



**WEDC BOARD MINUTES
BOARD OF DIRECTORS MEETING**

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

**April 26, 2018
1:00 - 3:00 P.M.**

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

BOARD MEMBERS PRESENT:

- Lisa Mauer, Rickert Industries
- Nancy Hernandez, ABRAZO
- Senator Tim Carpenter, 3rd Senate District
- Senator Dan Feyen, 18th Senate District
- David Drury, WING Capital Group
- R.D. Nair, University of Wisconsin School of Business
- Secretary Rick Chandler, Department of Revenue
- Secretary Ellen Nowak, Department of Administration

BOARD MEMBERS PRESENT VIA TELECONFERENCE:

- Ray Dreger, Seeds 'N Stuff Farm Market, Inc.
- Representative Rob Hutton, 13th Assembly District
- Representative Dana Wachs, 91st Assembly District

BOARD MEMBERS EXCUSED:

- Jim Ladwig, SC Johnson

THINK·MAKE·HAPPEN.

CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 1:02 a.m.

APPROVAL OF MINUTES FROM THE FEBRUARY 22 AND MARCH 30, 2018 MEETINGS

The Board received copies of the meeting minutes from the open and closed sessions of the 2/22/18 and 3/30/18 Board meetings.

Senator Dan Feyen moved to approve the February 22 and March 30, 2018 minutes. Dave Drury seconded the motion. No objections were raised and the motion carried unanimously to approve the minutes from the 2/22/18 and 3/30/18 Board meetings.

CHAIR REPORT

Lisa Mauer welcomed Secretary Ellen Nowak to the Board of Directors. She replaced Scott Neitzel as DOA Secretary in March.

Lisa Mauer thanked Thomas Sylke for his six and a half years of service on WEDC's Board of Directors. Thomas Sylke resigned from the Board in February to become the Chairman of the Grainger Institute for Engineering's Advisory Board.

CEO REPORT

Mark Hogan reviewed recent events that WEDC was involved in with the Board:

- A trade delegation to China departs in 12 days.
- Last week, the China Investment Corporation (CIC), attended a 1 ½ day session in Chicago. Katy Sinnott, WEDC's Vice President of International Development, set up a day in Wisconsin for the CIC team to coincide with the Chicago meeting.
- Earlier this month, WEDC and the Wisconsin Procurement Institute organized a meeting for Wisconsin companies to provide information on how they could become suppliers to the United Nations. Approximately 35 companies in the state attended the presentation.
- WEDC was one of the first adopters of the Trauma Informed Care program. First Lady Tonette Walker will highlight WEDC on her social media on May 2nd.
- JLAC requested some additional information and WEDC will send them the requested documents by May 3rd.

CREDIT & RISK QUARTERLY REPORT

Mark Hogan reviewed the quarterly credit and risk report with the Board. He noted a reporting change to the "Loan Balance" column in the historical trends report. Traditionally, this column included both the principal and accrued interest portions of the portfolio. Beginning with this quarter's report, the Loan Balance column will reflect only the principal amount owing and will no longer include the accrued interest. This change is being made to better represent the overall past due status of the loan portfolio. The "Payment" delinquency will still use a loan balance that includes accrued interest. It is only the "Principal" delinquency methodology that is changing.

- Three borrowers (Kestrel, Green Box, and Appleton Coated) represent 71% of the past due total.

- Printpack, Inc. met the performance requirements for full forgiveness and their loan was forgiven in FY18 Q2.
- Loan loss reserves are well funded with 94% of the total principal on loans listed in past due loan report having been reserved. Twelve individual borrowers (including Kestrel, Green Box, and Appleton Coated) have been referred to outside counsel for collection.
- There were two charge-offs this quarter and two performance based loans were forgiven.
- Five tax credit revocations were referred to the Department of Revenue for processing.
- The amount of overdue performance reports increased this quarter. Staff continues to pursue the older recipients with past due notices being sent when and where appropriate.
- The approval and contracting activity level increased significantly during the past quarter. The Awards Origination schedule indicates 90 awards (compared to 62 in the prior quarter) were approved, with contracts signed. During the same period, there were 62 Amendments approved and contracted for compared to 64 in the prior quarter.

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

- Appleton Coated: WEDC continues to have conversations with the buyer regarding their plans for the operation and have indicated a strong willingness to work with the buyer 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 entered into a joint-representation agreement with the city of Superior and Douglas County which will allow us to pursue our respective claims in an efficient and cost-effective manner.
- Green Box: The Chapter 11 bankruptcy case was dismissed in December 2017. WEDC is now seeking summary judgment against Ron Van Den Heuvel's personal guaranty, but collection is unlikely. When this judgement is obtained, we will follow WEDC's procedures to close-out the loan. Given there is little likelihood of collection, the loan will then be charged-off (it has been fully reserved since FY2016).

LEGISLATIVE UPDATE

The Board was updated on legislation passed in 2017-2018 session affecting WEDC:

- Information technology manufacturing zone(Foxconn): This bill authorizes the creation of an electronics and information technology manufacturing zone (EITMZ), makes changes to the enterprise zone tax credit program, authorizes limited use of the design-build construction process, grants contingent highway bonding authority, and makes appropriations
- Talent attraction and retention: This bill provides \$6.8 million in new funding to WEDC, to work with the Department of Workforce Development, the Department of Veterans Affairs and the Department of Tourism to develop a comprehensive marketing campaign to promote Wisconsin's career and lifestyle advantages to millennials, UW Alumni and veterans transitioning to civilian life.
- Historic rehabilitation tax credit limits: This bill raises the limit on the amount of tax credits that may be certified by WEDC under the historic rehabilitation tax credit from \$500,000 to \$3,500,000 for all projects undertaken on the same parcel, effective July 1, 2018.
- Qualified New Business Venture (QNBV) investment limits: This bill expands eligibility for certain businesses receiving investments that qualify the investors for tax credits under the angel and early stage seed investment tax credit programs administered by

the WEDC. Previously, WEDC certified a business as a QNBV if, among other requirements, for taxable years beginning after December 31, 2010, the business has not received more than \$8 million of investments that qualified for tax credits under the program. Act 254 raises that threshold to \$12 million for taxable years beginning after December 31, 2017.

