



**WEDC BOARD MINUTES
BOARD OF DIRECTORS MEETING**

**WEDC
First Floor Conference Room
201 West Washington Avenue
Madison, WI 53703**

**February 22, 2018
9:00 - 11:00 A.M.**

(These minutes should be read in conjunction with the agenda and documents prepared for the meeting.)

BOARD MEMBERS PRESENT:

- Lisa Mauer, Rickert Industries
- Senator Tim Carpenter, 3rd Senate District
- Senator Dan Feyen, 18th Senate District
- David Drury, WING Capital Group

BOARD MEMBERS PRESENT VIA TELECONFERENCE:

- Nancy Hernandez, ABRAZO
- Ray Dreger, Seeds 'N Stuff Farm Market, Inc.
- Tom Sylke, Setter Roche LLP
- Representative Rob Hutton, 13th Assembly District
- Representative Dana Wachs, 91st Assembly District
- R.D. Nair, University of Wisconsin School of Business
- Secretary Rick Chandler, Department of Revenue

BOARD MEMBERS EXCUSED:

- Jim Ladwig, SC Johnson
- Secretary Scott Neitzel, Department of Administration

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CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 11:00 a.m.

APPROVAL OF MINUTES FROM THE NOVEMBER 8, 2017; DECEMBER 20, 2017; AND JANUARY 25, 2018 MEETINGS

The Board received copies of the meeting minutes from the open and closed sessions of the 11/8/17, 12/20/17, and 1/25/18 Board meetings.

Lisa Mauer provided corrections to the 11/8/17 minutes and the 1/25/18 minutes.

Dave Drury moved to approve the 11/8/17 minutes as corrected. Senator Dan Feyen seconded the motion. No objections were raised and the motion carried unanimously to approve the revised open and closed session minutes from the 11/8/17 Board meeting.

Senator Tim Carpenter moved to approve the 12/20/17 minutes. Dave Drury seconded the motion. No objections were raised and the motion carried unanimously to approve the open and closed session minutes from the 12/20/17 Board meeting.

Dave Drury moved to approve the 1/25/18 minutes as corrected. Senator Dan Feyen seconded the motion. No objections were raised and the motion carried unanimously to approve the revised minutes from the 1/25/18 Board meeting.

ENTREPRENEURSHIP CAPACITY BUILDING AWARDS PRESENTATION

Aaron Hagar, Vice President of Entrepreneurship & Innovation, spoke to the Board about WEDC's Capital Catalyst program. This is a competitive grant program that fills service gaps not otherwise addressed by WEDC or its partners. WEDC is currently funding 11 programs throughout the state, including entrepreneurship programs for middle schoolers at CESA 3 and inmates at the Wood County Jail reentering the workforce.

Elizabeth Lundberg, Executive Director at BizStarts Milwaukee, spoke to the Board about how their program assists entrepreneurs with business coaching, mentorship opportunities, networking and more. BizStarts plans to use WEDC's grant to expand their assistance to low-wealth neighborhoods in Milwaukee by partnering with Launch MKE and sponsoring Intro Events in these areas to engage with aspiring entrepreneurs.

Hetti Brown, Executive Director at Couleecap, spoke to the Board about how Couleecap fights poverty and promotes self-sufficiency, economic development, and social justice in Crawford, La Crosse, Monroe, Vernon counties. Couleecap plans to use WEDC's grant to expand their Co.Starters program for small businesses from La Crosse and Viroqua into Sparta and their successful Pop-Up Shop program into both Sparta and Bangor. Couleecap will also fundraise this year to create a Co.Starters scholarship for low-income participants.

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CHAIR REPORT

Lisa Mauer thanked Secretary Scott Neitzel for his three years of service on WEDC's Board of Directors and for his hard work on the Foxconn initiative. Ellen Nowak will be taking over the post of DOA Secretary in March.

Lisa Mauer reminded the Board that they should have received an email from the Wisconsin Ethics Commission regarding the filing of their Statement of Economic Interest and that the date for submission is April 30, 2018.

CREDIT & RISK QUARTERLY REPORT

Mark Hogan reviewed the quarterly credit and risk report with the Board.

