

Board Meeting Minutes  
August 20<sup>th</sup>, 2019

Present in person were:

Sarah Godlewski, Board Chair	State Treasurer
Jonathan Barry, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Mike, Krueger, IT Manager	Board of Commissioners of Public Lands
Richard Sneider, Chief Investment Officer	Board of Commissioners of Public Lands

Present via teleconference were:

Josh Kaul, Commissioner	Attorney General
Doug La Follette, Commissioner	Secretary of State

**ITEM 1. CALL TO ORDER**

Board Chair Godlewski called the meeting to order at 2:02 p.m.

**ITEM 2. APPROVE MINUTES – AUGUST 5<sup>th</sup>, 2019**

**MOTION:** Commissioner La Follette moved to approve the minutes; Board Chair Godlewski seconded the motion.

**DISCUSSION:** Board Chair Godlewski noted the page number were incorrect.

**VOTE:** The motion passed 3-0.

**ITEM 3. APPROVE LOANS**

**MOTION:** Commissioner La Follette moved to approve the loans; Board Chair Godlewski seconded the motion.

**DISCUSSION:** Mr. Sneider discussed 3 loans that deserved special mention to the board. Green Bay is borrowing an additional \$1 million to continue a neighborhood redevelopment program started in 1999. The program includes the acquisition and demolition or renovation of poorly maintained homes, beautification projects, grants to homeowners to convert multi-family properties back to single family and other projects. Green bay has spent \$10 million to date on this program. The Village of Windsor is borrowing \$2 million to redevelop their downtown including the acquisition of land for future municipal purposes. The Town of Janesville is continuing to borrow funds on an annual basis to pay for fire protection from the City of Janesville. This type of loan for operational purposes is becoming more common because levy limits restrict the ability to levy for municipal costs, but do not restrict levying for the payment of debt service. Loans for operations remain a small fraction of total lending.

**VOTE:** The motion passed 3-0.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Bayfield Bayfield County Application #: 02020030 Purpose: Finance park improvements	City Rate: 3.75% Term: 10 years	General Obligation	\$152,000.00
2. Green Bay Brown County Application #: 02020023 Purpose: Finance neighborhood redevelopment	City Rate: 3.75% Term: 10 years	General Obligation	\$1,000,000.00
3. Hawkins Rusk County Application #: 02020025 Purpose: Finance purchase of grader	Town Rate: 3.75% Term: 10 years	General Obligation	\$192,500.00
4. Janesville Rock County Application #: 02020029 Purpose: Finance fire protection	Town Rate: 3.75% Term: 2 years	General Obligation	\$300,000.00
5. Neshkoro Marquette County Application #: 02020028 Purpose: Finance roadwork	Village Rate: 3.75% Term: 10 years	General Obligation	\$40,000.00
6. Niagara Marinette County Application #: 02020026 Purpose: Finance purchase of school vans	School Rate: 3.75% Term: 3 years	General Obligation	\$40,000.00
7. Oconto Oconto County Application #: 02020027 Purpose: Finance roadwork	Town Rate: 3.75% Term: 2 years	General Obligation	\$150,000.00
8. Rosendale Fond Du Lac County Application #: 02020022 Purpose: Finance roadwork	Village Rate: 3.75% Term: 5 years	General Obligation	\$70,000.00
9. Tomahawk Lincoln County Application #: 02020031 Purpose: Finance roadwork, bicycle trail, and sewer project	City Rate: 3.75% Term: 10 years	General Obligation	\$663,000.00
10. Windsor Dane County Application #: 02020024 Purpose: Finance property purchase	Village Rate: 3.75% Term: 10 years	General Obligation	\$2,000,000.00
<b>TOTAL</b>			<b>\$4,607,500.00</b>

#### **ITEM 4. DISCUSSION AN POSSIBLE VOTE REGARDING AMENDMENT TO INVESTMENT POLICY**

**MOTION:** to approve Investment policy resolution by Josh Kaul and seconded by Sarah Godlewski,

**DISCUSSION:** Deputy Secretary German described how, a few years ago, when the Investment Policy was first adopted, the Board and staff then were very conservative when it came to any use of leverage. Now, when it comes time to consider making investments in Real Estate Funds we realize the all such funds actually use leverage themselves and, while we are not advocating directly borrowing ourselves we are looking at the use of 'indirect leverage' through our investing in these funds. Before creating language to amend out investment policy, we reached out to Mark Eppli, who heads the Grasscamp school of Real Estate at the UW School of Business. Mark joined us at an investment committee meeting where he pointed out that it was best to use language that stated that, with the use of any leverage, we would use it in accordance with industry and market standards.

