

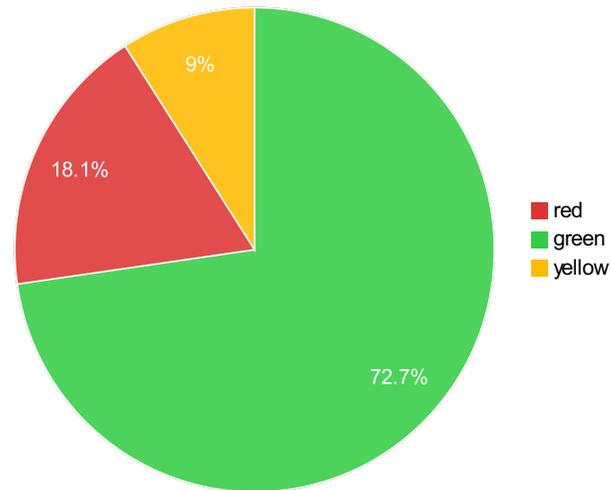
Business Oregon

Annual Performance Progress Report

Reporting Year 2018

Published: 10/16/2018 6:48:58 AM

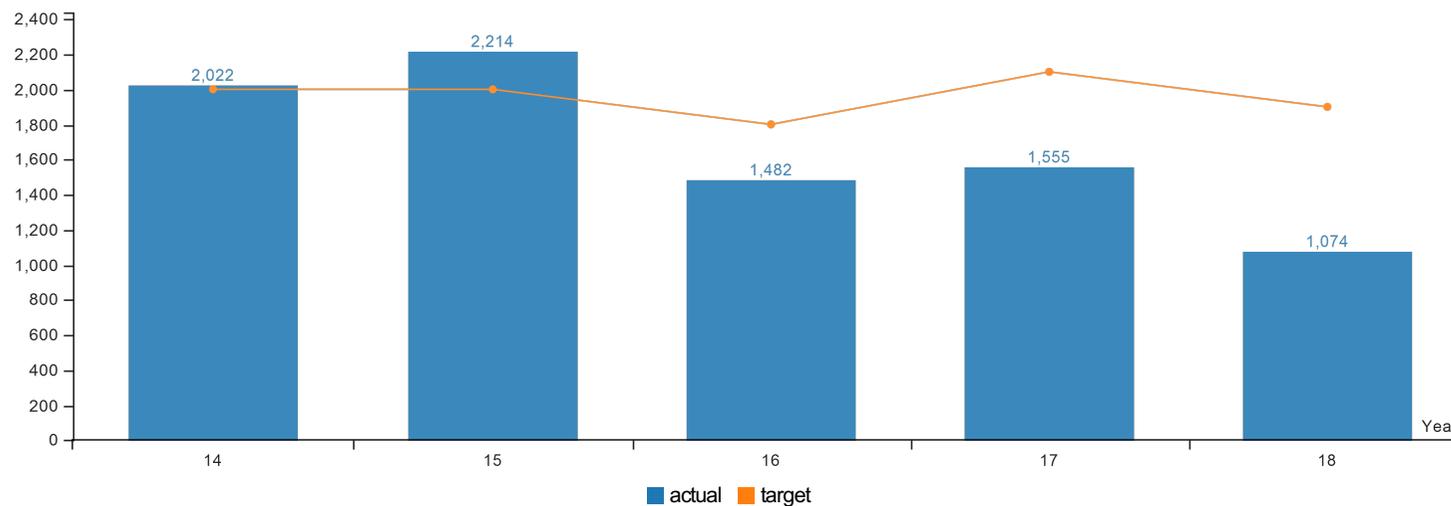
KPM #	Approved Key Performance Measures (KPMs)
1	Number of jobs created -
2	Number of jobs retained -
3	Personal income tax generated by the Department's investment in jobs -
4	New export sales of assisted clients -
5	a. Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
5	b. Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
6	Number of new industrial sites/acres certified "project ready." -
7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
8	Number of community capital construction financing projects that address public health and safety issues. -
9	Number of community capital construction financing projects that assist with future economic and community development. -
10	Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.



Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	72.73%	9.09%	18.18%

KPM #1	Number of jobs created -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Total jobs created					
Actual	2,022	2,214	1,482	1,555	1,074
Target	2,000	2,000	1,800	2,100	1,900

How Are We Doing

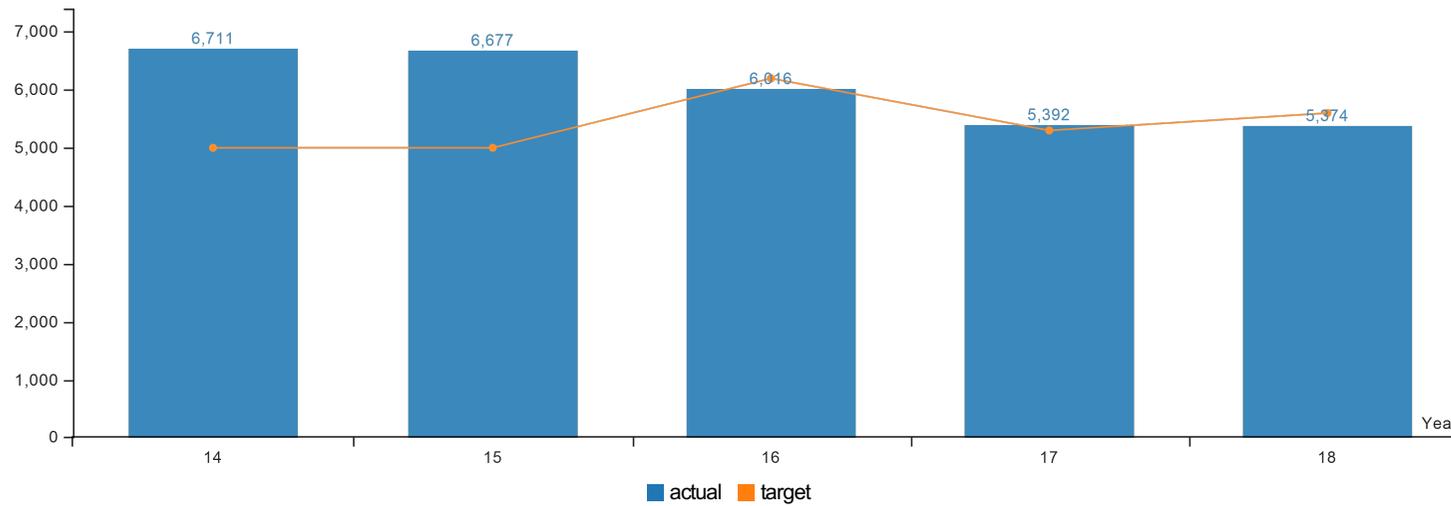
Business Oregon funds supported the creation of 1,074 jobs in Oregon in FY 2018. This was 43 percent short of the FY 2018 target of 1,900 jobs created. The 1,074 jobs created reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

