

Board Meeting Minutes
November 12th, 2019

Present in person were:

Sarah Godlewski, Board Chair
Josh Kaul, Commissioner
Doug LaFollette, Commissioner
Jonathan Barry, Executive Secretary
Tom German, Deputy Secretary
Mike, Krueger, IT Manager
Richard Sneider, Chief Investment Officer
Denise Nechvatal, Accountant
Mark Eppli, Director

State Treasurer
Attorney General
Secretary of State
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
UW Graaskamp Center for Real Estate

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:05 p.m.

ITEM 2. APPROVE MINUTES – OCTOBER 15th, 2019

MOTION: Commissioner LaFollette moved to approve the minutes; Commissioner Kaul seconded the motion.

DISCUSSION: No discussion.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

MOTION: Commissioner LaFollette moved to approve the loans; Board Chair Godlewski seconded the motion.

DISCUSSION: Mr. Sneider commented on several loans. The loan to Marshfield provides support for a 300,000 square foot Packaging Corp of America facility that may employ 80-100 people. The Sun Prairie project includes demo and grading for a municipal parking lot. The loan to Sheboygan Falls is a pass-through loan to a developer of affordable senior housing and includes the renovation of an old middle school. The loans to Fox Lake include development incentives and infrastructure including payoff of lines of credit to RDA involving Spring and Booth Street Apartments. The four loans to Tony involve the refinance of general obligation debt into revenue debt supported by the water utility. This refinance helps to free up capacity for local projects.

VOTE: The motion passed 3-0.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Marshfield Marathon and Wood Counties Application #: 02020044 Purpose: Finance TID #7 rail spur project	City Rate: 3.25% Term: 7 years	General Obligation	\$750,000.00
2. Sparta Monroe County Application #: 02020045 Purpose: Finance roadwork	Town Rate: 3.25% Term: 2 years	General Obligation	\$75,000.00
3. Gordon Douglas County Application #: 02020046 Purpose: Finance the purchase of grader	Town Rate: 3.25% Term: 5 years	General Obligation	\$284,080.00
4. Sun Prairie Dane County Application #: 02020047 Purpose: Finance land purchase and improvements	City Rate: 3.25% Term: 10 years	General Obligation	\$650,000.00
5. Delafield Waukesha County Application #: 02020048 Purpose: Finance truck purchase	Town Rate: 3.25% Term: 7 years	General Obligation	\$250,000.00
6. Green Lake Sanitary District Green Lake County Application #: 02020050 Purpose: Finance extension of sewer main	Sanitary District Rate: 3.25% Term: 10 years	General Obligation	\$396,988.00
7. Sand Lake Burnett County Application #: 02020051 Purpose: Finance purchase of skidsteer	Town Rate: 3.25% Term: 5 years	General Obligation	\$20,000.00
8. Sheboygan Falls Sheboygan County Application #: 02020052 Purpose: Finance TID #6 Development Incentive	City Rate: 3.75% Term: 20 years	General Obligation	\$1,375,000.00

Municipality	Municipal Type	Loan Type	Loan Amount
9. Scott Brown County Application #: 02020053	Town Rate: 3.75% Term: 20 years	General Obligation	\$570,000.00
Purpose: Finance infrastructure and road projects			
10 Scott Brown County Application #: 02020054	Town Rate: 3.75% Term: 19 years	General Obligation	\$691,606.14
Purpose: Refinance BCPL Loan #2018156			
11 Fox Lake Dodge County Application #: 02020055	City Rate: 3.75% Term: 20 years	General Obligation	\$800,000.00
Purpose: Finance economic development projects			
12 Fox Lake Dodge County Application #: 02020056	City Rate: 3.25% Term: 10 years	General Obligation	\$150,000.00
Purpose: Finance roadwork			
13 Tony Rusk County Application #: 02020061	Village Rate: 3.25% Term: 10 years	General Obligation	\$35,000.00
Purpose: Refinance Water Utility Bank Loan			
14 Tony Rusk County Application #: 02020062	Village Rate: 3.25% Term: 10 years	General Obligation	\$30,000.00
Purpose: Finance roadwork			
15 Tony Rusk County Application #: 02020063	Village Rate: 3.25% Term: 10 years	General Obligation	\$30,000.00
Purpose: Finance senior center project			
16 Tony Rusk County Application #: 02020064	Village Rate: 5.00% Term: 15 years	Utility Revenue	\$125,000.00
Purpose: Refinance Water Utility Bank Loan			
17 Cudahy	City	General Obligation	\$410,000.00