So, in order to move BCPL along the path towards greater diversification by making investments in real-estate funds, we would need to amend our policy to permit the use of indirect leverage within a particular investment but not direct leverage or borrowing by BCPL itself.

Commissioner Kaul expressed his concern that the prohibition on any use of direct leverage by BCPL should possibly be made more clear, or explicit.

Following discussion, a 'friendly amendment' was proposed by Board Chair Godlewski and seconded by Commissioner Kaul stating that "BCPL may not borrow money without Board authorization."

**VOTE:** The motion with the friendly amendment added passed 3-0 The motion, as amended, reads as follows:

"The utilization of leverage is permitted in accordance with industry and market standards for permitted investments under this policy. Any use of leverage will be consistent with the strategy for which the BCPL hired the manager and controlled by the specific guidelines for that manager. Further, BCPL may not borrow money without Board authorization"

#### **ITEM 5. CHIEF INVESTMENT OFFICER'S REPORT**

Mr. Sneider discussed the redemption of bonds, which has increased cash to a projected \$350 million. He stressed his belief that holding additional cash was an appropriate strategy in the environment, but cash will not provide the same yield as the bonds prior to redemption. The lower return on a significant part of the portfolio will impact the 2020 distribution, but staff remains confident that the smoothing funds will not be needed. Staff anticipates redeployment of these cash assets as opportunities become available, including commitment to the real estate asset class.

#### **ITEM 6. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary Barry stated that he had just one item to discuss and that was to revisit the 'Deer Browsing Paper' that was discussed at the last Board meeting. Executive Secretary Barry said that he has been re-thinking how best to manage BCPL's release of this paper and, for now, was recommending that the paper remain in draft form pending verification and quantification of deer browsing damage on BCPL lands in accordance with relatively new standards, or tools, that have been prepared by the industry and the DNR. He and Tom had recently visited in Rhinelander with leaders in the County Forest industry including Jane Severt and had, just yesterday, met with Preston Cole, the DNR Secretary and his key administrators. We were advised that these new "tools" are designed to quantify deer browsing damage in the forests. At this point, BCPL had not yet fully utilized these evaluation tool on school trust lands. Given the sensitive nature of the issue, it seems appropriate to more fully evaluate our lands in accordance with best practice before moving this paper beyond the draft stage. Executive Secretary Barry expressed his confidence in the author and the science of the Deer Browsing paper and said that he believed taking the analysis to the next step would get us to a point where the information could be supported by both good science and visual and anecdotal support.

#### **ITEM 7. BOARD CHAIR'S REPORT**

Board Chair Godlewski stated that she did not have a report to deliver to the Board at this time. She pointed out that the

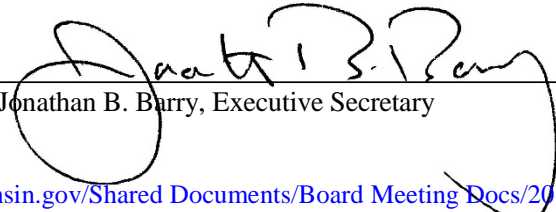
Investment Committee had been meeting frequently and had, as evidenced by the proposed policy amendments, been working diligently to bring BCPL towards greater diversification in investments. A lot of preparation and research has been devoted to this effort in recent weeks.

**ITEM 8. FUTURE AGENDA ITEMS**

None.

**ITEM 9. ADJOURN**

Commissioner La Follette moved to adjourn the meeting; Board Chair Godlewski seconded the motion. The motion passed 3-0; the meeting adjourned at 2:42 p.m.



Jonathan B. Barry, Executive Secretary

Link to audio recording: [https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2019/2019-08-20\\_BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2019/2019-08-20_BoardMtgRecording.mp3)