Factors Affecting Results

Job creation has declined since FY 2015, when jobs created was 2,214. Employment in Oregon over this time increased by more than 2 percent a year, as such, cyclical changes do not explain the decrease. This data reflects two strategic changes that have been implemented at Business Oregon to reflect new economic priorities outlined in its 5-Year Strategic Plan. First, the agency is increasingly focused on rural prosperity and regional economic development outside of existing urban centers. This focus places a premium on job creation in disadvantaged communities, where projects may not have as large job numbers. Second, in 2015 Business Oregon adopted a new strategy for Strategic Reserve Fund resources, the primary driver of job creation numbers in this KPM. Instead of a sole focus on direct job creation, the Strategic Reserve Fund also invests in capacity development projects and industry research. During times of economic growth, investments in capacity development and industry research place a premium on longer-term economic outcomes over near-term job creation.

KPM #2	Number of jobs retained -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Total Jobs Retained					
Actual	6,711	6,677	6,016	5,392	5,374
Target	5,000	5,000	6,200	5,300	5,600

How Are We Doing

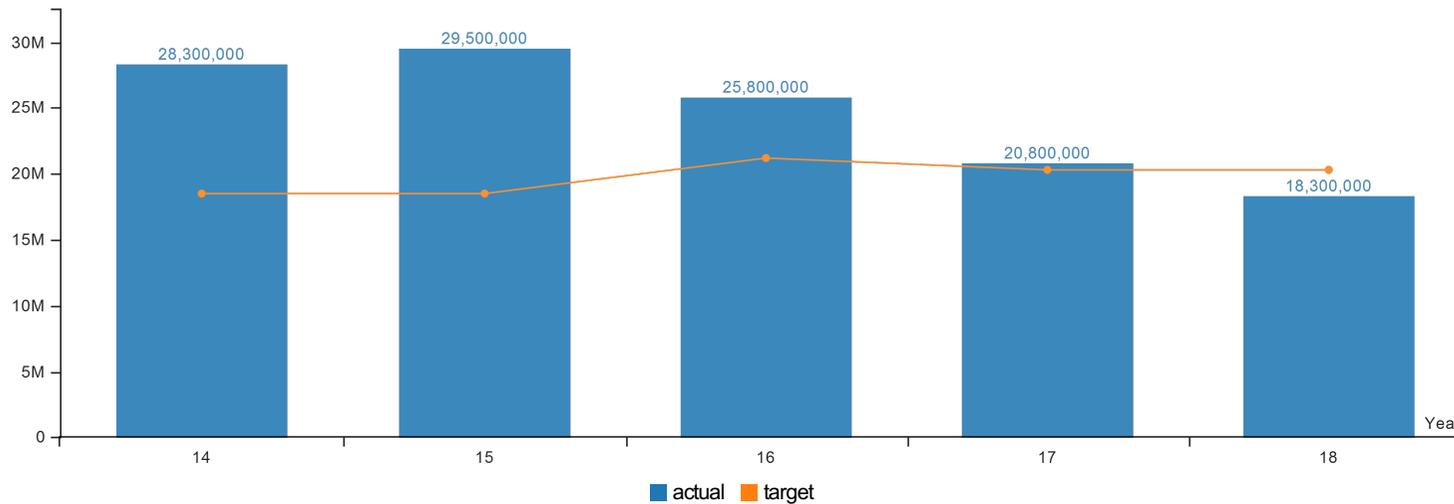
Business Oregon funds supported the retention of 5,374 jobs in Oregon in FY 2018. This was 4 percent short of the FY 2018 target of 5,600 jobs retained. The 5,374 jobs retained reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

Factors Affecting Results

Job retention has declined since FY 2015, when jobs retained was 6,677. Comparing FY 2018 to FY 2015, jobs retained is down across most programs, including the Strategic Reserve Fund and the agency's various Business Finance programs. Employment in Oregon over this time increased by more than 2 percent a year. During times of economic growth the agency tends to see a decline in projects specific to job retention as business stability is less of a concern.

KPM #3	Personal income tax generated by the Department's investment in jobs -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
State Income Tax Revenue					
Actual	\$28,300,000.00	\$29,500,000.00	\$25,800,000.00	\$20,800,000.00	\$18,300,000.00
Target	\$18,500,000.00	\$18,500,000.00	\$21,200,000.00	\$20,300,000.00	\$20,300,000.00

