessments for IT systems
- Employee IT training (security, data privacy, etc.)
- Compliance with VITA technology policies
- Virginia Tourism Corporation assistance
- Succession planning

Functional Area – International Trade (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Screening process for selecting clients / partners
- Advice / consulting on international business
- Contract development / review / approval
- Survey data analysis
- Market research services / Global networking
- Program expense reimbursements
- Salesforce data integrity / documentation
- Trade mission / show collaboration / alignment
- Certificates of Free Sale
- Monitoring changes in federal grants and legal / regulatory requirements
- Program / grant management and communication (VALET, GDP, STEP, etc.)
- Education events
- Foreign travel insurance
- External partner communication

Functional Area – Marketing and Communications (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Overall marketing plan and strategy
- Brand standards (graphics, logos, tag lines, etc.)
- Media communications (protocols, message crafting, etc.)
- Brand awareness
- Contractual agreements
- ROI (discretionary spend, volume, cost, etc.)
- Social media efforts
- Trade shows / missions / event management
- Data integrity and recordkeeping

Functional Area – Virginia Office of Education Economics (Medium Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Project budgeting / approval
- Grant management
- Marketing presentations
- Data collection
- Data storage
- Data integrity
- Grant reporting (public, grantor, General Assembly, etc.)
- Due diligence
- External collaboration (State and Federal Agencies, Educational institutions, etc.)
- Salesforce data entry

Functional Area – External Affairs (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Tracking of new legislation, budget amendments, etc.
- Reporting to external stakeholders such as the legislature and external partners (accuracy, timeliness, etc.)
- Rural development strategy and performance tracking
- Partner relations and outreach (includes congressional / legislature relationships)
- Identifying federal opportunities
- Salesforce documentation
- Budget preparation and development
- Preparation of the VEDP Legislative agenda
- MEI Commission interaction
- Community engagement

Functional Area – Economic Competitiveness (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Internal organizational assistance (onboarding, best practices, training, etc.)
- GO Virginia collaboration / alignment
- Statewide economic strategy collaboration / alignment
- National Ranking initiative
- Performance measure development
- Benchmarking other states
- Handling of confidential information
- Business ready sites

Functional Area – Fiscal & Support Services (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Payroll processing (approvals, leave, overtime, etc.)
- Budget development / amendments / monitoring / reallocation of funds
- Segregation of duties
- Travel / entertainment expense reimbursement
- Wire transfer verification
- Approval thresholds for certain transactions
- Financial reporting
- Facilities management
- Account reconciliations
- Cash management / accounts receivable
- Disbursements / accounts payable
- Lease management (Domestic and international)
- Split purchase monitoring
- Competitive bidding
- Bulk purchases / economies of scale with purchasing
- Purchase Card purchases / review / approval
- Vendor and contract database
- Vendor and contract management (due diligence, contract language, ongoing monitoring, etc.)
- Fleet management
- Virginia Tourism Corporation assistance
- Insurance (property, travel, auto, workers compensation)

Functional Area – General Counsel (Low Risk)

Risk of the following not existing or occurring...

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Compliance with local, state, federal and international laws and regulations
- Protection of confidential information
- Non-disclosure agreements
- Outsourcing of litigation
- Performance agreements for incentives
- FOIA requests
- Compliance with statutory requirements and qualifications for incentive packages
- Business licensing (domestic and international)
- Transparency of communications



Virginia Economic Development Partnership

Internal Audit Report – Fiscal & Support Services (FISCAL) Division

April 1, 2022

Table of Contents

Executive Summary	3
Division Overview	4
Objective and Scope	4
Finding, Recommendation, and Management's Response	5

Confidential: This document is intended for management only and it should not be distributed to third parties or used for any other purpose.

Executive Summary

We have completed an internal audit of the controls over the Fiscal & Support Services (Fiscal) Division at the Virginia Economic Development Partnership (VEDP). Based on our procedures, we identified one recommendation for Fiscal related to the submission of financial statement attachments to the Department of Accounts (DOA).

Below is an explanation of the Finding Classification associated with the finding identified during our audit. See detailed summary in the Finding, Recommendation, and Management’s Response section on page five.

Finding Classifications	Quantity
Critical —Matter is urgent and requires immediate action by the Board of Directors and Executive Management.	0
High —Matter is a high priority that requires Executive Management’s immediate attention and correction.	0
Medium —Matter is a priority that requires Executive Management’s attention and a commitment to correct in a reasonable timeframe.	0
Low —Corrective action is necessary. These items represent infrequent errors or opportunities to improve internal controls or processes.	1
Best Practice —These items represent observations where there may not be an error, but controls or processes could be improved to better align with best practices.	0

Audit Rating: Satisfactory

A “Satisfactory” rating, as defined below, was assigned based on the results of this audit.

Satisfactory	Strong internal controls exist, and they are generally working as intended. No findings rated Critical, High, or Medium were noted.
Satisfactory with Exceptions	Audit area does not contain any findings rated Critical or High. However, some Medium rated findings were noted that do require a commitment to correct by Management.
Improvement Required	Audit area contains findings rated High or Medium that, when aggregated, result in an elevated level of risk that require timely attention and correction by management.

Unsatisfactory

Significant internal control weaknesses exist. The overall number / extent of control weaknesses represents unacceptable exposure and risk.

Division Overview

The Fiscal division at VEDP oversees VEDP's and the Virginia Tourism Corporation's (VTC) fiscal and support functions. This includes accounting operations, financial reporting, annual audit coordination, procurement and fleet management.

Objective and Scope

The objective of this audit was to assist VEDP in evaluating processes and controls for the Fiscal division, and to provide any recommendations for improvement. As part of the audit plan for Fiscal Year 2022, we performed testing of select internal controls over Fiscal processes during the period of July 1, 2020 - December 31, 2021. We conducted meetings with management and process owners to understand the current processes and control activities in place. During our audit planning process, we discussed with the Auditor of Public Accounts (APA) the processes and controls that were included in their annual financial audit of VEDP in an effort to minimize duplication of audit testing. Based on that discussion, the following functional areas and activities were included within the scope of our testing procedures for this audit:

- Policies and Procedures
- Budget preparation
- Financial Reporting
- Fleet Management
- Foreign Travel Insurance
- Grants Management
- Job Descriptions
- Management and Board Reporting
- VEDP Payroll
- VTC Expenditures
- VTC Financial Reporting
- VTC Payroll
- VTC Revenues

We cannot guarantee that a third party would agree with our analysis or that this internal audit identified all issues that may exist or become apparent in the future.

Finding, Recommendation, and Management’s Response

LOW RATED FINDING				
NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSE	EXPECTED REMEDIATION DATE
FISCAL-05.01 and FISCAL - 10.01	VEDP Attachments CU-4 & CU-5 and VTC Attachment CU-4 were submitted to DOA after the due date, and VEDP did not request an extension prior to DOA’s due date for the attachments.	Fiscal should contact DOA prior to the due date if extensions are needed to submit financial statement attachments.	<ul style="list-style-type: none"> VEDP concurs with the finding and recommendation, and will contact DOA prior to the financial statement attachments due date if extensions are needed. 	September 2022



Virginia Economic Development Partnership

Internal Audit Report – Virginia Talent Accelerator Program

April 1, 2022

Table of Contents

Executive Summary	2
Program Overview	3
Objective and Scope	3
Findings, Recommendations, and Management's Responses.....	5

Confidential: This document is intended for management only and it should not be distributed to third parties or used for any other purpose.

Executive Summary

We have completed an internal audit of the controls over the Virginia Talent Accelerator Program at the Virginia Economic Development Partnership (VEDP). Based on our procedures, we identified two recommendations for Talent related to policies and procedures having a documented annual review and utilizing an Enterprise Resource Planning (ERP) tool that tracks client communication, deliverables and milestones related to the program.

Below is an explanation of the Finding Classifications associated with the findings identified during our audit. See detailed summary of the Findings, Recommendations, and Management’s Responses on page five.

Finding Classifications	Quantity
Critical —Matter is urgent and requires immediate action by the Board of Directors and Executive Management.	0
High —Matter is a high priority that requires Executive Management’s immediate attention and correction.	0
Medium —Matter is a priority that requires Executive Management’s attention and a commitment to correct in a reasonable timeframe.	1
Low —Corrective action is necessary. These items represent infrequent errors or opportunities to improve internal controls or processes.	1
Best Practice —These items represent observations where there may not be an error, but controls or processes could be improved to better align with best practices.	0

Audit Rating: Satisfactory with Exceptions

A “Satisfactory with Exceptions” rating, as defined below, was assigned based on the results of this audit.

<i>Satisfactory</i>	Strong internal controls exist, and they are generally working as intended. No findings rated Critical, High, or Medium were noted.
<i>Satisfactory with Exceptions</i>	Audit area does not contain any findings rated Critical or High. However, some Medium rated findings were noted that do require a commitment to correct by Management.
<i>Improvement Required</i>	Audit area contains findings rated High or Medium that, when aggregated, result in an elevated level of risk that require timely attention and correction by management.
<i>Unsatisfactory</i>	Significant internal control weaknesses exist. The overall number / extent of control weaknesses represents unacceptable exposure and risk.

Program Overview

The Virginia Talent Accelerator Program is VEDP’s training and recruitment solutions program that is fully customized to a company’s unique operations, equipment, standards, and culture. The Virginia Talent Accelerator Program accelerates facility start-ups and expansions by expediting recruiting and shortening the new-hire learning curve.