- The amount of past due loans rose from last quarter, but 66% of the past due loan amount is comprised of loans to Kestrel, Green Box, and Appleton Coated.
- Printpack, Inc. met the performance requirements for full forgiveness and their loan was forgiven in FY18Q2.
- Loan loss reserves are well funded with 91% of the total principal on loans listed in past due loan report having been reserved.
- There were no charge offs this quarter, but staff expects Green Box to be charged off in the current quarter.
- Two tax credit revocations were referred to the Department of Revenue for processing.
- The amount of overdue performance reports increased slightly this quarter, but staff continue to pursue the older recipients with past due notices being sent when and where appropriate.

Mark Hogan updated the Board on the status of several past due loans:

- Appleton Coated: The receiver, Industrial Assets, sold the mill and other assets in late September, but most of the proceeds from the sales were used to pay PNC, existing real estate and personal property taxes, priority wage claims, and administrative expenses. Due to its subordinated position, WEDC does not expect to receive a substantial amount from the residual funds. Industrial Assets continues to run the operation and approximately 150 employees have been rehired. WEDC has had several conversations with Industrial Assets and continues to do so to see if there is a path forward to maintain an ongoing operation with the goal of returning as many jobs as possible.
- Kestrel Aircraft: WEDC has instructed its outside counsel to develop a joint representation agreement between WEDC, the City of Superior, and Douglas County that will allow all parties to pursue their legal claims in an efficient and cost-effective manner. Once that representation agreement is signed by all three parties, legal action will be taken against the company to recoup any monies owed.
- Green Box: Green Box's bankruptcy case was dismissed in December, but the assets available for collection were inadequate to compensate all claimants. WEDC will seek a judgement against Ron Van Den Heuvel's personal guaranty, but collection is unlikely. WEDC expects to charge off this loan in the current quarter – it has been fully reserved since FY16.

CEO REPORT

Mark Hogan updated the Board on the status of current legislation affecting WEDC:

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- Kimberly Clark: Governor Walker and WEDC reached out to the company with a proposal to grant tax incentives to Kimberly Clark to retain jobs at both facilities slated for closure: Fox Crossing and Neenah. The proposal has passed the Assembly Committee on State Affairs and is scheduled to go to the full Assembly and Senate for consideration.
- Rural Economic Development Fund: A fund of \$50 million per year to assist 56 of Wisconsin's 72 counties. The legislation was passed unanimously in the Assembly and will move to the Senate for consideration. WEDC and its key strategic partners have been meeting to identify priority areas in the state for rural economic development.
- Talent Attraction and Retention Bill: \$6.8 million in one-time funds to assist WEDC's talent attraction media campaign and \$3.5 million of that funding will be used to attract veterans back to the state. The bill passed the Assembly on a bi-partisan basis and will move to the Senate for consideration.
- Historic Tax Credits: Bill to increase the limit from half a million to \$3.5 million per project. The legislation passed the Assembly unanimously, the Senate on a bi-partisan basis, and will go to the Governor for signature.
- Qualified New Business Venture: Bill to increase the lifetime cap on awards from \$8 to \$12 million. WEDC has 200 companies enrolled in this program, with 30 of those companies at or near their cap. The bill passed the Senate unanimously, was passed in the Assembly, and will go to the Governor for signature.

Mark Hogan updated the Board on the status of the Foxconn project. He reminded members that the certification date does not start until January 2018, so no credits will be verified until 2019. WEDC staff are working on policies and procedures for this process to have infrastructure in place when it's time to issue credits. Foxconn purchased the Northwestern Mutual 611 building in Milwaukee to serve as their US corporate headquarters while construction is ongoing and to house incubators and accelerators that will drive electronics technology forward. The purchase of the Northwestern Mutual building does not qualify for capital expenditure tax credits, but Foxconn employees working within the building will be counted toward the company's job numbers. Jela Trask, whose position was partially funded by the Legislature as part of the Foxconn bill, is working to connect Foxconn with Wisconsin supply chain vendors who can meet their needs. The company is working on finalizing terms with their construction team and expect the construction to last 5 years. Permitting for the site is on schedule and groundbreaking should start later this year.

Mark Maley, Public Affairs and Communications Director, spoke to the Board about WEDC's media coverage and highlighted the top stories about WEDC from December, January and February.