How Are We Doing

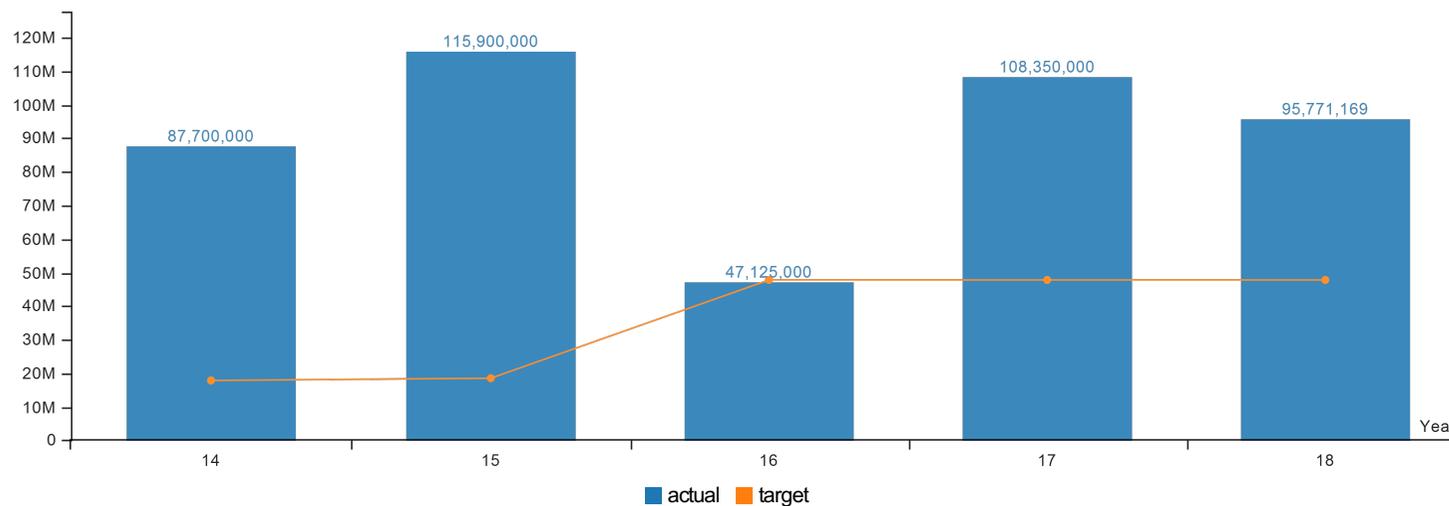
In FY 2018, jobs created and retained by businesses funded by Business Oregon generated an estimated \$18.3 million in state personal income tax revenue. This was 10 percent short of the FY 2018 target of \$20.3 million. The \$18.3 million in state personal income tax revenue reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

Factors Affecting Results

Estimated state personal income tax revenue from jobs created and retained in FY 2018 was \$2.5 million lower than FY 2017, a decrease of 12 percent. The combined jobs created and retained in FY 2018 were lower than FY 2017, which led to lower personal income taxes generated in FY 2018. Lower personal income taxes generated by the department since FY 2015 are the result of lower jobs created and retained over that time. See "Factors Affecting Results" in KMP #1 and KMP #2 for additional context. The average wage of jobs created and retained in FY 2018 is down about 7 percent from the inflation adjusted average wage of jobs created and retained in FY 2015, but this change had no significant impact on personal income tax generated in terms of effective tax rates.

KPM #4	New export sales of assisted clients -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
New export sales of assisted clients (in millions of dollars)					
Actual	\$87,700,000.00	\$115,900,000.00	\$47,125,000.00	\$108,350,000.00	\$95,771,169.00
Target	\$17,800,000.00	\$18,475,000.00	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00

How Are We Doing

Documented export sales for FY 2018 is 95,771,169 million, exceeding the target by 47.97 million. This number includes immediate and expected export sales reported by companies receiving export assistance (both technical assistance and export grants) from Business Oregon, and sales reports from Business Oregon's Japan Representative office. Sales also were reported from Oregon companies active with ExIm bank, a supported partnership with Business Oregon.

In FY 2018, Business Oregon continued to utilize both a state-funded export grant program, the Oregon Trade Promotion Program (OTPP), and a federally-funded export grant program, State Trade Export Promotion program (STEP). Both programs help companies attend international trade events. Business Oregon helps grow small to medium sized enterprises (up to 500 employees) grow revenue through export sales, which diversifies their customer base and assists Oregon small businesses be more globally competitive. In FY 2018, Business Oregon continued to track and report sales in detail by the type of assistance provided. This comprehensive reporting process helps track the number and type of companies assisted, as well as immediate and future sales growth. Reports from the assisted companies also track the number of sales leads, potential agents, distributors and licensees met as a result of participating in a Business Oregon supported trade event. New reporting requirements from Business Oregon's federal partners took effect in 2016, and Business Oregon began tracking export businesses that are socially or economically disadvantaged, women owned, veteran owned, and located in rural communities.

Factors Affecting Results

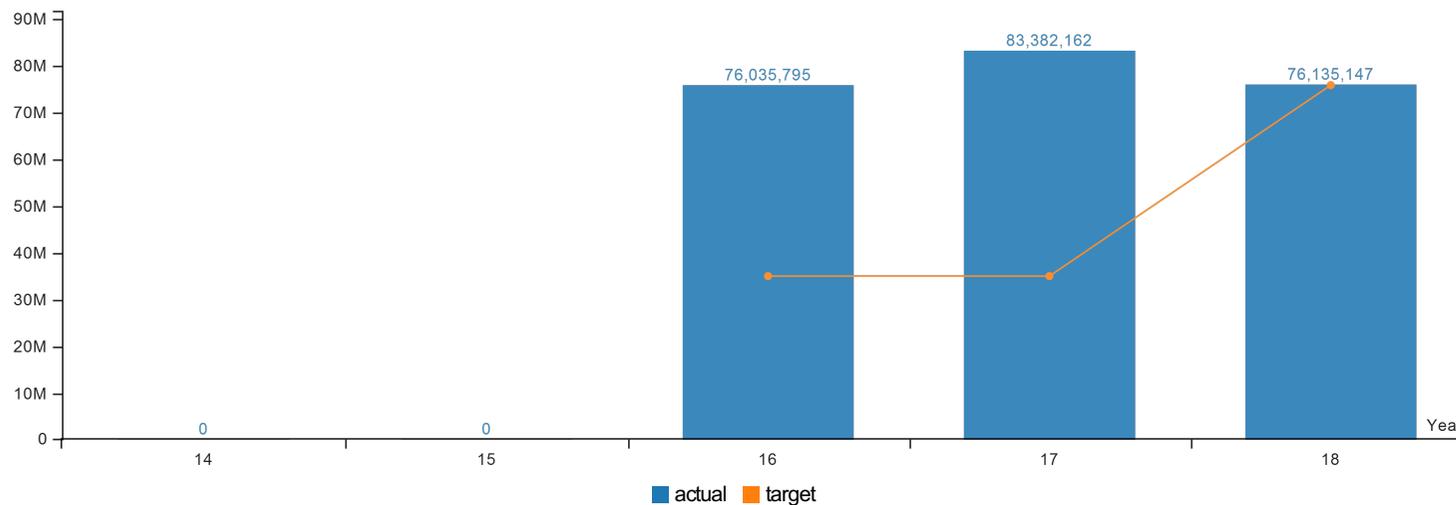
Over the last few years, demand for the department's services, connections, trade promotion opportunities, and export grants continue to increase as small businesses grow into the global economy. The entire scope of the department's activities serves to demonstrate the important economic value of these services and relationships to Oregon businesses. An important factor to consider is direct assistance to those companies seeking to grow their exports might not always lead to immediate sales or sales opportunities, especially for new to export companies or