Objective and Scope

The objective of this audit was to assist VEDP in evaluating processes and controls for the Virginia Talent Accelerator Program, and to provide any recommendations for improvement. As part of the audit plan for FY 2022, we performed testing of select internal controls over the Virginia Talent Accelerator Program’s business processes in place during the period of July 1, 2020 - December 31, 2021. We conducted meetings with management and process owners to understand the current processes and control activities in place. The following functional areas and activities were included within the scope of our testing procedures:

- Board and Management Reporting
- Client Satisfaction / Project Closure
- Data Collection
- Deliverables Provided

- Eligibility for the Virginia Talent Accelerator Program Incentive
- Job Descriptions
- Needs Analysis
- Non-Disclosure Agreements (NDAs)
- Policies and Procedures
- Program Budget & Expenses
- Project Review and Approval
- Response Rate
- Scope of Services Provided
- Succession planning

We cannot guarantee that a third party would agree with our analysis or that this internal audit identified all issues that may exist or become apparent in the future.

Findings, Recommendations, and Management's Responses

MEDIUM RATED FINDINGS				
NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSE	EXPECTED REMEDIATION DATE
TALENT-13.01	No ERP or similar tool currently exists to track client communication, project deliverables and milestones.	Management of the Virginia Talent Accelerator Program should complete the plan to utilize an ERP or similar tool to track client communication, project deliverables and milestones. This will increase efficiencies in the documentation of data related to the program as well as the reporting that is required.	VEDP concurs with the finding and recommendation, and will: <ul style="list-style-type: none"> Complete the detailed system specifications required for an RFP and cost-effective build-out (work on this is currently 75% - 80% complete) Assess system vendors/builders and select the one that offers the best combination of expertise, value, and turn-around time 	Complete system specifications for RFP by the end of June 2022. Have prototype built by the end of Q3 2022. Have system fully operating by the end of Q4 2022.
LOW RATED FINDINGS				
NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSE	EXPECTED REMEDIATION DATE
TALENT-01.01	There is no evidence the policies and procedures over the Virginia Talent Accelerator Program were reviewed/updated during the audit period.	Management of the Virginia Talent Accelerator Program should conduct a documented review/update of their policies and procedures annually.	VEDP concurs with the finding and recommendation, and will: <ul style="list-style-type: none"> Schedule a regular review of policies and procedures in May of each year to ensure that any policy changes coincide with the change in Fiscal Year. 	May 2022

FINANCE & AUDIT COMMITTEE

June 22, 2022

St. Peter's Parish –
New Kent County

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

Bethel Beach –
Mathews County

VEDP |

EXTENSION REQUEST OVERVIEW

- The Code of Virginia § 2.2-115. (Commonwealth's Development Opportunity Fund, or COF) provides an option for the locality and Commonwealth to grant up to a 15-month extension of the performance date.
- Further, the Code of Virginia § 2.2-2237.3. (VEDP Division of Incentives) provides that an extension of the performance date may only be granted with the approval of the VEDP Board of Directors (VEDP Board); further, approval of both the VEDP Board and the MEI Project Approval Commission is required to grant any additional extensions.
- There is no fee associated with first extensions.
- VEDP's incentives policy provides that all subsequent extension requests submitted on or after October 25, 2018, require the company to pay a fee equal to five percent (5%) of the Commonwealth's part of the grant. This fee will be waived in the event of force majeure and may be waived in other circumstances with the approval of the VEDP Board and the MEI Project Approval Commission.
- All extension requests require the support of the local government.

SMYTH COUNTY MACHINE AND FABRICATION – SMYTH COUNTY – 1ST EXTENSION

Summary:

- Manufacturer of precision machine and fabricated products
- \$100,000 COF grant
- Governor approved: 10/21/2018
- Initial performance date: 3/31/2022
- Subsequent performance date: 3/31/2026
- Extension request date: 4/7/2022

Targets per the Performance Agreement:

- 35 new jobs @ \$35,883 over baseline of 32
- \$2,100,000 capital investment

Actual as of 12/31/2021:

- 0 new jobs
- \$2,105,147 capital investment (100%, verified)

Request:

- Extend performance date by 15 months from 3/31/2022 to 6/30/2023

Rationale:

- COVID-19 has delayed the company's hiring, which continues to be a challenge due to both a shortage of qualified candidates and high turnover the past two years.
- Wage levels have been increased to attract a broader range of candidates, and the company has engaged with area community colleges to establish apprenticeship programs.
- The company is participating in both in-person and virtual job fairs to attract employees.
- Smyth County is in receipt of the entire COF.
- The statutory minimum job creation and capital investment requirements do not apply for this project since the grant structure requires the company to fully achieve its pledged metrics.
- Smyth County is supportive of an extension for Smyth County Machine and Fabrication to make progress towards achieving the employment target.

CASTLE HILL GAMING/IRONWORKS DEVELOPMENT – ALBEMARLE COUNTY – 1ST EXTENSION

Summary:

- Provides quality gaming solutions for Native American tribal casinos
- \$84,800 VJIP grant
- Approved: 11/5/2018
- Performance date: 1/2/2022
- Extension request date: 11/19/2021

Targets per the Performance Agreement:

- 106 new jobs @ \$39.24 per hour over baseline of 11
- \$1,306,000 capital investment

Actual as of 3/31/2022:

- 31 new jobs @ required wage (29%, verified)
- \$2,005,868 capital investment (154%, verified)

Request:

- Extend performance date by 15 months from 1/2/2022 to 4/2/2023

Rationale:

- Highly reliant on hospitality and entertainment, this industry experienced an abrupt halt at the onset of COVID-19. Construction was delayed due to disruptions in the supply chain and the limitation of on-site workers in the early days of the pandemic.
- Hiring continues to be a challenge, particularly due to the requirement for employees to work solely in the office.
- The company has contracted with One Digital to assist in its recruitment efforts and also implemented a significant company-wide compensation increase in early 2022 to be more competitive.
- Completion of construction and occupancy is expected by mid-2022, and the company anticipates an increase in employment with the opening of this facility.
- An extension will allow Castle Hill Gaming to make progress towards its employment target and take advantage of the remaining VJIP funding available to the company.

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

Beaver Creek Lake –
Albemarle County

REPAYMENT REQUIREMENTS FOR COF UNDERPERFORMANCE

- Per the Code of Virginia § 2.2-115. (Commonwealth's Development Opportunity Fund, or COF), all COF performance agreements “shall provide that if the private investment and new job contractual requirements are not met by the expiration of the date stipulated in the contract, including any extension granted by the political subdivision and the Commonwealth, **the business beneficiary shall be liable** to the political subdivision and the Commonwealth **for repayment of a portion of the funds provided** by the political subdivision under the contract and liable to the Commonwealth for repayment of a portion of the funds provided from the Commonwealth's Development Opportunity Fund.”
- JLARC Recommendation No. 24: "The Virginia Economic Development Partnership (VEDP) board of directors should require VEDP to develop and use standard policies and procedures that clearly explain when and how staff should enforce clawback provisions. Enforcement should be consistent and effective for all companies that do not meet their contractual obligations, including wage requirements. The board should require VEDP staff to **report regularly to the full board on each project that is subject to a clawback and the repayment status for each project that is subject to a clawback.**"

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of June 3, 2022

Company	Locality	Clawback Amount Due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Home Care Industries	Mecklenburg	150,000	Full repayment of \$150,000 grant due 5/1/2013; company closed in January 2013; hard asset created (site preparation) through use of COF grant. The VEDP Board, at its January 17, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.	Yes	10/5/2010	3/31/2014
Lindenburg	Appomattox	1,400,000	Project not proceeding as planned; repayment of \$1,400,000 grant due 3/7/2016; VEDP has been pursuing an injunction to attach foreclosure proceeds by alleging misconduct by the project consultant; VEDP has a pending lawsuit against Lindenburg. The VEDP Board, at its January 17, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.	Yes	11/4/2014	4/30/2018
Tranlin	Chesterfield	4,811,726	Project not proceeding as planned; full repayment of \$5,000,000 grant to be repaid. \$150,000 repaid 10/24/2017; remainder to be repaid in six monthly installments of \$833,561 beginning 12/1/2017, secured by deed of trust on land. Additional \$38,274 repaid 9/19/2019. The VEDP Board, at its January 17, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.	Yes	6/18/2014	12/31/2019
Evatran	Wythe	100,000	Full repayment of \$150,000 to be paid in three installments of \$50,000 each due 12/31/2016, 12/31/2017, and 12/31/2018; 2016 payment received; \$50,000 installments due 12/31/2017 and 12/31/2018. The VEDP Board, at its April 26, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.	Yes	6/29/2010	12/31/2013
Axon Ghost Sentinel	Harrisonburg	75,000	Statutory minimum requirements not met; full repayment of \$75,000 grant due 7/25/2019. The VEDP Board, at its October 24, 2019, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.	Yes	6/29/2015	10/1/2018
Basket Savings	Arlington	40,000	Statutory minimum requirements not met; full repayment of \$125,000 grant due 9/30/19; \$85,000 held by Arlington received 9/5/19; \$40,000 balance due from Basket by 9/30/19. The VEDP Board, at its October 24, 2019, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.	Yes	2/29/2016	6/30/2019
Telos	Loudoun	65,000	Job threshold not fully met; prorated repayment of \$65,000 of \$500,000 grant due 7/9/2019. The VEDP Board, at its October 24, 2019, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.	Yes	1/7/2014	3/31/2018
TOTAL		6,641,726				

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Clawback past due as of June 3, 2022

Company	Locality	Clawback Amount Due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Blue Wolf	Tazewell	45,000	Statutory minimum requirements not met; full repayment of \$45,000 grant requested 3/7/2022; will be repaid in quarterly installments of \$11,250 due 3/31/2022 (expected shortly), 6/30/2022, 9/30/2022, and 12/31/2022.	Yes	10/15/2015	11/1/2021
TOTAL		45,000				