- Foreign corporation fees: This bill removes the assessment fee for QNBV-certified businesses incorporated in other states. Under previous law, any business incorporated in another state was considered 'foreign,' even if that corporation is physically located in Wisconsin, and assessed a pre-revenue capital based fee of \$3 on every \$1000 over \$60,000.
- Mississippi River Parkway Commission: Current law authorizes the Mississippi River Parkway Commission to establish a technical committee to advise the commission. The members of the committee must include at least one employee each from the Department of Transportation and the Department of Tourism. This bill adds WEDC and the Department of Agriculture, Trade and Consumer Protection to the committee.
- Receipt of items of value: This bill gives local elected officials the ability to accept dinner at a conference hosted by WEDC or Department of Tourism, creating parity for local and state elected officials.

WEDC IN THE NEWS

Mark Maley, Public Affairs and Communications Director, spoke to the Board about WEDC's media coverage and highlighted the top stories about WEDC from January to March of 2018.

- During this timeframe, approximately 2,000 stories were written about WEDC with over 1.71 billion "impressions".
- Per WEDC's media monitoring company, 21% of the articles written about WEDC were "positive", 76.7% of the stories were "neutral" and 2.3% of the stories were "negative".
- The major news stories from that timeframe included Wausau's Certified Site, Onalaska's CDI grant, ATI's expansion into Cudahy, and the launch of the Wisconsin Valley website.

SUPPLY CHAIN REPORT

Jela Trask, Business & Investment Attraction Director, updated the Board on the status of the state supply chain:

- Reached out to the small/medium business community, industry and regional partners, and subject matter experts at UW-Madison, UW-Milwaukee, Marquette, and technical colleges across the state for insights.
- Wisconsin already has a broad and deep statewide supply chain, but the Foxconn project has become a catalyst to accelerate industry trends affecting manufacturing and supply chains in the state. The state must find a way to present, not just baseline information on the companies in the chain, but a narrow set of results that are specialized to the "buyer".
- Created the Supply Chain Marketplace (SCM) website, which currently hosts over 1,490 business profiles in 31 service categories. Of those businesses, 1,100 are interested in becoming Foxconn suppliers. The website will help to diversify the supply chain, facilitate knowledge sharing and the charting of industry trends for manufacturers in the state, and connect manufacturing demand to Wisconsin's supply chain.
- Opportunity to establish the SCM as a front-end for supply chain identification, evaluation, and prioritization tool. SMC platform addresses buyer search and selection

difficulties by creating vendor management tools that allow the buyer to narrow the pool of suppliers with specs and terms and conditions. Also working on a procurement platform to facilitate real-time ordering from selected suppliers.

- Industry 4.0 Readiness Plan: help suppliers improve productivity, optimize global competitiveness, and diversify their markets.
- Next 90-day goals: to establish the Wisconsin Industry 4.0 Council, conduct pilot procurement for Foxconn with the SCM, and launch the Industry 4.0 Readiness Plan in conjunction with existing investments, Transformational Productivity Initiative (TPI), and UW-Milwaukee's Connected Systems Institute.

SECOND FY18 BUDGET AMENDMENT RESOLUTION

Brian Nowicki reviewed the FY18 budget amendment with the Board.

New changes to the FY18 budget include:

- Revising revenues to reflect:
 - First, WEDC is receiving additional state funding to assist in its marketing efforts for talent attraction.
 - Second, federal grant funding estimates have increased substantially for FY18, specifically as it relates to passthrough funds on our Department of Defense (DoD) contract.
- Revising expenditures to reflect:
 - An increase in program grants to reduce WEDC's unassigned fund balance and address programmatic need.
 - Additional marketing/promotions budget related to our Talent Attraction Initiative.
 - Additional pass through grant expenses related to our DoD contract.

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

COMMITTEE REPORTS

Budget & Finance Committee Report

The Board was provided a summary of the April 13, 2018 Budget & Finance Committee meeting.

Awards Administration Committee Report

The Board was provided a summary of the March 28, 2018 Awards Administration Committee meeting.

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

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 Nancy Hernandez with a second by R.D. Nair. 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 2:10 p.m.

QNBV PROGRAM GUIDELINE REVISIONS

John Parrish reviewed the revised Qualified New Business Venture (QNBV) program guidelines with the Board.

The 2017 Wisconsin Act 234, signed into law and effective on April 5, 2018, raised the tax credit eligibility investment cap for QNBVs. Previously, WEDC certified a business if, among other requirements, for taxable years beginning after December 31, 2010, the business has not received more than \$8 million of investments that qualified for tax credits under the program. Act 234 raises that threshold to \$12 million for taxable years beginning after December 31, 2017.

These statutory changes warrant modifications to QNBV program administration because the increase in eligible investment creates a group of newly-eligible companies that have previously reached the \$8 million cap. Fourteen companies in the last five years have reached the \$8 million limit and WEDC expects that up to twelve of those companies could apply for certification in 2018 based on the increase to the statutory threshold.

ADJOURNMENT

Lisa Mauer adjourned the meeting at 2:25 p.m.