underserved businesses. Export development takes time and a commitment to a multi-year export development plan. Often, attendance at an international trade event is only the first step that will eventually lead to export sales. Our export promotion program continues to be a success story for the agency and small business across the state, however demand for the program continues to grow while funding remains flat. Business Oregon had to turn away companies from the program this year. Additionally, state travel restrictions were in place this year, limiting the Global trade Team's activity level and ability to lead international export promotion activities.

FY 2018 produced another record year for exports in Oregon, despite mounting trade wars, tariff concerns, rising input costs, and a lack of container service for Oregon exporters at the Port of Portland. Eight of Oregon's top ten export markets are in Asia, due to our Pacific Rim location. Even though 2018 was another record export year of \$22 billion in exports from Oregon to overseas markets, small businesses are still struggling to remain competitive with looming tariff concerns and we have early reports from Oregon businesses of lost market share. Viable competitors are able to undercut US pricing, manufacturing, and labor costs. China's economy, Oregon's largest trading partner, is also slowing making it even more difficult to compete with countries that have trade agreements in place with China, which ease trade barriers, tariff and quota restrictions for their exporters. Growth opportunities exist in Oregon for products with higher profit margins, mature markets with high consumer expendable incomes and in developing markets with infrastructure and environmental contract needs.

KPM #5	a. Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Total amounts of federal contracts awarded					
Actual	No Data	No Data	\$76,035,795.00	\$83,382,162.00	\$76,135,147.00
Target	TBD	TBD	\$35,000,000.00	\$35,000,000.00	\$76,000,000.00

How Are We Doing

Business Oregon through its partnership with the Organization for Economic Initiative's Government Contract Assistance Program (GCAP) assists new business start-ups and small firms seeking to grow their businesses through government contracting opportunities. The organization has over 25 years of experience in working with small businesses on early stage growth issues or training them on how to seek federal and state procurement contract opportunities. This measure looks at the total dollar amount of federal contracts awarded for the current fiscal year.

GCAP met and exceeded the target of 76 million dollars of federal contracts awarded to small businesses receiving assistance from GCAP. The total dollar amount was \$76,135,147.

Factors Affecting Results

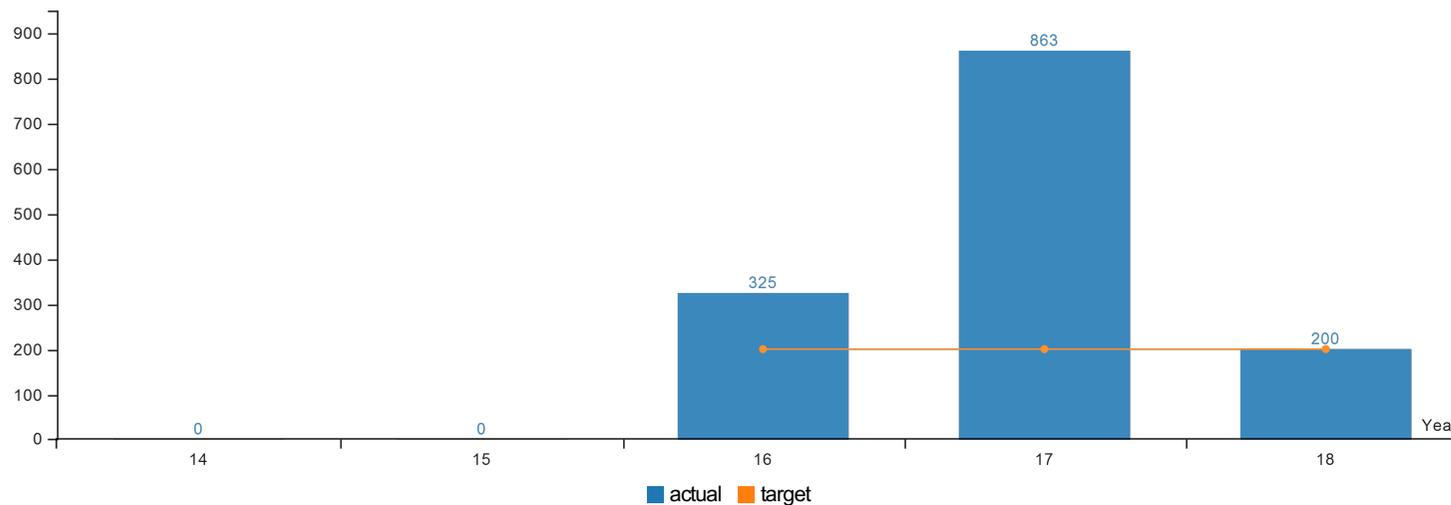
GCAP increased staffing, during the 2017-2019 biennia, and focused in previously underserved (Portland-Metro, Central and Eastern Oregon) areas throughout the state. The result of this effort was improved access to client contract award data and contracting dollars. GCAP was required to deliver 40 workshops, however, with the increase in staff were able to deliver 60 workshops and realized \$49,385,020 in contracting dollars in the first year, versus 70 million required through the 2019-21 biennium. GCAP will continue, with the State's assistance, to increase assistance to distressed areas as well as Woman-Owned, Minority-Owned, Veteran and Service Disabled Veteran-Owned small businesses.