Clawbacks requested but not past due as of June 3, 2022

Company	Locality	Clawback Amount Due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Solid Stone	Henry	50,000	Statutory minimum requirements will not be met; full repayment of \$50,000 grant requested 3/2/2022; will be repaid in quarterly installments of \$12,500 due 3/31/2022 (received 3/31/2022), 6/30/2022, 9/30/2022, and 12/31/2022.	No	7/20/2016	4/1/2022
KPMG	Fairfax	319,000	Company requested reduction in employment target and employment baseline in exchange for a reduced COF; prorated repayment of \$319,000 of \$1,000,000 grant requested 5/6/22; due 6/30/22.	No	10/24/2018	3/31/2023
Global Technical Systems	Virginia Beach	1,800,000	Company indicated that performance metrics will not be met and wishes to forego grant; full repayment of \$1,800,000 grant requested 4/7/22; due 7/7/22.	No	12/5/2017	6/30/2022
Koinonia	Pulaski	100,000	Company unable to reach its performance metrics; full repayment of \$100,000 grant requested 4/19/22; due 7/19/22.	No	9/8/2017	12/31/2021
Sanjo	Virginia Beach	250,000	Statutory minimum requirements not met; full repayment of \$250,000 grant requested 4/19/22; due 7/19/22.	No	7/6/2016	12/1/2021
idX	Spotsylvania	22,000	Performance metrics not fully achieved; prorated repayment of \$22,000 of \$400,000 grant requested 4/28/22; due 7/28/22.	Yes	2/7/2017	9/30/2021
TOTAL		2,541,000				

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Projects subject to clawback closed out since March 17, 2022

Company	Locality	Clawback Amount Due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Aurora Flight Sciences	Manassas	500,000	Statutory minimum requirements not met; full repayment of \$500,000 grant received 3/25/2022.	Yes	7/26/2018	6/30/2022
OVH	Fauquier	1,250,000	Statutory minimum requirements not met; full repayment of \$1,250,000 grant received 4/27/22.	No	10/6/2016	3/31/2022
Starsprings	Henry	33,000	Performance metrics not fully achieved; prorated repayment of \$33,000 of \$100,000 grant received 4/27/2022.	No	1/13/2016	9/30/2021
TOTAL		1,783,000				

VEDP still processing closeout with performance dates at least 90 days prior

Company	Locality	Clawback Amount Due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Stone Brewing	Richmond City	5,000,000	Locality working with company to finalize report.	No	10/9/2014	12/31/2021
TOTAL		5,000,000				

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

Rosslyn –
Arlington County

VEDP |

PROGRESS REPORT ON VJIP PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of June 3, 2022 - NONE

Clawbacks past due as of June 3, 2022 - NONE

Clawbacks requested but not past due as of June 3, 2022 - NONE

Projects subject to clawback closed out since March 17, 2022 - NONE

VEDP still processing closeout with performance dates at least 90 days prior - NONE

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

Rosslyn –
Arlington County

VEDP |

PROGRESS REPORT ON DATA CENTER PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of June 3, 2022 - NONE

Clawbacks past due as of June 3, 2022 - NONE

Clawbacks requested but not past due as of June 3, 2022 - NONE

Projects subject to clawback closed out since March 17, 2022 - NONE

VEDP still processing closeout with performance dates at least 90 days prior

Company	Locality	Clawback Amount Due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
OVH	Fauquier	TBD	Company indicated that statutory minimum capital investment of \$150 million has not been met and cannot be met with an extension of the MOU; TAX will conduct an audit of expenditures to determine the tax payment due.	Yes	10/6/2016	6/30/2021
TOTAL		TBD				

AGENDA

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY
LEGISLATION AND POLICY COMMITTEE MEETING**

June 22, 2022

12:30 P.M. – 1:30 P.M.

**One James Center, 7th Floor – Katherine Johnson Room
Richmond, Virginia**

- | | |
|--------------------------------|---|
| 12:30 p.m. – 12:33 p.m. | Welcome/Call to Order – Marianne Radcliff, Chair |
| 12:33 p.m. – 12:35 p.m. | Public Comment Period |
| 12:35 p.m. – 12:40 p.m. | Approval of Minutes for 3/16/2022 Meeting |
| 12:40 p.m. – 1:05 p.m. | Special Session I Outcomes – Christy Morton |
| 1:05 p.m. – 1:30 p.m. | Closed Session: <ul style="list-style-type: none">▪ Budget and Legislative Development |
| 1:30 p.m. | Adjournment |

Minutes
Legislation and Policy Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
March 16, 2022
12:30 p.m. – 1:30 p.m.

Welcome and Call to Order

The meeting was called to order at 12:37 p.m. by Chair Marianne Radcliff, who noted that a quorum was present.

Members present: Chair Marianne Radcliff, Carrie Chenery, Deborah Flippo, Ned Masee, Vince Mastracco, and Dan Pleasant, *ex officio*

Members absent: Nancy Agee and Dan Clemente

Other Board Members: Secretary Stephen Cummings and Rick Harrell

VEDP staff present: Lindsay Barker, Star Cranston, Nicole David, David Devan, Michael Dreiling, Jason El Koubi, Stephanie Florie, Sandi McNinch, and Christy Morton

Guests present: Kim McKay

Public Comment Period

Chair Radcliff solicited public comments. There were none.

Approval of Minutes for June 16, 2021, and October 20, 2021 Meetings

Chair Radcliff asked for approval of the minutes from the June 16, 2021, and October 20, 2021 meetings. A motion was made by Mr. Mastracco and seconded by Ms. Flippo, and the minutes were unanimously approved as presented.

General Assembly Outcomes

Ms. Morton reviewed a presentation on the outcomes of the recent General Assembly session.

Ms. Morton explained that the 2022 General Assembly Regular Session started on January 12 and lasted 60 days, with the House and Senate meeting in person and that public participation was hybrid. Ms. Morton explained that the General Assembly adjourned Sine Die on March 12. She noted that there would be a special session to finalize the budget and any outstanding legislation. She added that the reconvened session for the regular session is scheduled for April 27.

Ms. Morton said that over 3,000 bills were introduced during the session and that VEDP tracked 185 bills and completed 11 legislative action summaries. She noted that VEDP had eight agency bills this year.

Ms. Morton reviewed VEDP's legislative proposals for the 2022 General Assembly Session in detail in addition to other legislative proposals of interest related to economic development. She provided a summary of each bill and the status. Ms. Morton said that all of VEDP's bills had passed the General Assembly.

Ms. Morton mentioned several bills where VEDP had been named as a supporting entity within the legislation. Ms. Morton specifically highlighted HB191 (Hodges) and HB217 (Simonds), noting that the Virginia Office of Education Economics (VOEE) has been asked to provide support for these initiatives with no additional funding. Ms. Morton stated that VEDP and the leadership in the House and Senate would need to consider the capacity of the VOEE team and prioritize these initiatives based on the availability of resources.

Ms. Morton mentioned that the data center coalition was pleased that HB791 (McNamara)/SB513 (McPike) passed, which provides that if data center fixtures are taxed as part of the real property where they are located, they shall be valued based on depreciated reproduction or replacement cost rather than based on the amount of income they generate.

Ms. Morton reviewed HB894 (Kilgore), which touches on various components of energy development in Southern and Southwest Virginia. She explained that VEDP had been tasked with reviewing whether barriers currently exist for developing infrastructure and supply chain investments in the Tobacco Region and reviewing incentives localities should utilize or develop to retain economic development and promote new infrastructure and supply chain investments.

Ms. Morton spoke about SB28 (Marsden), which codifies the Virginia Business Ready Sites Program and Fund. She stated that VEDP had worked closely with Senator Marsden on the bill that will help VEDP continue to operate the program and ensure that the program continues to account for the characterization development of project-ready sites. The Committee engaged in a robust discussion on the details of this legislation.

The Committee had a broader discussion on the development of sites and the challenges for some areas, predominantly rural areas, with securing matching funds for site development. They also discussed how many of these areas do not have the expertise needed among their economic development staffs to navigate the complexities of site development.

Ms. Morton provided details on SB667 (Hashmi), which directs the State Council of Higher Education for Virginia (SCHEV) to collect and utilize data that includes the gaps that are most significant in hindering the Commonwealth from achieving its goals that its funds are intended to accomplish under the Innovative Internship Program and provides other directives to SCHEV and VOEE to collaborate on an accomplish for the Innovative Internship Program. Ms. Morton

pointed out that this initiative would require ongoing work without recurring funds to support the project, which she emphasized is something that will need to be addressed.

Ms. Morton reviewed the status of VEDP operational and incentive budget proposals as approved by the House and Senate compared to the introduced budget.

Ms. Morton discussed additional items for Economic Development Incentive Programs (EDIP) and VEDP Operations included in the House and Senate proposed versions of the budgets, highlighting areas where additional funds have been included to support new initiatives.

Chair Radcliff said that the Committee could expect a full briefing on the final outcome of the budget negotiations at the June meeting.

Ms. Morton provided the Virginia Business Ready Sites Program handout to the Committee.

Ms. Morton introduced a new member of her team, Star Cranston, Associate Manager of External Affairs. Ms. Morton described Ms. Cranston's policy and economic development background and expressed her gratitude for Ms. Cranston hitting the ground running.

Mr. El Koubi applauded the External Affairs team for their extraordinary efforts during this year's General Assembly Session. Chair Radcliff echoed Mr. El Koubi's comments.

