

**Wisconsin Economic Development Corporation
Meeting of the WEDC Budget and Finance Committee**

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

**July 17, 2019
2:30-3:30 PM**

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

COMMITTEE MEMBERS IN PERSON:

- Senator Tim Carpenter
- Mike Kunesh, Place Perfect

COMMITTEE MEMBERS PRESENT VIA TELECONFERENCE:

- Nancy Hernandez, ABRAZO, LLC (Chair)
- Eugenia Podesta, Synergy Madison
- Mary Williams, former State Representative
- Senator Dan Feyen

CALL TO ORDER AND ROLL CALL

WEDC Chair Nancy Hernandez called the meeting to order at 2:30 PM.

Nancy Hernandez requested a motion to approve the minutes from the June 13, 2019 meeting. Motion was made by Mary Williams with a second by Senator Dan Feyen.

The Committee was provided a “Committee Best Practice” document within their materials. Nancy Hernandez stated that the document will be added to every committee meeting as a reminder of important committee best practices including conflicts of interest and stating one’s name before a motion.

Madison Lease Office Discussion

WEDC CFO Brian Nowicki shared with the Committee that WEDC is exploring other Madison office space options as the WEDC lease for the current building ends in 2021. Brian Nowicki stated that there will be more information to follow, but it will have effects on the budget that will be brought to the committee at a later date.

Review and Vote on Request for Qualification for Legal Services

WEDC CLO Jennifer Jin presented, and the Committee discussed, the RFQ for Legal Services. The purpose for the Legal Services RFQ is to designate authorized legal service providers to ensure adequate coverage for legal matters that arise. WEDC seeks to identify at least two law firms as authorized legal service providers for each of the following service areas: corporate governance, commercial lending, tax, general corporate law, intellectual property (primarily trademark and advertising), employment, government and public administration, collections, venture capital-equity investment, and Wisconsin state constitutional law. The RFQ was issued on June 6, 2019 with six law firms submitting proposals: Lake Effect HR & Law, LLC (LE); Lindner & Marsack, S.C. (LM); Murphy Desmond S.C. (MD); Quarles and Brady LLP (QB); SmithAmundsen LLC (SA); and von Briesen & Roper, s.c (VB). The proposals were reviewed and scored by Jennifer Jin, Senior Staff Counsel Jennifer Campbell, VP of HR Anne Jesko, VP of E&I Aaron Hagar, and Program Analyst Dave Beimborn.

Selected firms based off of qualifications, scope of work, and costs are as follows:

Services	Selected Firms
Corporate Governance	MD, QB, VB
Commercial Lending	MD, QB, VB
Tax	QB, VB
General Corporate Law	MD, QB, VB
Intellectual Property	QB, SA, VB
Employment	LM, QB, VB, SA, LE
Government and Public Administration	MD, VB
Collections	MD, VB
Venture Capital-Equity	No law firms submitted proposals for this service area
Wisconsin Constitutional Law	MD, VB

Nancy Hernandez requested a motion to approve the RFQ for Legal Services. Motion was made by Mike Kunesh with a second by Eugenia Podesta. The motion to approve the RFQ was passed unanimously.

Review and Vote on Request for Proposal- Change Order Request- Salesforce

Brian Nowicki presented, and the Committee discussed, the change order request for Salesforce. Due to a growing user base, the original licensing of 136 Sales Cloud Lightning licenses was insufficient to meet the needs of integration, auditors, and employees. In December 2018 WEDC purchased an additional 10 licenses to meet requirements of providing state auditors access to Salesforce. The costs of these seats was expensed to the existing purchase order on 12/5/18. Additions to cost of this RFP and purchase order is \$32,000 which brings the total cost of the contract to \$1,016,000.

Nancy Hernandez requested a motion to approve the change order request. Motion was made by Senator Dan Feyen with a second by Mary Williams. The motion to approve the change order request was passed unanimously.

Review and Recommend FY20 Budget and Operations Plan

Brian Nowicki presented, and the Committee discussed, the FY20 Budget and Operations plan. Financial overview provided to the committee is provided below:

REVENUES – Decreasing \$2.1 million (4%) from FY19. The primary changes are:

- (\$1.8 million) decrease due to Department of Defense (DoD) grant, whose contract term ended in FY20.
- (\$0.3 million) decrease for Interest on Loans and Investments, as WEDC expects to hold lower asset balances in its loan receivable and its cash and investment balance during FY20.