State and federal funding for 2017-19 has continued to allow GCAP to maintain current staffing and contracts awarded to Oregon firms. Should federal spending remains consistent, and provided adequate matching state funding remains available, it is reasonable to project that future results will remain consistent. Delays in federal budget approvals or decline of federal spending would have adverse impact on the number and value of contracts available to and awarded to Oregon based businesses.

Business Oregon will continue to support small business strength by fostering an environment for vitality, growth, and creativity. GCAP is an important partner that will help accomplish these goals. State and Federal funds allocated to fund GCAP and business development will continue to help small business in Oregon. Careful evaluation of current and proposed legislation will help to streamline and improve business start-up climate and ongoing business development opportunities.

KPM #5	b. Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Total Number of Federal Contracts Awarded through services provided by GCAP					
Actual	No Data	No Data	325	863	200
Target	TBD	TBD	200	200	200

How Are We Doing

The Government Contract Assistance Program (GCAP) met the target of 200 federal contracts awarded to Oregon businesses receiving GCAP assistance. The actual number of contracts awarded in fiscal year 2018 was 200. GCAP GSA Counselors assist many clients in being awarded a contract to be on the GSA schedule.

Business Oregon through its partnership with the Organization for Economic Initiative's Government Contract Assistance Program (GCAP) assists new business start-ups and small firms seeking to grow their businesses through government contracting opportunities. The organization has over 25 years of experience in working with small businesses on early stage growth issues or training them on how to seek federal and state procurement contract opportunities. This measure looks at the total number of federal contracts awarded for the previous fiscal year.

Factors Affecting Results

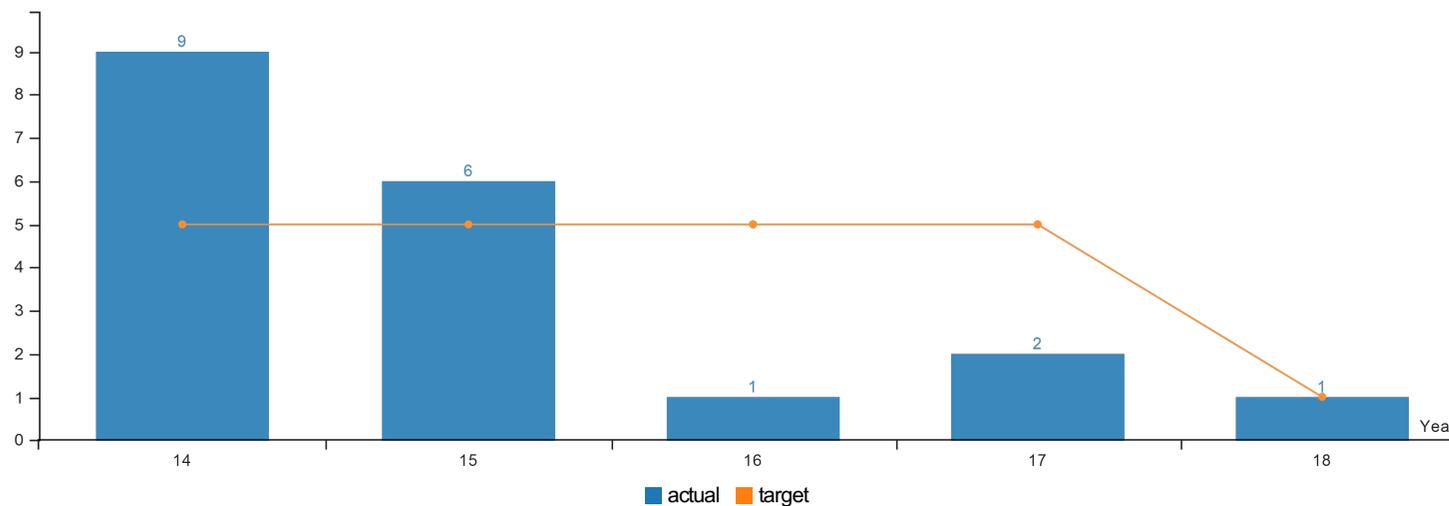
Based on recent U.S. Small Business Administration Contracting reports, (<https://www.sba.gov/contracting/government-contracting-programs/service-disabled-veteran-owned-businesses>), the Veterans Entrepreneurship and Small Business Development Act of 1999 established an annual government-wide goal of not less than 3% of the total value of all prime contract and subcontract awards for participation by small business concerns owned and controlled by service-disabled veterans. The total awards for FY 2018 is \$76,135,147 and Oregon Service-disabled Veteran results as compiled through GCAP through FY 2018 of the 2017-2019 biennia show a total of \$2,982,215.00 in service-disabled veteran contract dollar awards. (Exceeds goal by 3.85%)

Business Oregon will continue to support small business strength by fostering an environment for vitality, growth, and creativity. GCAP is an important partner that will help accomplish these goals. State and Federal funds allocated to fund GCAP and business development will continue to help small business in Oregon. Careful evaluation of current and proposed legislation will help to streamline and improve business start-up climate and ongoing business development opportunities.

GCAP will continue, with the State's assistance, to increase assistance to distressed areas as well as Woman-Owned, Minority-Owned, Veteran and Service Disabled Veteran-Owned small businesses.