Adjournment

There being no further business, Chair Radcliff adjourned the meeting at 1:31 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary



LEGISLATION AND POLICY COMMITTEE

Virginia State Capitol

June 22, 2022

VEDP | Virginia
Economic
Development
Partnership
VEDP.org

VEDP OPERATIONAL FUNDING



State Flag

OVERVIEW OF VEDP'S OPERATIONAL FUNDING (1 OF 2)

Initiative (Item)	Description	Introduced Addt'l Investment (\$M)			Conference Report (\$M)			
		FY22	FY23	FY24	FY22	FY23	FY24	
Operational (item 130/125)	Virginia Business Ready Sites Program (130 #2c/125 #4c)	Moves the funding from FY22 to the new biennial budget and moves the funding from VEDP's Operational Budget to Economic Development Incentives Payments (EDIP), #4c provides \$1M for administration	150.0			(150.0)	(4.5)	(4.5)
	Virginia Talent Accelerator Program (125 #5c)	Provides \$9M for the Virginia Talent Accelerator Program		2.3	2.3		(0.7)	(0.7)
	Virginia Talent Accelerator Program supplemental funding for Blue Star Manufacturing (130 #1c/125 #1c)	Services will support the recruitment and training of up to 2,464 new jobs for the MEI-approved Blue Star Manufacturing project in Wythe County				1.4	0.6	0.7
	Fund initiatives outlined in the Virginia International Trade Plan (125 #6c)	Provides \$3.5M annually and include an update to International Trade Plan in annual operating plan by 11/1/22 and by 1/31/23 support an additional 55 small to mid-size existing VA businesses		3.5	7.0			(3.5)
	Natural gas pipeline economic impact analysis (125 #2c)	Complete an economic impact study of a natural gas pipeline extension on the eastern shore by 12/1/22					0.2	
	Offshore Wind Industry Supply Chain (125 #3c)	Build a grant program to help businesses transition to the offshore wind industry by investing in equipment						2.5

OVERVIEW OF VEDP'S OPERATIONAL FUNDING (2 OF 2)

	Initiative (Item)	Description	Introduced Add'l Investment (\$M)			Conference Report (\$M)		
			FY22	FY23	FY24	FY22	FY23	FY24
Operational (item130/125)	VEDP Incentives Division and Internal Auditor (125 # 7c)	Provides an additional \$500k for the incentives division and \$200k to support the internal audit function					0.7	0.7
	Inland Port Feasibility Assessment (125 #8c)	VEDP and VPA in consultation with TRRC, CVPDC, and MRPDC assess the feasibility of an inland port in Region 2000, Mount Rogers PDC, or the City of Bristol by 11/1/22					0.2	
	Offshore Wind/Maritime Talent Attraction Study (125 #9c)	Complete a study of strategies to attract skilled out-of-state talent to fill maritime jobs in Hampton Roads in support of the shipbuilding, ship repair, and offshore wind industries by 11/1/22					0.2	

VEDP INCENTIVE FUNDING



State Flag

OVERVIEW OF VEDP'S INCENTIVE FUNDING (1 OF 2)

Initiative (Item)	Description	Introduced Addt'l Investment (\$M)			Conference Report (\$M)			
		FY22	FY23	FY24	FY22	FY23	FY24	
EIP (item 112/113)	Virginia Business Ready Site Program (113 #3c) ¹	Provides \$54.5 annually for VBRSP in accordance with SB28 and to consider investing in sites 1,000+ acres and sites of at least 50+ acres in GOVA Regions 1 & 2. VEDP may also reimburse localities, without a match requirement for fees associated with rezoning land. VEDP may use up to \$19M for an MEI project approved on 5/2022				54.5	54.5	
	MEI Project for CoStar (112 #1c/113 #5c)	Supports infrastructure site improvements in the city of Richmond related to the CoStar project, requires the company to report to SCT and the SCT to certify the grant amounts and as a condition of grants the company shall make available to the SCT any documents to determine grant eligibility				15.0	Lang.	Lang.
	MEI Project for Rocket Labs (112 #2c)	Provides funds to support the Rocket Lab economic development project at Wallops Island				15.0		
	MEI Project for Blue Star Manufacturing (112 #3c)	Adds the wage threshold to the parameters of the Blue Star Manufacturing economic development project in Wythe County	8.5			Lang.		
	Continue Jefferson Labs Project Funding Policy (112 #4c)	Reverts the funding source related to a high-performance data facility project at Jefferson Labs from the GF back to the COF	1.5			(1.5)		

¹Companion amendment in Central Accounts

OVERVIEW OF VEDP'S INCENTIVE FUNDING (2 OF 2)

Initiative (Item)	Description	Introduced Add'l Investment (\$M)			Conference Report (\$M)		
		FY22	FY23	FY24	FY22	FY23	FY24
EDIP (item112/113)	Petersburg Water and Wastewater Upgrades (112 #5c)	Removes language and changes the funding source from GF to ARPA funds. A companion amendment in HB30 directs \$29.6M in FY23 to fund the entire cost of the project through ARPA funds			(10.0)		
	VEDIG Language (113 #1c)	Budget language eliminates the cap for 2017 VEDIG projects			Lang.		
	Fund the Shipping & Logistics Custom Grant (CMA CGM)	(6.3)	1.4	1.2			
	Fund the Major Headquarters Workforce Grant Fund (Amazon) ¹			42.5	42.5		

¹Companion amendment in Central Accounts

OTHER FUNDING ITEMS OF INTEREST



State Flag

ADDITIONAL ITEMS OF INTEREST OR IMPACTING VEDP (1 OF 3)

		<u>Conference Report (\$M)</u>			
Initiative (Item)	Description	FY22	FY23	FY24	
DHCD	GO Virginia Talent Pathways Planning (114 #1c / 115 #3c)	Provides grants to GO Virginia regions to identify business needs for workers in strategic industries. DHCD shall work with VOEE to make recommendations. VOEE shall provide analytical support to regional councils. The language continues in the biennium for any unspent one-time funds	2.5	Lang.	Lang.
	Biotechnology, Life Sciences, and Pharmaceutical Manufacturing Cluster (115 #4c)	DHCD to establish a taskforce to strengthen Virginia's Biotechnology, Life Sciences, and Pharmaceutical Manufacturing industry cluster which includes representation from VEDP. The funds will be investments identified regional innovation clusters		48.7	18.0
	GO Virginia Authorization (115 #5c)	Authorizes the GO Virginia Board to rescind unused regional per capita allocations in excess of a regional council's average annual per capita distribution and repurpose unused funds for competitive grant awards		Lang.	Lang.
	Federal Funding in Coal Communities (115 #11c)	Provides additional support for the Lenowisco PDC and the Cumberland Plateau PDC to maximize federal programs and funding targeted to coal communities. It also establishes an Inter-Agency Task Force (including VEDP) to make recommendations to the General Assembly on economic development opportunities in Southwest Virginia based on the recommendations from the reenergize SW report		0.2	0.2
	Enterprise Zone Funding (116 #1c)	Retains an increase of \$1.5 million in each year for the Enterprise Zone Grant Program		(2.0)	(2.0)
JLARC	Petersburg Casino (32 #1c / 36 #1c)	Directs JLARC to engage a previously retained professional consultant to evaluate the potential revenues from a casino in the City of Petersburg	0.1	Lang.	
Transfers	GO Virginia Balances (3-1.01 #3c)	Reverts \$27.5M in GOVA balances to the GF	Lang.		

ADDITIONAL ITEMS OF INTEREST OR IMPACTING VEDP (2 OF 3)

	Initiative (Item)	Description	Conference Report (\$M)		
			FY22	FY23	FY24
VDACS	Agriculture & Forestry Industries Development Fund (99 #1c)	Provides \$1.5M in FY23 and \$1.25M in FY24 for the AFID program		(1.5)	(0.5)
VDOF	Assessment of Virginia's Forest Economy (108 #4c)	Directs Dept. of Forestry with assistance from DEQ and VEDP of the environmental benefits of Virginia's forests and its forest economy by 12/1/22		Lang.	Lang.
EDIP	Frederick County Economic Development Initiative (113 #4c)	Provides a one-time grant of \$5.0 million to the Frederick County Economic Development Authority for a regional economic development initiative and facility that supports the growth of aerospace and unmanned systems companies in Planning District 7		5.0	
SOF	Temporary Interagency Office on Infrastructure Funding Coordination (257 #2c)	Provides \$500,000 to the Sec. of Finance for efforts to secure federal grant funding provided by the Infrastructure Investment and Jobs Act		0.5	
DOLI	Apprenticeship Data to Virginia Office of Education Economics (364 #1c)	Directs the Office of Registered Apprenticeship to provide data to the Virginia Office of Education Economics on or before December 31, 2022, and quarterly thereafter		Lang.	Lang.
VCCS	G3 Missing Language (213 #1c)	Adds language that VOEE shall evaluate the skills and training needed for Virginians to fill jobs available in certified regional council areas. Based on the evaluation, VOEE will make recommendations to the Governor and GA what programs should be offered in each region that qualify for financial assistance under the G3 Program		Lang.	Lang.
VPA	Port Economic Development Zone Grant Funds (465 #1c)	Reverts the funding source from the GF back to the COF		(2.0)	(2.0)

ADDITIONAL ITEMS OF INTEREST OR IMPACTING VEDP (3 OF 3)