Milwaukee County
Application #: 02020065

Rate: 3.25%
Term: 2 years

Purpose: Finance purchase of capital equipment and vehicles

Municipality	Municipal Type	Loan Type	Loan Amount
18 Lac La Belle Waukesha County Application #: 02020066 Purpose: Finance purchase of boat	Village Rate: 3.25% Term: 10 years	General Obligation	\$36,000.00
19 Montreal Iron County Application #: 02020067 Purpose: Finance water infrastructure project	City Rate: 3.25% Term: 10 years	General Obligation	\$130,000.00
20 Lawrence Brown County Application #: 02020068 Purpose: Finance infrastructure construction	Town Rate: 3.25% Term: 10 years	General Obligation	\$2,500,000.00
TOTAL			\$9,308,674.14

ITEM 4. REVIEW, DISCUSSION AND POTENTIAL ACTION ON INVESTMENT PLAN

MOTION: Board Chair Godlewski moved to discuss the updated investment plan; Commissioner Kaul seconded the motion.

DISCUSSION: Board Chair Godlewski asked Mr. Sneider to provide a review of the current revisions proposed to the Investment Policy Statement (IPS). Mr. Sneider indicated that revisions were necessary for three reasons: changes in financial market conditions require a periodic review of the policy; the smoothing funds created within the policy for the Common School Fund and Normal School Fund were filled, so language pertaining to the transition period prior to the filling of these funds could now be removed; and the shift to State GPR funding of agency expenses allowed flexibility in the allocation of Normal School Fund assets.

Mr. Sneider explained that the majority of the document remains as originally approved, and revisions focused on three sections: smoothing fund and annual distribution, Common School Fund Investment Objective and Allocation, and Normal School Fund Investment Objective and Allocation. Other additions included statements in the Investment Philosophy indicating that 1) BCPL shall make reasonable efforts to seek investment opportunities within Wisconsin subject to our fiduciary duty to act in the sole interests of the beneficiaries, and 2) BCPL shall strive to provide transparency to the investment strategy and processes when possible.

Board Chair Godlewski then indicated that she felt the IPS was not ready for Board Approval. She stated there were four main areas that required discussion: Audience (too much detail in some areas, not enough in others, the document is meant for the investment committee, investment team and fiduciaries), Governance (the document did not provide adequate detail – how are investments evaluated and recommendations made, how does the investment committee work, handling of conflicts of interest), Fiduciary Responsibility (need to capture language provided in LRB memo, and Permitted Investments (requires reorganization as asset allocations should influence permitted investments, believes current list is misleading as relates to allocation, should include the Trust Fund Loan Program).

The Board Chair indicated a desire for outside input on the policy and has been in contact with Carrie Thome, the former CIO of WARF, who had indicated a willingness to help with the IPS. Answering a question from Mr. La Follette, Ms. Godlewski stated that she would not vote for the IPS unless these four areas of the IPS were improved.

Mr. La Follette asked for staff comment. Mr. German stated that he knew Carrie Thome, and would welcome her comments for potential improvement to the policy. He stated that he disagreed with the LRB memo and noted that the memo did not cite the specific statute in the Wisconsin Trust Code that addresses the issue.

Attorney General Kaul asked if there was an approval deadline or required timing for approval of the policy.

Mr. Barry indicated that there was no deadline, although approval of the allocations would provide some investment flexibility. The more pressing issue is the hiring of outside counsel for review of investment documents for investments that we have already committed. The hiring of outside counsel requires the recommendation of the AG and approval of the Governor.

Mr. Barry stated that when an investment policy became necessary following statutory approval of Prudent Investor Standard for BCPL asset management, we went to SWIB for advice and were told to hire a consultant at a cost of about \$1 million. We then went to UW-Madison School of Business and met with Mark Ready and Brian Hellmer and developed the policy framework in the best tradition of the Wisconsin Idea. BCPL staff also went to stakeholders including the beneficiaries, the State Legislature, the Administration, WARF, SWIB, and worked with all stakeholders in drafting the document.

AG Kaul stated that unless a case were made, he would be hesitant to spend government resources on hiring an outside consultant to assist with the ISP.