KPM #6	Number of new industrial sites/acres certified "project ready." -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Number of new industrial sites certified					
Actual	9	6	1	2	1
Target	5	5	5	5	1

How Are We Doing

- 1 Sites Certified (Hillsboro) – 18.5 acres
- 0 Sites Pre-Certified – 0 acres
- 9 Sites Re-Certified - 756 acres
- 1 Incomplete Applications (Newport)- 201.65 acres
- 1 In-Process (Port of St. Helens) – 46.8 acres

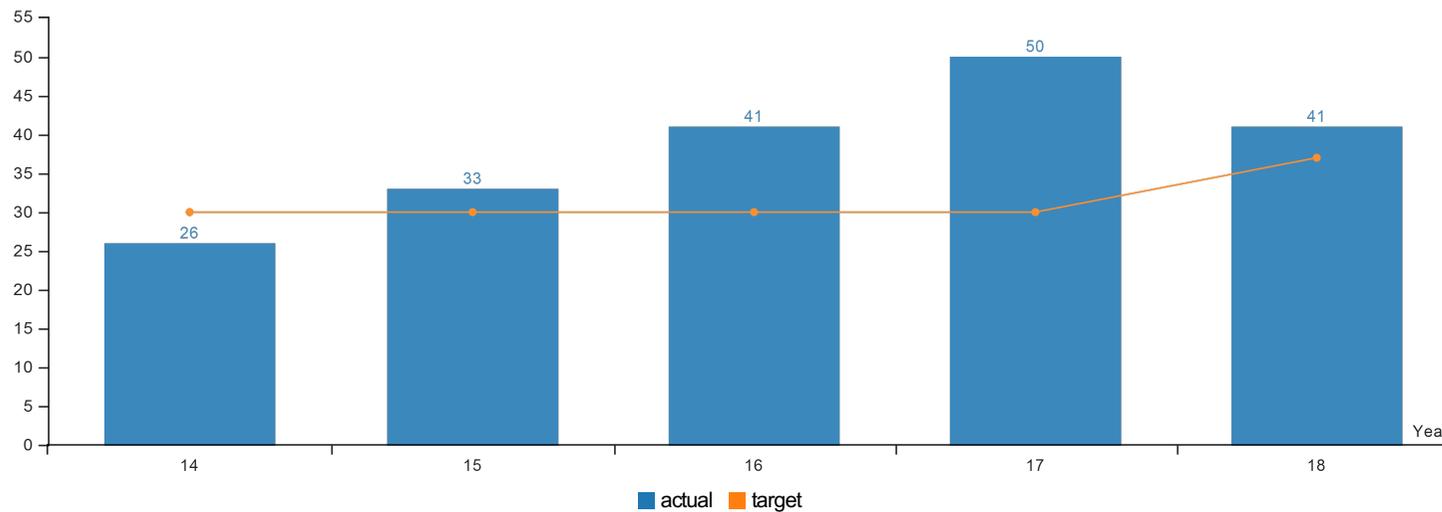
Factors Affecting Results

Limited options for funding site investigations and studies, and financing public infrastructure remains the challenge for many sites achieving or maintaining certification or recertification of sites. The reduction in number of sites recertified compared to previous reports is partly a result of state and local government resources and changing priorities of local economic development organizations.

Certifying industrial sites as “shovel ready” has become increasingly difficult and expensive due to the level of need at sites in the certification queue. Absent any new infusion of funding to certify sites, Business Oregon will continue to seek innovative solutions that assist local communities in developing an ample supply of “shovel ready” industrial sites. To assist, the department is investing the potential use of Special Public Works Fund planning grants for publically owned sites. Additionally, the department continues to expand the Regionally Significant Industrial Site (RSIS) program, having one completed site and 1 complete application. Business Oregon expects to see 15+ plus applications for RSIS in the next year. The RSIS program allows site development costs to be recouped by an owner from a percentage of income taxes created by new jobs at the site. Work accomplished from the RSIS program will lead to site development and subsequent certification.

KPM #7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Number of community capital projects assisted for planning					
Actual	26	33	41	50	41
Target	30	30	30	30	37

How Are We Doing

The department awarded 41 projects exceeding its target of 37. This measure includes all Infrastructure Finance Authority (IFA) funded planning projects. Examples of planning projects are plans for industrial lands development and capital project plans that support community infrastructure and facilities such as wastewater treatment, safe drinking water and community facilities. Publicly-owned industrial sites receive additional planning assistance for development to become certified as "project-ready" and suitable for development within 180 days.

Factors Affecting Results

The increase in planning projects continues year-over-year as the economy remains positive. Communities have acknowledged their existing utility plans are outdated and do not reflect the growth and development which has occurred over the past 10 years. Additionally, expected population growth in many areas is encouraging communities to review current facilities with an eye towards future facility needs. IFA funds are assisting communities to update very necessary water and wastewater plans. Additionally, growth has been realized in the amount of industrial land planning grants offered to communities as they seek to meet industrial demand. Planning activity remains steady for many communities addressing community infrastructure needs. These cities recognize that in today's competitive market for job creation, they need updated facilities with adequate capacity to respond to future population growth and economic development opportunities.

Based on stakeholder feedback, Business Oregon continues to offer the popular Sustainable Infrastructure Planning Projects (SIPP) program funded through the Safe Drinking Water Revolving Loan Fund (SDWRLF). The SIPP provides forgivable loans of up to \$20,000 for communities to conduct project feasibility studies, asset management plans, system partnership/consolidation studies, water rate analysis, leak detection studies, and resiliency planning.

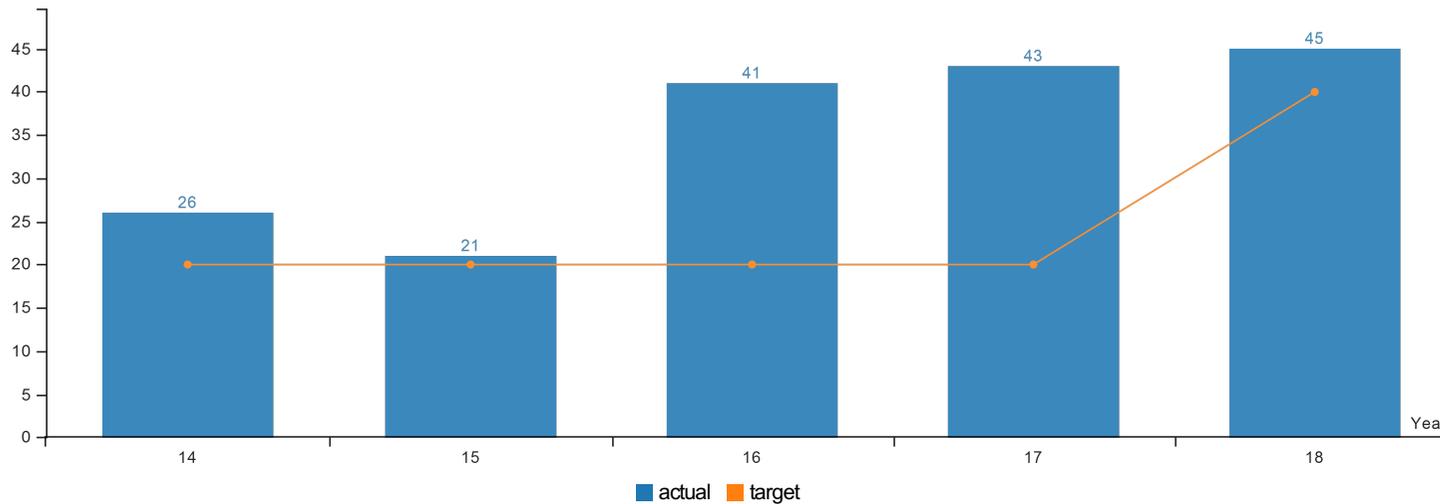
Business Oregon expects to see a steady demand for construction projects over the next few cycles as planning projects are completed and communities seek to move forward with implementing