			Conference Report (\$M)		
			FY22	FY23	FY24
Initiative (Item)	Description				
Central Appropriations	Fund Remaining Rebuild Virginia Applications (479.20 #4c/486 #36c)	Provides \$130.0 million in federal ARPA funds for the Rebuild Virginia program. These funds should support all remaining eligible applications in the pipeline for Rebuild Virginia business assistance funds	130.0	(100.0)	
	Adjust Funding & Language for Employee Compensation Increases (483 #3c)	Adjusts funding included in the introduced budget but maintains a 5% salary increase on July 10, 2022, and a 5% increase on June 10, 2023		(41.4)	(18.7)
	Bonus for State Employees (483 #4c)	Provides a one-time bonus payment of \$1,000 to state employees on December 1, 2022		66.5	
	One-Time Transformation Funding (485 #3c)	Funds for government transformation initiatives identified by the Office of Chief Transformation Officer		10.0	
	Allocation of Contingent Appropriation (487 #7c)	Earmarks up to \$585.0 million of undesignated 2022 fiscal year end surplus funds for five high priority budget items including \$150M to the Transportation fund to improve a portion of I64, \$50M for VBRSP, and \$35.5M for the Major Headquarters Workforce Grant Fund		Lang.	Lang.
	Industrial Revitalization Fund (486 #35c)	Deposits \$27.6M of remaining American Rescue Plan Act Funds into the Industrial Revitalization Fund		(5.1)	
	Workforce Development (487.50 #1c)	Provides funding to support workforce development programming across Virginia including: \$3M in FY23 and \$10M in FY24 for the Innovative Internship Fund and Program at SCHEV and \$2.5M for Advanced Manufacturing Talent Investment Program and Fund pilot at VEDP		16.0	17.0

AGENDA

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY
MEETING OF THE RURAL VIRGINIA ACTION COMMITTEE
June 22, 2022
2:30 P.M. – 3:30 P.M.**

**One James Center, 7th Floor – Katherine Johnson Room
Richmond, Virginia**

- | | |
|------------------------------|--|
| 2:30 p.m. – 2:33 p.m. | Welcome/Call to Order – Rick Harrell, Chairman |
| 2:33 p.m. – 2:35 p.m. | Public Comment Period |
| 2:35 p.m. – 2:40 p.m. | Approval of Minutes for 3/16/22 Meeting |
| 2:40 p.m. – 2:50 p.m. | Defining Rural Virginia and Recent Economic Trends – Stephen Hartka |
| 2:50 p.m. – 3:20 p.m. | Closed Session: <ul style="list-style-type: none">▪ Opportunities for Rural Virginia – Adam Watkins |
| 3:20 p.m. – 3:30 p.m. | Topics of Discussion for Next Meeting |
| 3:30 p.m. | Adjournment |

Minutes
Rural Virginia Action Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
March 16, 2022
3:00 p.m. – 4:00 p.m.

Welcome and Call to Order

The meeting was called to order at 3:18 p.m. by Chair Rick Harrell, who noted that a quorum was present.

Members present: Chair Rick Harrell, Carrie Chenery, Stephen Edwards, Deborah Flippo, Secretary Caren Merrick, Dan Pleasant, *ex officio*

Members absent: Nancy Agee

Other Board Members: Secretary Stephen Cummings, Ned Masee, Marianne Radcliff, and Xavier Richardson

VEDP staff present: Lindsay Barker, Star Cranston, Nicole David, David Devan, Jason El Koubi, Stephanie Florie, Jennifer Garrett, Stephen Hartka, Sandi McNinch, Lori Melancon, and Christy Morton

Guests present: None

Public Comment Period

Chair Harrell asked if there were any members of the public who wished to make a comment. There were none.

Approval of Minutes for June 16, 2021 and October 20, 2021 Meetings

Chair Harrell asked for approval of the minutes from the June 16, 2021, and October 20, 2021 Committee meetings. A motion was made by Ms. Flippo and seconded by Secretary Merrick, and both meetings' minutes were unanimously approved as presented.

Rural Trends Over the Last 20 Years and Economic Recovery Forecast

Chair Harrell introduced Mr. El Koubi, who shared goals for the presentation, which included providing a status of the recovery in rural Virginia and ideas on how it can be accelerated.

Mr. El Koubi introduced Stephen Hartka to speak about historical trends in rural Virginia, which set the stage for the remainder of the presentation. Mr. Hartka began his presentation by

providing data on employment levels over the past 20 years and how rural Virginia has struggled to keep up with the growth in urban areas since the great recession. He explained that Virginia's rural employment levels had fared better than rural regions across the U.S.

Mr. Hartka highlighted that population growth has stalled in rural Virginia but is continuing to rise in the urban areas. He shared a bright spot: rural population growth in rural Virginia has outpaced rural population growth nationally.

Mr. Hartka spoke about the composition of rural Virginia's workforce, which has become increasingly diversified over the last two decades. He highlighted manufacturing, healthcare, and social assistance as a few of the growing sectors. He explained that while diversification is good, the shifts in employment from traded sector to a non-traded sector are something to watch. He said this is why VEDP puts so much emphasis on growing the manufacturing base of rural Virginia.

Mr. Hartka shared data on the long-term trends in Virginia's economic development project activity, which has largely been concentrated in the urban localities.

Mr. Hartka shared that rural Virginia represents 17% of Virginia's total employment, 15% of Virginia's Gross Domestic Product, and 24% of Virginia's population. There was additional discussion by Committee members on what is considered a "rural" area. Mr. Hartka noted that VEDP uses the census bureau's definition of "rural."

Mr. El Koubi delivered the second part of the presentation, which focused on the status of the Covid-19 recovery in Virginia, noting that there is quite a bit of variation in how the different regions are recovering. He said that VEDP is keeping an eye on the forecasts, but it looks like Virginia will fully recover by Q4 CY2022. Mr. El Koubi explained that Virginia needs to have success in manufacturing to have success in securing projects for rural Virginia. He said that for many of Virginia's regions, manufacturing has been responsible for the majority of jobs over the past several years.

Mr. El Koubi and the Committee expressed concern regarding labor force participation, which Mr. El Koubi explained is down three percentage points from pre-pandemic levels.

Chair Harrell thanked Mr. Hartka and Mr. El Koubi for their informative presentations.

Closed Meeting:

Upon the following motion made by Ms. Flippo, seconded by Ms. Chenery, and unanimously approved by the Committee, the Committee moved into a closed meeting.

I MOVE THAT THE RURAL VIRGINIA ACTION COMMITTEE OF THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY CONVENE A CLOSED MEETING PURSUANT TO VIRGINIA CODE §2.2-3711(A)(50) TO ENGAGE IN A DISCUSSION OR CONSIDERATION OF THOSE PORTIONS OF VEDP'S

STRATEGIC PLAN, MARKETING PLAN OR OPERATIONAL PLAN, THAT MAY RELATE TO 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.

Mr. El Koubi asked that VEDP staff be allowed to stay for the closed meeting for all matters and Chair Harrell agreed.

Back in Open Meeting, Certification of Closed Meeting – Followed by a Roll Call vote:

WHEREAS, THE RURAL VIRGINIA ACTION COMMITTEE OF THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY HAS CONVENED A CLOSED MEETING ON THIS DATE PURSUANT TO AN AFFIRMATIVE RECORDED VOTE AND IN ACCORDANCE WITH THE PROVISIONS OF THE VIRGINIA FREEDOM OF INFORMATION ACT; AND WHEREAS, THE ACT REQUIRES A CERTIFICATION BY THIS COMMITTEE THAT SUCH CLOSED MEETING WAS CONDUCTED IN CONFORMITY WITH THE ACT; NOW, THEREFORE, BE IT RESOLVED, THAT THE COMMITTEE CERTIFIES THAT, TO THE BEST OF EACH MEMBER'S KNOWLEDGE, (I) ONLY PUBLIC BUSINESS MATTERS LAWFULLY EXEMPTED FROM OPEN MEETING REQUIREMENTS UNDER THE ACT WERE DISCUSSED IN THE CLOSED MEETING TO WHICH THIS CERTIFICATION RESOLUTION APPLIES, AND (II) ONLY SUCH PUBLIC BUSINESS MATTERS AS WERE IDENTIFIED IN THE MOTION BY WHICH THE CLOSED MEETING WAS CONVENED WERE HEARD, DISCUSSED, OR CONSIDERED IN THE CLOSED MEETING BY THE COMMITTEE.

Upon the vote:	Mr. Harrell	Aye
	Ms. Chenery	Aye
	Mr. Edwards	Aye
	Ms. Flippo	Aye
	Secretary Merrick	Aye

Open Discussion and Anticipated Topics for Next Meeting

The Committee agreed to continue the closed meeting discussion on opportunities for Rural Virginia at its next meeting, which will take place on June 22.