He indicated that it would be worth discussing the four areas of concern, but questioned whether governance and fiduciary responsibility were necessarily part of the policy (governance could be handled in a separate BCPL document, and fiduciary responsibility is accepted law).

Mr. Kaul requested staff comment on the four areas, and Mr. Sneider responded by stating the “permitted investments” were not meant to be a comprehensive list but were meant to provide sideboards to the investment committee. Mr. Sneider disagreed that the Trust Fund Loan Program was not included in Permitted Investments, as “loans to municipalities” is a permitted investment in the current Policy. In addition, the list is not meant to be weighted as to importance. Each investment within the allocation needs to be a permitted investment, but not all permitted investments need to be included in the allocation.

Mr. Sneider agreed with Mr. Kaul that the important aspect of the governance issue was to maintain flexibility to the Investment Committee. As to Audience, Mr. Sneider defined the Audience as the Board, the Legislature, the Beneficiaries and the public as a whole. The BCPL Investment Policy is much broader than other Investment Policies, but BCPL has a long history and a complicated story to tell and including this type of detail provides a background into how the Investment Policy was determined. Mr. Sneider agreed with Mr. Kaul that an Executive Summary was an important document and indicated that an Executive Summary was available and should be provided on a regular basis.

Mr. Kaul indicated he will have his staff look into fiduciary responsibility and report back to the board.

Both Mr. La Follette and Mr. Kaul indicated an acceptance to a consultant offering advice without fee, but were reluctant to pay the consultant unless there was a clear financial case made for the benefit of hiring that consultant.

MOTION: Commissioner LaFollette moved to table the discussion to allow a working group to incorporate/address the Board Chairmen Godlewski’s concerns within four areas of the Investment Policy. The working group could include the Carrie Thome, if available at no fee. An updated policy is to be presented with redlines indicating the proposed changes at an upcoming board meeting. Commissioner LaFollette called the question and commissioner Kaul seconded the

motion.

VOTE: The motion to table the discussion passed 3-0.

ITEM 5. BOARD CHAIR MEMOS

DISCUSSION: Board Chair Godlewski presented the other Commissioners with a draft memo that outlined goals and priorities on Investments, Operations and Lands for 2020 - 2022. The Commissioners discussed the goals and priorities and generally agreed they seemed reasonable but also noted that the priorities needed prioritizing.

Board Chair Godlewski presented another memo that provided a draft position description for the Executive Secretary position. As the current statutes do not spell out many duties for the Executive Secretary, she felt that this memo was necessary to outline those responsibilities that were essential for position at this time. Key Competencies included: Leadership & Operational Excellence, Financial Administration and Lands Oversight. The Commissioners discussed these duties and found them generally reasonable.

ITEM 6. ADJORN INTO CLOSED SESSION

MOTION: Commissioner LaFollette moved to go into closed session; Commissioner Kaul seconded the motion.

VOTE: The motion passed 3-0.

The board went into closed session at 3:05. The board came out of closed session at 3:50.

ITEM 7. POTENTIAL ACTION ON EXECUTIVE SECRETARY POSITON

MOTION: Commissioner LaFollette moved to appoint Tom German as the new Executive Secretary of BCPL starting January 4th; Board Chair Godlewski seconded the motion.

VOTE: The motion passed 3-0.

ITEM 8. CHIEF INVESTMENT OFFICER'S REPORT

Ran out of time no report was given.

ITEM 9. EXECUTIVE SECRETARY'S REPORT

Ran out of time no report was given.

ITEM 10. BOARD CHAIR'S REPORT

Ran out of time no report was given.

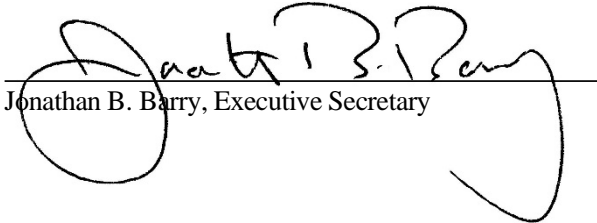
ITEM 11. FUTURE AGENDA ITEMS

Ran out of time, not addressed

ITEM 12. ADJOURN

Commissioner LaFollette moved to adjourn the meeting; Commissioner Kaul seconded the motion.

The motion passed 3-0; the meeting adjourned at 3:52 p.m.



Jonathan B. Barry, Executive Secretary

Link to audio recording:

https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2019/2019-11-12_BoardMtgRecording.mp3