capital improvements. Of course, demand is also dependent on a positive economy. Historically, demand has increased and decreased with overall economic conditions. The steady demand for planning projects is complimented by the steady level of commitment for health and safety capital construction projects (KPM 8).

In 2013, the League of Oregon Cities completed a survey of Oregon cities' infrastructure needs. Water and wastewater projects were noted as the highest need with nearly one billion of project costs. Because of these findings, Business Oregon will continue to work with stakeholders to develop programs that assist communities with necessary planning. Business Oregon will continuously pursue additional program funding to recapitalize its SPWF and Water/Wastewater Fund (WWF) to ensure both funds are sufficiently capitalized to meet needs across the state. To this end, Business Oregon has recently reactivated its bond bank with the first sale in over 8 years (\$30 million).

KPM #8	Number of community capital construction financing projects that address public health and safety issues. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Number of community capital projects that address water quality and environmental health issues					
Actual	26	21	41	43	45
Target	20	20	20	20	40

How Are We Doing

The department met and exceeded its target having funded 45 projects. Project levels continue to trend upward. Many communities have vital health and safety improvement projects they are addressing with a strong economy. Additionally, communities are beginning to take on larger projects not seen in the recent past. The increase in this KPM could be interpreted as resulting from planning projects over the course of the last few years.

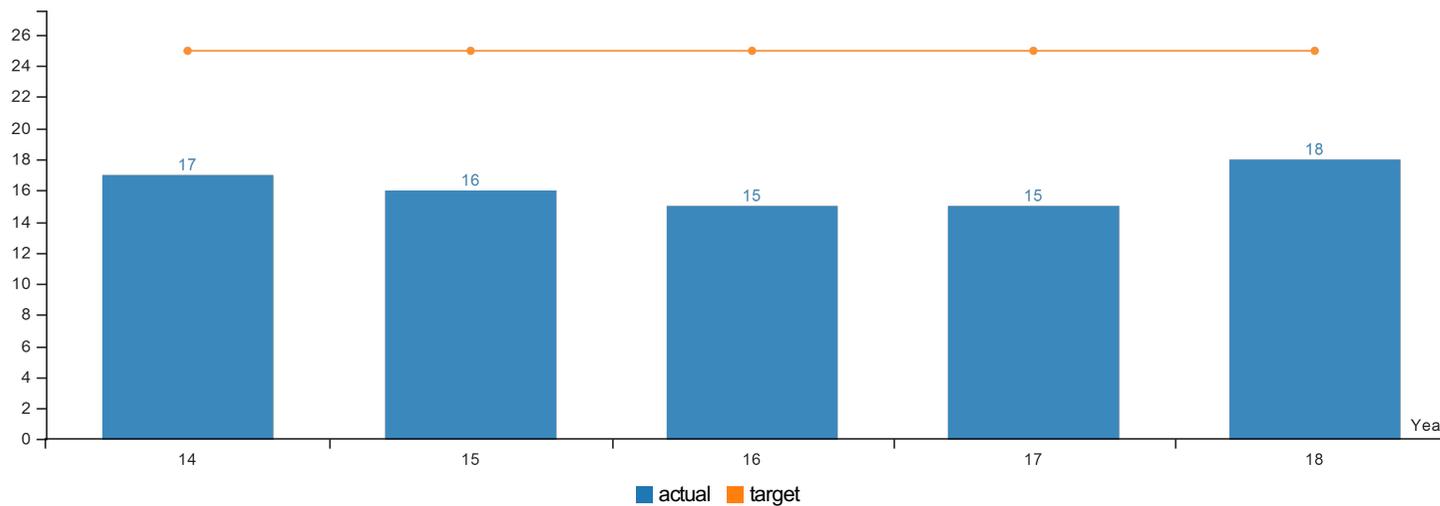
Factors Affecting Results

The need for municipal infrastructure construction remains high, as is the demand for financing. Project costs continue to grow and state supported low interest financing is vital to small and rural communities that generally do not have bond ratings.

Business Oregon and the Infrastructure Finance Authority (IFA) will continue to strive to meet the demand of local communities for financial assistance. However, as lottery bond funds become more difficult to access, IFA will pursue alternative options to raise sufficient capital to meet demand. To counter this, IFA enacted the long dormant Bond Bank to raise funds to meet demand. While the Bond Bank is one tool for raising funds, it should not be considered the only tool. Lottery bond fund capitalization remains vital to the department's ability to assist communities with financing projects.

KPM #9	Number of community capital construction financing projects that assist with future economic and community development. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2014	2015	2016	2017	2018
Number of community capital projects that assist with future economic and community development					
Actual	17	16	15	15	18
Target	25	25	25	25	25

How Are We Doing

The department completed 18 projects out of a target of 25. Communities continue to focus their efforts away from economic and community development projects to health and safety projects. This is likely due to planning efforts for municipal water and wastewater projects with an emphasis on addressing an aging infrastructure and current and future demand. Business Oregon expects communities to shift attention to economic and community development efforts as public works projects are completed.