Adjournment

There being no further business, Chair Harrell adjourned the meeting at 4:15 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary



CONFIDENTIAL - WORKING PAPERS

PRELIMINARY CONCEPTS FOR ACCELERATING RURAL GROWTH

June 22, 2022

EXECUTIVE SUMMARY

Overall approach: VEDP analyzed economic trends, industry data, and case studies of successful rural regions to determine strategies for supporting growth in rural Virginia

Economic context: While some rural regions will see growth in the next four years, many are still expected to see overall job losses

- Rural VA has seen the quickest jobs recovery from COVID, but in the long-run rural areas are still expected to stagnate or decline
- Workforce size and site availability pose the greatest obstacles to securing projects in rural areas









Strategic focus areas: Discussions with rural stakeholders and case studies of successful rural areas reveal five strategic focus areas to achieve rural growth

- VEDP reviewed 20+ case studies of rural areas that have seen job growth and project wins
- Sites and infrastructure, workforce, cost of doing business, marketing, and capacity building are five strategic focus areas where Virginia could improve in order to achieve the success seen in other rural regions
- Programs and policies in states such as North Carolina, Tennessee, and Georgia provide models that Virginia should consider for capacity building and rural asset development

VEDP's current and preliminary initiatives: VEDP is moving forward with several initiatives to address target sector location decision factors and exploring additional policies to accelerate rural growth

- Current VEDP initiatives address specific challenges for Virginia's rural areas, including VBRSP, Virginia Talent Accelerator Program, marketing efforts, and the Rural and Small Metro Tech initiative
- Preliminary concepts outline improvements to strategic focus areas that could position rural areas for faster growth over the next several years

VIRGINIA HAS MADE SUBSTANTIAL PROGRESS ON RURAL THINK TANK PRIORITY INITIATIVES, BUT IMPORTANT WORK REMAINS

Recommendations	Status	Initiative description
1. Rural marketing		Brand rural Virginia as the most attractive, most competitive locations in the U.S. for manufacturing and other sectors open to rural locations (e.g., BPO, data centers, distribution)
2. Ubiquitous broadband		Leverage public-private partnerships and/or incentives to achieve ubiquitous broadband coverage in Virginia within 5-7 years
3. Expanded site inventory		Dramatically expand competitive site inventory, ranging from mega sites to business parks depending on the regional strategy
4. Customized workforce		Create a world-class, turnkey, customized workforce development incentive program for competitive economic development projects to build confidence that a high-quality, trained workforce can be secure
5. Partnerships to fund projects		Partner with the Tobacco Commission, VCEDA and other economic development funding sources in rural Virginia to target and attract high-impact projects to rural Virginia communities through private capital investment partnership opportunities
6. Tax / incentive changes		Encourage state and local leaders to work together in a bipartisan fashion to make state and/or local tax changes to ensure that Virginia's tax burden rankings for new, job-creating investments are no worse than those for existing firms
7. Community competitiveness		Bring back some form of a community competitiveness/readiness index
8. Civic leadership		Rebuild civic leadership with the next generation in rural Virginia

ADDITIONAL WORK HAS BEEN DONE TO REFINE OUR APPROACH, HIGHLIGHTING PERSISTENT AND EMERGING NEEDS IN RURAL VA

Economic Analysis

Economic context

- Explored methodologies for defining rural Virginia
- Analyzed growth trends in key demographics, jobs, and workforce
- Looked at project trends in VA's pipeline

Target industry study

- Compared rural VA sector growth to other rural areas in the U.S. to understand rural VA's potential
- Analyzed where rural VA's industry LQ lags the rural U.S. to find strong rural opportunities
- Leveraged the BCG Post-Covid Subsector Strategy to understand industry priorities

Case Studies

Key questions to answer

- What rural communities are seeing economic growth, both in and outside of Virginia?
- What state and local policies have been successful at catalyzing growth in rural regions?
- What industries have rural areas been successful at growing?

Communities researched

- Successful Virginia communities
- Case studies of rural communities from BCG's Post-Covid Subsector Strategy effort
- Major projects that located in rural areas
- State efforts (TN Rural Plan, NC Rural policies, Growing Alabama tax credit)
- Rural county clusters in the Southeast that have experienced growth in the past ten years

CONTENTS

Defining Rural Virginia

Recent Economic Trends

Strategic Focus Areas to Drive Rural Growth

Current and Preliminary VEDP Initiatives for Rural VA

Appendix: Selected Case Studies



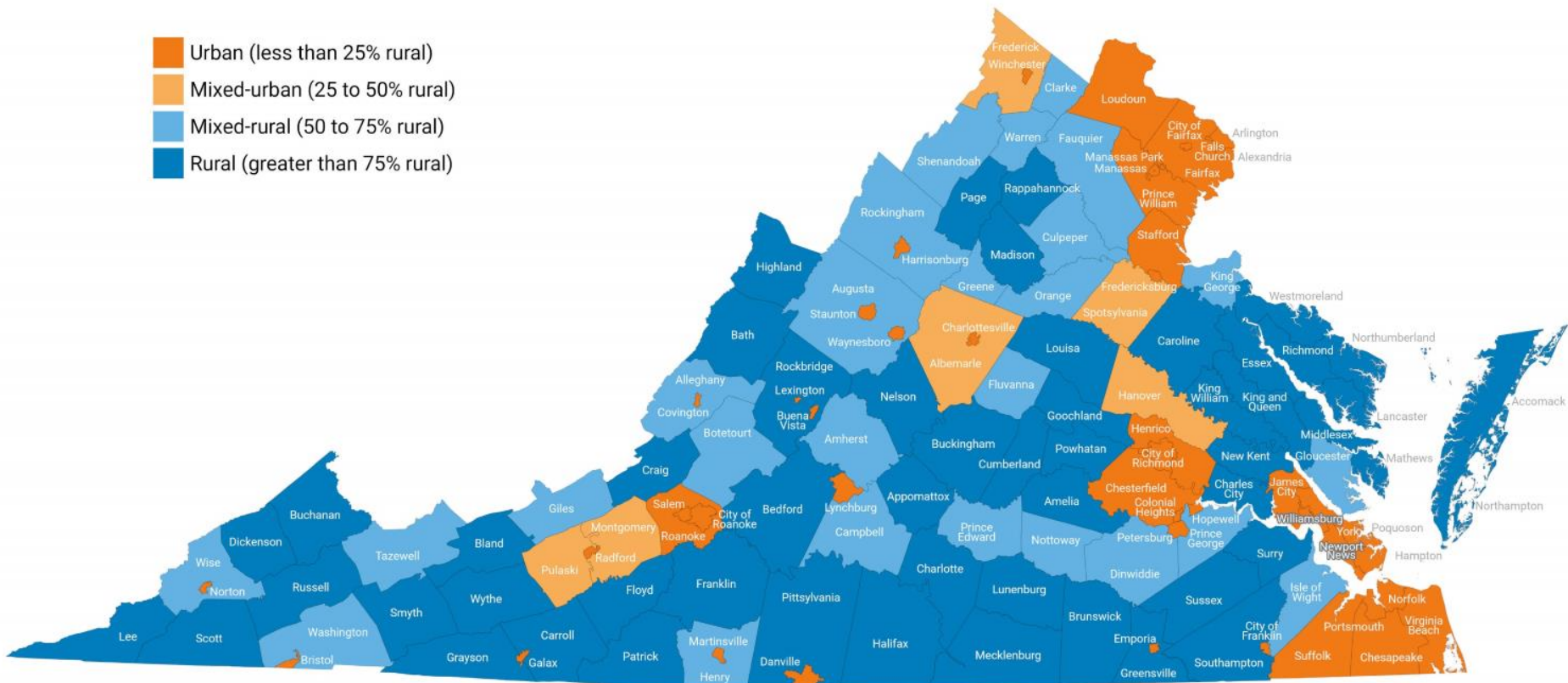
Red Sun Farms
Dublin, VA

VEDP |

WHOLLY RURAL COMMUNITIES FACE DIFFERENT ECONOMIC CONDITIONS AND OPPORTUNITIES THAN MIXED AREAS

Counties that are predominantly rural (>75% of the population) are more likely to face additional economic challenges, such as population loss and limited capacity for ED efforts

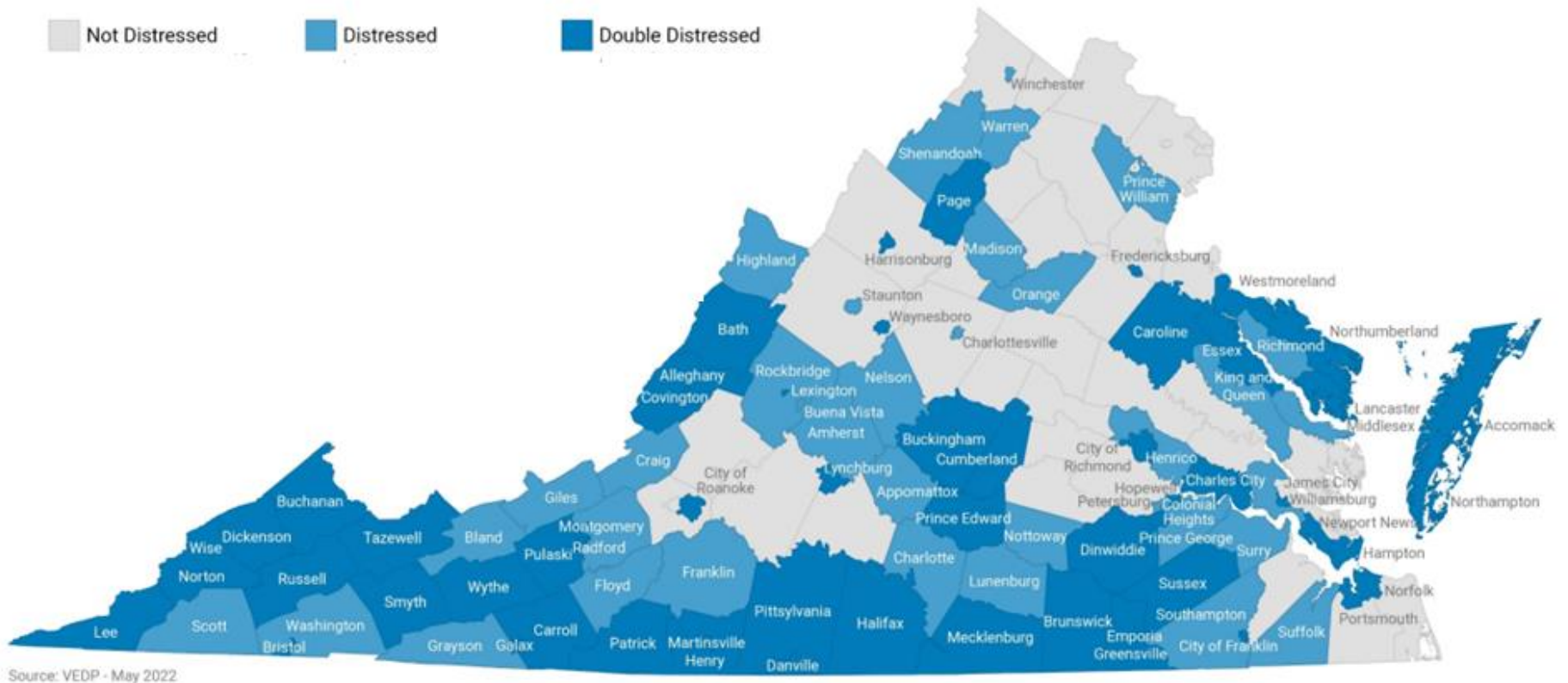
- Urban (less than 25% rural)
- Mixed-urban (25 to 50% rural)
- Mixed-rural (50 to 75% rural)
- Rural (greater than 75% rural)