EXPENDITURES – Decreasing \$3.1 million (5%) from FY19. The primary changes by expense category are: Program Grants – Decreasing \$2.3 million (8%)

- Disaster Recovery Microloan (DRM) program will be receiving \$2.0 million less in program funding. Funding for this program will be based on future disaster events. For FY19, \$2.0 million was allocated from our unassigned fund balance in September 2018 to address state-wide flooding events.
- Workforce Training Grant (WTG) program will be receiving \$300,000 in additional program funding in FY20 to help companies improve the skills of their workforce.
- Site Assessment Grant (SAG) program will continue to receive \$500,000 in additional program funding to address anticipated demand in FY20. The Biennial State Budget sets aside \$1 million for SAG grants annually. WEDC provided an additional \$150,000 in funding for FY18, and an additional \$500,000 in FY19, and will continue to provide an additional \$500,000 in FY20.
- Idle Sites Redevelopment (ISR) grant program will be receiving \$200,000 in additional program funding to adjust to the expected demand for the program in FY20.
- Community Development Investment (CDI) grant program will be receiving \$1.0 million less in program funding to adjust to the expected demand for the program in FY20. Demand in FY19 was high, however, as we started the fiscal year with \$5.0 million

budget, and increased it to \$7.0 million during the fiscal year. As in previous years, WEDC may adjust program funding resources within the Business and Community Development (BCD) division during FY20 if additional demand is present.

- Fabrication Laboratories (Fab Labs) grant program will receive \$229,000 in additional program funding to address anticipated demand in FY20. The Biennial State Budget for 2015-17 set aside \$500,000 for Fab Labs, and starting in FY18, WEDC has continued to fund Fab Labs from its general program allocation.
- Capacity Building (CB) grant program will be receiving \$500,000 in additional program funding for regional economic development assessments and talent initiatives.
- Seed Accelerator (SA) and Capital Catalyst (CC) grant programs will be receiving \$125,000 and \$350,000 less in program funding, respectively, which adjusts the program sizes back to their original FY19 budget levels.

Key Strategic Partners – Increasing \$0.4 million (8%)

- Additional funds will be provided to four statewide chambers of commerce and their affiliates.

Marketing/Promotions – Decreasing \$1.3 million (15%)

- WEDC is budgeting approximately \$4.0 million to continue talent attraction and retention initiatives, initially funded by a \$6.8 million State appropriation in FY18. Those initial funds will be expended by the end of FY19, and WEDC will be using its unassigned fund balance and general operations budget to continue to fund these initiatives for FY20, although at a lower funding level than in FY19.

Payroll – Increasing \$1.0 million (8.5%)

Assumptions for FY20:

- An increase of three Full Time Positions, filling new roles in our back office/support divisions (Credit & Risk, Legal, and Operations and Program Performance).
- 2% of salaries for pay increases
- 3% health insurance premium increases
- 1% of salaries for merit awards
- 2.5% of salaries for professional development

Operations and General – Increasing \$0.2 million (3.5%)

- Includes \$300,000 in extended enterprise funding to the Department of Workforce Development (DWD) to assist in their continued efforts to attract and retain talent in the State of Wisconsin, as part of WEDC's Talent Attraction and Retention initiative.
- The increase has been offset by general savings in other operational line items, including events and conferences.

Pass-through federal grant expenditures – Decreasing \$1.1 million (100%)

- WEDC received a federal grant from the Department of Defense in FY16, which ended on December 31, 2018.

Capital and Debt Service – Increasing \$21,000 (9%)

- WEDC's portion of the State pension liability is expected to increase in FY20 based on current amortization schedules from the State, which is partially offset by lower leasehold improvement needs for the year.

Program Loans – Increasing by \$0.8 million (14%) from \$5.2 million in FY19 to \$6.0 million in FY20, due to the availability of funds.

- \$360,00 increase in the Business Development Loan (BDL) Fund, from \$640,000 in FY19 to \$1.0 million in FY20.
- \$475,000 increase in the Technology Development Loan Fund (TDL) program budget, from \$4.5 million in FY19 to \$5.0 million in FY20.
- Loan activity does not directly affect budgeted expenditures, other than through the loan loss reserve. However, the combination of Program Grants and Loans activity does represent the total direct economic development activity using WEDC revenue sources.

FUND BALANCE- WEDC will be using \$11.4 million of unassigned fund balance at the end of FY19, as well as the future expected loan principal payments as fund sources in FY20

- In addition, as part of the FY19-21 State Biennial Budget, WEDC is required to make a \$25.0 million payment to the State in FY20. These funds will also be taken from WEDC's unassigned fund balance.
- The FY19 estimated unassigned fund balance is \$32.1 million. The FY20 projected unassigned fund balance is \$7.9 million. The FY20 target unassigned fund balance, equaling 1/6th of WEDC's operating budget, is \$5.1 million.

WEDC VP of Marketing and Brand Strategy Kelly Lietz presented, and the Committee discussed the WEDC Talent Marketing memo. In response to statewide employers and the early successes of WEDC targeted marketing strategy, the talent marketing campaign prioritizes three audiences: Millennials living in the Midwest, Alumni of Wisconsin's colleges and universities, and transitioning veterans.

Nancy Hernandez requested a motion to approve the FY20 Budget and Operations Plan. Motion was made by Mary Williams with a second by Mike Kunesh. The motion to approve the FY20 Budget and Operations Plan was passed unanimously.

ADJOURNMENT

Nancy Hernandez requested a motion to adjourn the meeting. Motion was made by Senator Dan Feyen with a second by Mary Williams. The motion to adjourn the meeting was passed unanimously. The meeting adjourned at 3:10 PM.