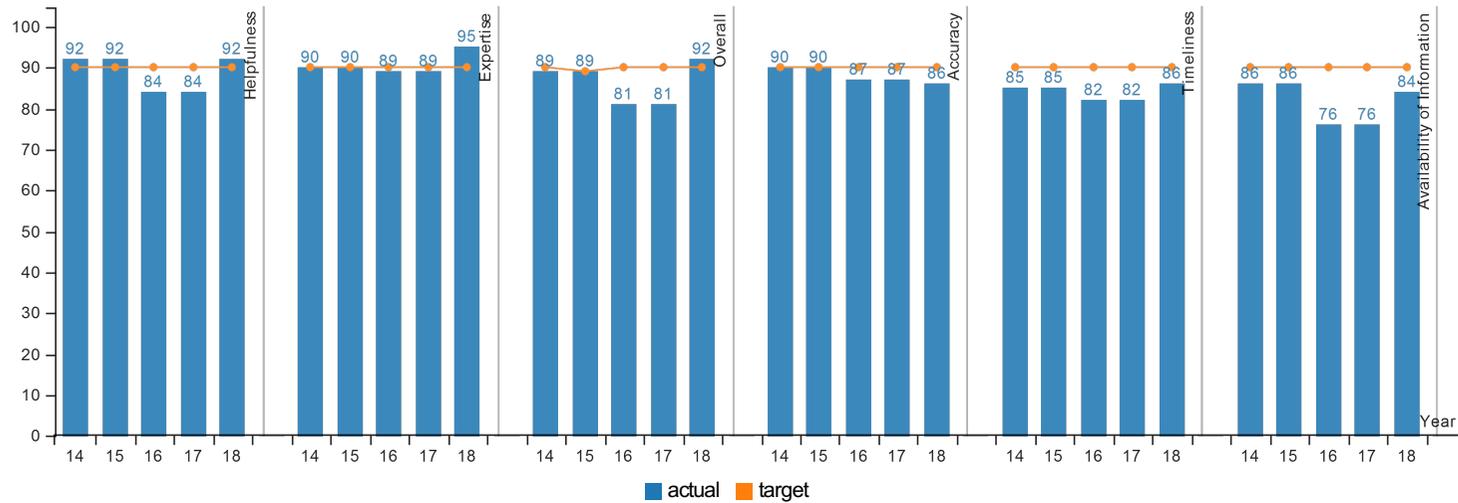
Factors Affecting Results

The need for municipal infrastructure construction remains high and the demand for financing will continue to rise as communities address infrastructure needs for business opportunities. Communities continue to focus their efforts on water and wastewater infrastructure, which are generally larger high need projects.

Business Oregon has recently realized an organization shift that combines its Business Development, Infrastructure and Innovation sections. Business Oregon believes this shift, along with a now full contingent of field officers, will enhance the department's ability to build community capacity for infrastructure related economic development projects. However, this training and knowledge building requires time. After a little over a year of the new organization structure, the department expects to see more community and economic development projects.

While federal Community Development Blocks Grant funds have declined over previous years, the Department received an increase in funds this fiscal year. It is unknown how many years the department can expect increases or flat funding. Business Oregon will work with its program partners (League of Oregon Cities and Association of Counties) to seek methods to improve funding for community facilities.

KPM #10 Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.
 Data Collection Period: Jul 01 - Jun 30



Report Year	2014	2015	2016	2017	2018
Helpfulness					
Actual	92%	92%	84%	84%	92%
Target	90%	90%	90%	90%	90%
Expertise					
Actual	90%	90%	89%	89%	95%
Target	90%	90%	90%	90%	90%
Overall					
Actual	89%	89%	81%	81%	92%
Target	90%	89%	90%	90%	90%
Accuracy					
Actual	90%	90%	87%	87%	86%
Target	90%	90%	90%	90%	90%
Timeliness					
Actual	85%	85%	82%	82%	86%
Target	90%	90%	90%	90%	90%
Availability of Information					
Actual	86%	86%	76%	76%	84%
Target	90%	90%	90%	90%	90%

How Are We Doing

Collectively, the Customer Satisfaction Survey was emailed to nearly 1,700 external customers using an online survey tool. Due to limited lists which made random sampling difficult, all customers from agency divisions were solicited, using a non-random “Convenience Sampling” methodology, with the exception of the Certification Office for Business Inclusion and Diversity (COBID). This group had a large list so recipients were selected randomly in proportion to others within the agency.

A total of 122 surveys were completed in July - August 2018 for a response rate of seven percent. Over the past year, respondents reported using the following agency programs:

- Business Development (77%)
- Infrastructure (34%)
- Innovation and (24%)
- Arts (21%)

The survey included questions ranking Business Oregon on timeliness, helpfulness, expertise, availability of information, information accuracy, and overall satisfaction. Results with comparisons to the last KPM survey are provided below (percent of customers giving Business Oregon a mark of “good” or “excellent”). Business Oregon exceeded its targets for three of the six metrics and improved upon all but one (accuracy of information) from the last survey.

- Timeliness – 86% (vs. 82% in 2016)
- Helpfulness – 92% (vs. 84% in 2016)
- Expertise – 95% (vs. 89% in 2016)
- Availability of information – 84% (vs. 76% in 2016)
- Information accuracy – 86% (vs. 87% in 2016)
- Overall satisfaction with department services – 92% (vs. 81% in 2016)

Factors Affecting Results

As mentioned earlier, customer lists (emails) were limited for some programs.

We are very proud of the hard work, knowledge, and customer focus of our team that is exhibited by the significantly improved survey results. We also believe we achieved better response rates this year with more reminders and communication pushed out to the survey list. Factors related to the increase in performance may be attributable to:

- Strategic reorganization was complete with better aligned staff and resources to meet regional and community needs.
- Staff are consistently called out as knowledgeable, helpful, and approach customers with a “get to yes” attitude.
- LEAN process improvements have reduced processing times.
- Two “pop-up” office events took place bringing senior management and additional services into more rural areas of the state.