RURAL DISTRESS IS CONCENTRATED IN SOUTHWEST, SOUTHSIDE, NORTHERN NECK, MIDDLE PENINSULA, AND EASTERN SHORE

VEDP's distress definition:

- A Distressed Locality has an unemployment OR poverty rate above the statewide average
- A Double-Distressed has an unemployment AND poverty rate above the statewide average



Source: VEDP - May 2022

CONTENTS

Defining Rural Virginia

Recent Economic Trends

Strategic Focus Areas to Drive Rural Growth

Current and Preliminary VEDP Initiatives for Rural VA

Appendix: Selected Case Studies



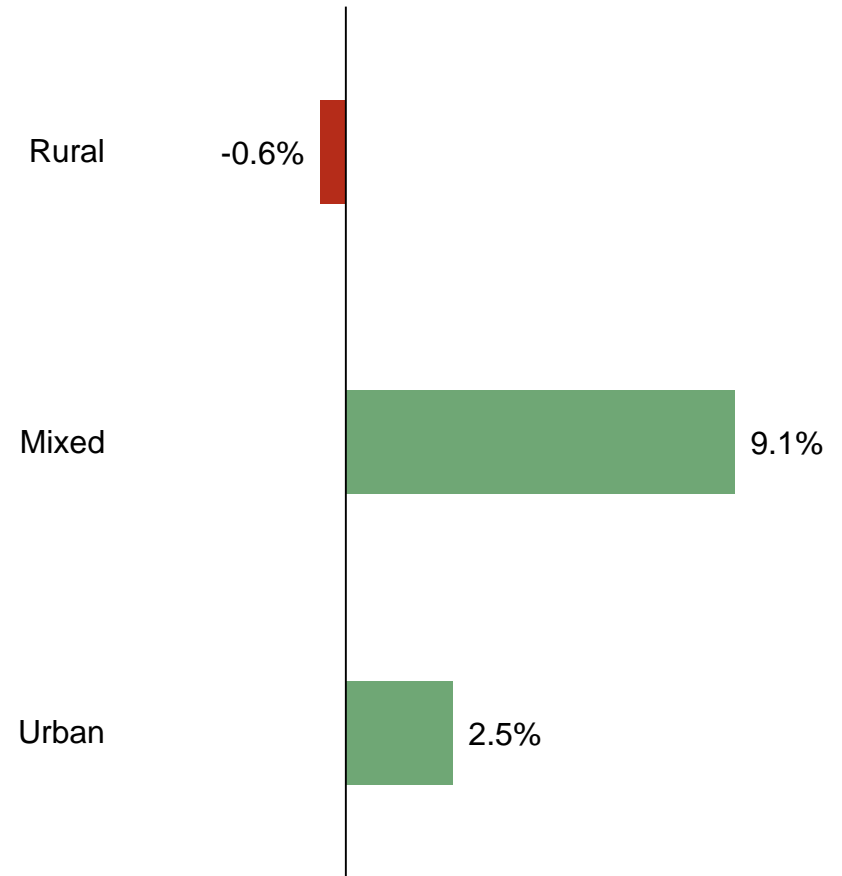
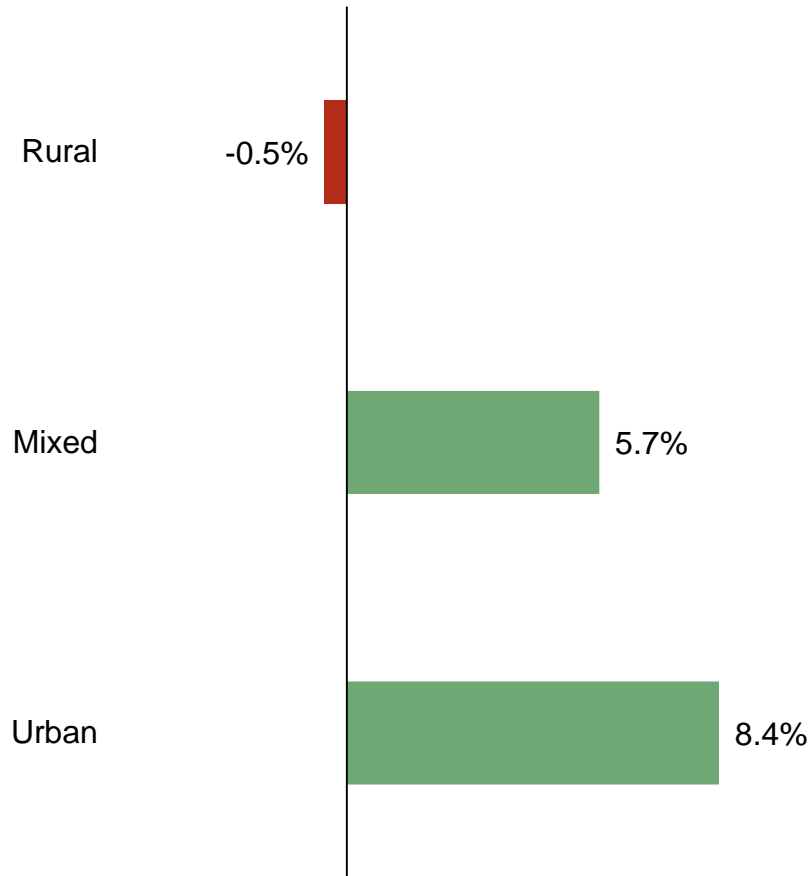
Red Sun Farms
Dublin, VA

VEDP |

URBAN AREAS HAVE LED POPULATION GROWTH OVER PAST DECADE, BUT MIXED RURAL/URBAN LEAD EMPLOYMENT GROWTH

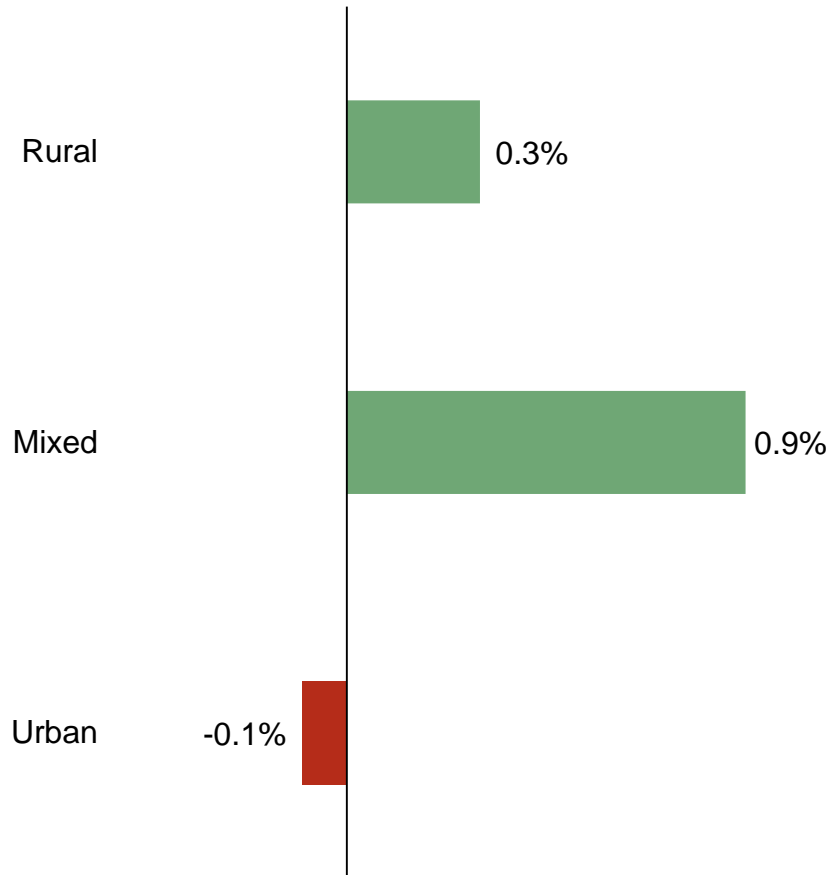
Population growth
%, 2011 - 2021

Employment growth
%, 2011 - 2021



THE PANDEMIC HAS TURNED POPULATION GROWTH TRENDS ON THEIR HEAD

2020 – 2021 population change
 %, change April 2020 (census) – July 2021



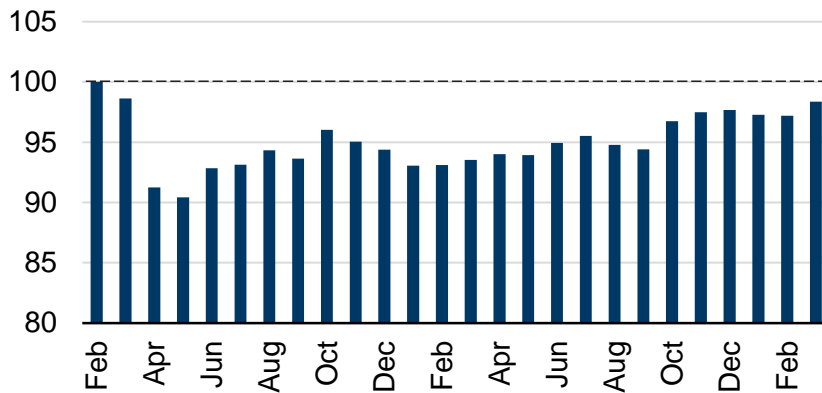
Top 10 localities (2020 – 2021 % change)