- During this timeframe, approximately 3,000 stories were written about WEDC with over 1.83 billion "impressions".
- Per WEDC's media monitoring company, 29.5% of the articles written about WEDC were "positive", 66.8% of the stories were "neutral" and 3.6% of the stories were "negative".
- The major news stories from that timeframe included WEDC's Chicago ad campaign launch, entrepreneurship support grants announcements, top WEDC projects of 2017, Main Street Makeover contest, and various expansion projects.

COO REPORT

Tricia Braun introduced new WEDC staff to the Board:

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- Vincent Rice, Vice President of Sector Strategy Development
- Jela Trask, Key Business Liaison
- Rebecca Deschane, Talent Initiatives Director
- Justin Phillips, Legislative Liaison

QUARTERLY FINANCIALS

Brian Nowicki reviewed the December 31, 2017 financial report with the Board.

- Loans receivable balance is lower than normal because of the retirement of the Business Opportunity Loan Fund (BOLF) program and the relative newness of the Business Development Loan Program (BDL), resulting in loan repayments exceeding loan originations for the year
- Unassigned fund balance has increased since last quarter, but that is typical of this time of year as WEDC receives state payments on a quarterly schedule, while program commitments lag in the first two quarters of the fiscal year.
- Program activity shows 33% of grants utilized (66% with including current pipeline activity) and 14% of loans utilized (30% with current pipeline activity).
- Revenues received year-to-date are normal for this time of year.
- Loan loss reserve has increased due to the addition of Appleton Coated.
- No loan reserve on performance based loans because the project budgeted for has not yet drawn the loan balance.

REVIEW AND RECOMMEND FY18 BUDGET AMENDMENT RESOLUTION

Brian Nowicki reviewed the FY18 budget amendment with the Board.

Changes to the FY18 budget include:

- Revising revenues to reflect:
 - the additional state funding to be received to assist in funding a Key Business Liaison position related to the Foxconn award
- Revising expenditures to reflect:
 - An increase in program grants to reduce WEDC's unassigned fund balance and address programmatic need
 - An increase in loan loss reserves to address a larger than anticipated need
 - An increase in operating expenses due primarily to legal fees related to the Foxconn contract negotiation and a budget adjustment related to this year's Marketplace conference
 - A decrease in payroll expenses, resulting mainly from an increase in vacancy year-to-date

Dave Drury moved to approve the budget amendment resolution, motion seconded by Senator Dan Feyen with a unanimous vote to approve the budget amendment resolution.

COMMITTEE REPORTS

Audit Committee Report

The Board was provided a summary of the November 6, 2017 and January 22, 2018 Audit Committee meetings.

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Budget & Finance Committee Report

The Board was provided a summary of the November 6, 2017 and January 16, 2018 Budget & Finance Committee meetings.

Awards Administration Committee Report

The Board was provided a summary of the November 7, 2017; December 20, 2017; and January 22, 2018 Awards Administration Committee meetings.

Dave Drury, R.D. Nair, and Ray Dreger noted that all relevant information about the meetings could be found in the committee report summaries.

AWARDS COMMITTEE CHARTER REVISION

Jenn Jin reviewed the changes to the Awards Administration Committee charter with the Board.

Changes to the charter include:

- Lowering the loan thresholds to reflect new program guidelines
- Clarify language to show:
 - that Enterprise Zone awards must go to the Board of Directors for final approval regardless of the amount of the award
 - “new” awards are those for which the application was received after 2/1/17
 - the Awards Administration Policy can be found in WEDC’s Code of Ethics and Conduct
 - that substantive midyear changes to existing program guidelines will come before the Committee for approval and that new program guidelines will go to the Board for final approval
- removing the reference to Vice President of Credit & Risk since this position no longer exists at WEDC
- adding designee language to match other WEDC committee charters

Ray Dreger moved to approve the Awards Committee charter revisions, motion seconded by Dave Drury with a unanimous vote to approve the revised Awards Committee charter.

CLOSED SESSION

In open session, Lisa Mauer proposed the Board enter closed session to discuss pending economic development project negotiations as recommended by the Awards Administration Committee.

Lisa Mauer requested a motion to approve entering closed session. Motion was made by Senator Dan Feyen with a second by Representative Rob Hutton. The motion to move into closed session passed unanimously.

Members of the public excused themselves for closed session.

See separate minutes for closed session.

RESUMPTION OF OPEN MEETING

The meeting reconvened in open session at 10:27 a.m.

ADJOURNMENT

Lisa Mauer adjourned the meeting at 10:28 a.m.