Locality	Typology	2020 – 2021 % change
New Kent	Rural	4.1%
Louisa	Rural	3.3%
Goochland	Rural	3.1%
King George	Mixed	2.9%
Radford	Urban	2.7%
Powhatan	Rural	2.6%
Spotsylvania	Mixed	2.6%
Orange	Mixed	2.6%
Stafford	Urban	2.5%
Frederick	Mixed	2.5%

CONTRARY TO INITIAL FORECASTS, RURAL EMPLOYMENT HAS ALSO RECOVERED MORE QUICKLY FROM THE PANDEMIC

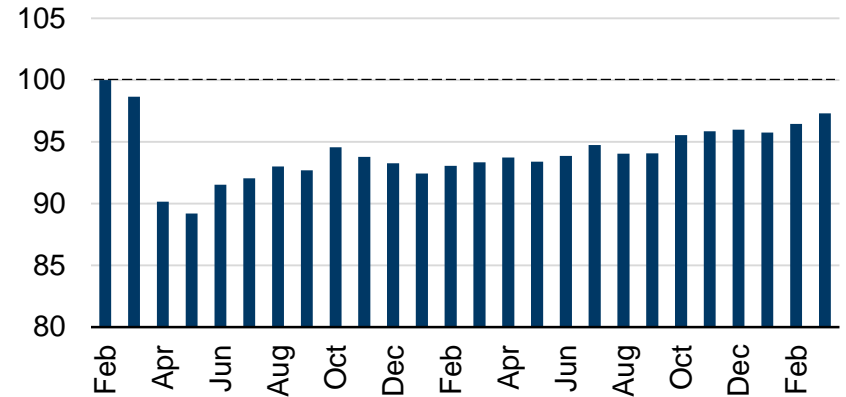
Rural

Employment level indexed to Feb 2020, NSA



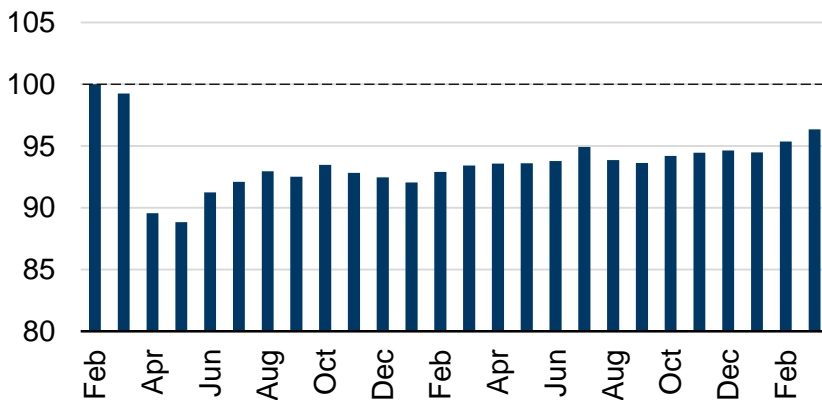
Mixed

Employment level indexed to Feb 2020, NSA



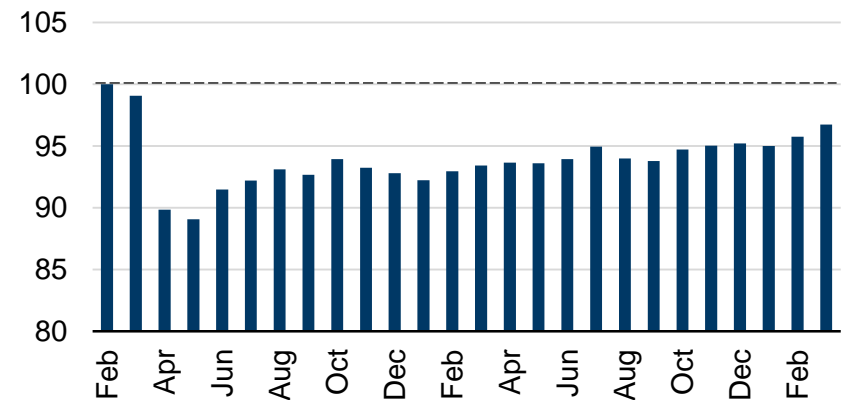
Urban

Employment level indexed to Feb 2020, NSA



Statewide

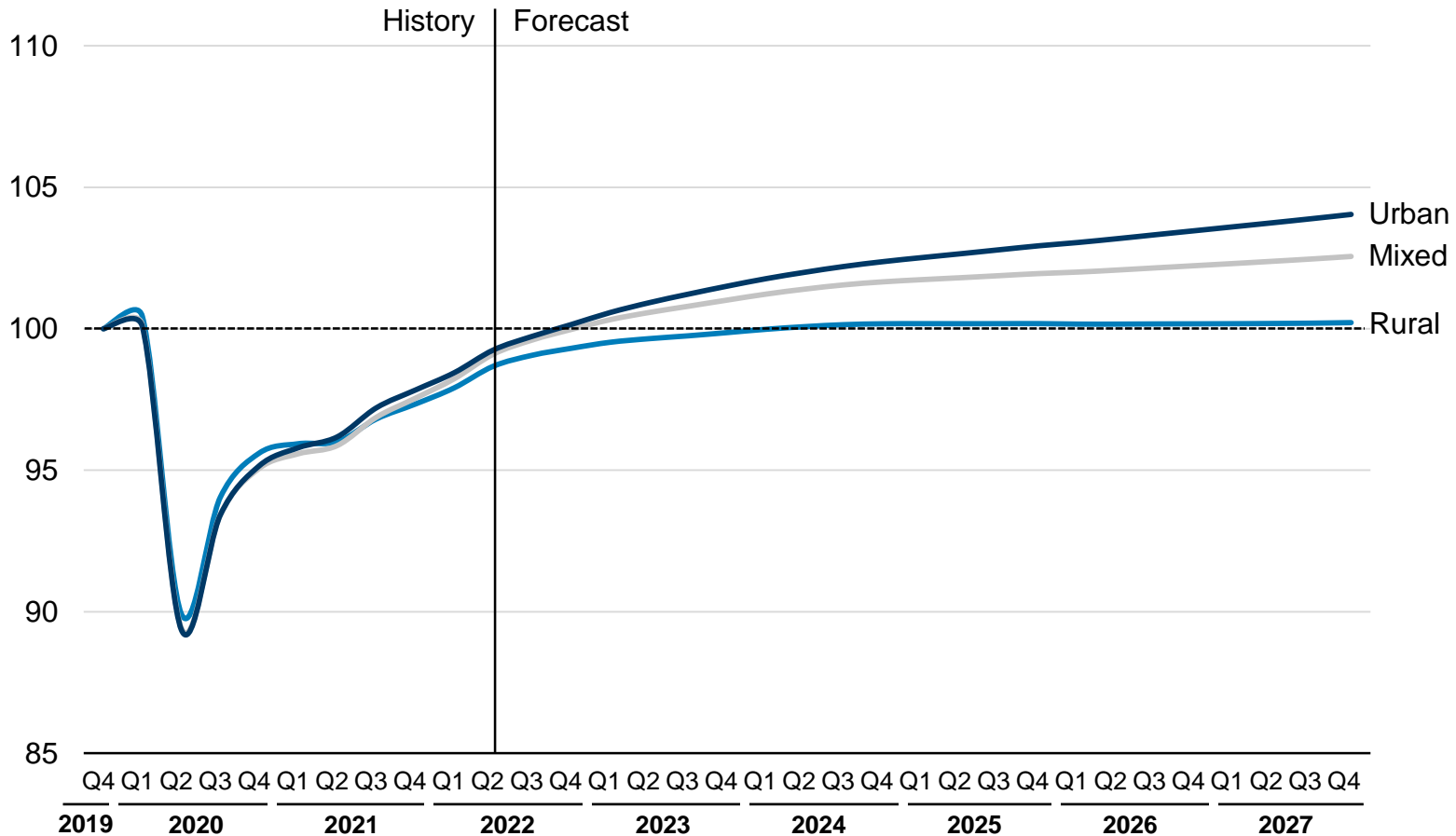
Employment level indexed to Feb 2020, NSA



LONGER-TERM, RURAL VIRGINIA IS STILL EXPECTED TO LAG

Forecasted quarterly employment as % of pre-COVID-19 baseline as of May 2022

Total non-farm payroll employment¹, indexed to actual 2019 Q4 employment



Important note: Composition of rural / mixed / urban groupings differs from other analysis in this deck due to combination of certain localities in underlying dataset

Source: Moody's Analytics (May 2022 baseline forecast); Census Bureau; VEDP analysis