

Board Meeting Minutes  
April 7<sup>th</sup>, 2020

Present via teleconference were:

Sarah Godlewski, Board Chair  
Josh Kaul, Commissioner  
Doug LaFollette, Commissioner  
Joanna Beilman-Dulin

State Treasurer  
Attorney General  
Secretary of State  
State Treasurer's Office

Present in person were:

Tom German, Executive Secretary  
Mike Krueger, IT Manager  
Richard Sneider, Chief Investment Officer

Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands

Absent Board members:  
None

**ITEM 1. CALL TO ORDER**

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

**ITEM 2. APPROVE MINUTES** – March 17<sup>th</sup>, 2020.

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

**DISCUSSION:** None

**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 that the recently approved loans are standard and most of these loans are loans that have been approved in the past and are being reapproved at the lower interest rate of 2.75%, rate approved by the Board about a month ago.

Commissioner Kaul asked about the difference in interest rates. Why are some of the loans 2.75% vs. 2.5%? Is the difference in interest rate a reflection on the duration of the loan or the time of the application for the loan?

Mr. Sneider explained that it is affected by both. The interest rate is dependent on the duration of the loan, 5-year loans are at 2.5% and loans recently approved between 6 and 10 years are at a rate of 2.75%. The interest rate is locked at the current rate structure at the time the application is submitted for a period of 60 days. If rate changes occur during the processing of the loan, BCPL gives the borrower the option to restart the loan at the lower rate. Some borrowers take advantage of the lower rate and some do not because of time considerations.

Commissioner Kaul asks if BCPL makes rate this clear to borrowers.

Mr. Sneider responds, yes, BCPL does make this clear to borrowers.

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

**MOTION** - The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$7,135,216.00** in State Trust Fund Loans to support **11** community projects in Wisconsin.

Town of Black Creek / Outagamie County / Finance purchase of ambulance / \$275,852.00  
Town of Bloomfield / Walworth County / Finance infrastructure improvements / \$1,500,000.00  
Town of Eaton / Manitowoc County / Finance purchase of plow truck / \$169,040.00  
Town of Ellington / Outagamie County / Finance purchase of fire truck / \$700,000.00  
Town of Emmet / Marathon County / Finance truck purchase / \$150,000.00  
Town of Lakeside / Douglas County / Finance purchase of tractor/brusher / \$90,000.00  
Town of Maple / Douglas County / Finance purchase of dump truck / \$200,000.00  
Town of Mercer / Iron County / Finance purchase of fire truck / \$308,824.00  
City of Mosinee / Marathon County / Finance water tower repainting / \$141,500.00  
Village of Plover / Portage County / Finance street and other projects / \$3,500,000.00  
Town of Winchester / Vilas County / Finance purchase of plow/patrol truck / \$100,000.00

#### **ITEM 4. LOAN RATE ADJUSTMENT**

**DISCUSSION:** Board Chair Godlewski presented the new loan rates. She explained that the market has been up and down over the last couple of weeks and with the onset of COVID there is a unique strain on the market and the new loan interest rates are a precautionary measure to protect the State Trust Fund Loan Program.

Mr. Sneider explained BCPL reduced interest rates to market rate about a month ago and there had been some liquidity issues in the market, one issue causing disruption in long term municipal loans. BCPL felt that the trust fund loan program could be at risk if large municipalities proposed large loans which could potentially use up BCPL's liquidity. BCPL wants to make sure that the loan program remains active for its customers. One way to do this is to raise interest rates for long term loans and to impose a soft cap of 5 million dollars per loan and requiring the investment committee to approve those larger loan applications before moving forward with the loan process.

Board Chair Godlewski stated that as the Trust Fund Loan Program continues it would be interesting to see if there will be more lending supporting communities regarding COVID. Board Chair Godlewski shared she has been having conversations with county and municipal treasurers and one of their issues is the extension for property tax payments. Some communities have taxes due in April and with the extension of that, their taxes are now due in July. Some communities are worried about making their school distribution in May. Many of these communities receive their tax money in April and make their school distribution payment in May. Some have discussed possible cash flow issues and would like to know if the Trust Fund Loan Program could be an option for a bridge loan situation. In addition, the State of Wisconsin over the weekend declared an emergency under the FEMA guidelines. Communities can now apply for community disaster loans, but the distribution can take a while to get to these communities. The State Trust Fund Loan Program may be a good option for these communities while they wait for their Federal funds to come in. The precautions we take here will help protect and sustain the program in a fiduciary manner.

Commissioner Kaul asked if the rates were changed by the investment committee March 27th.

Executive Secretary German explained that the changes were made in accordance with the current delegation from the Board, the Executive Secretary acting in concert with the Board Chairman based on the recommendation of the investment committee on that date.

Commissioner Kaul requested clarification about the loans approved. Were the rates changed after the loans were locked in?

Executive Secretary German replied, yes, that is correct.

Board Chair Godlewski shared that the investment committee meets every other week and talks about the rates because BCPL wants to make sure it is competitive with the market. The market is constantly changing and as a result BCPL must adapt its rates to stay competitive but also to make sure that it is upholding its fiduciary responsibility, so people do not take advantage of the program.

Commissioner Kaul asked if the adjusted rates have been efficient given the current market.

Mr. Sneider responded, yes, it is.

Board Chair Godlewski asked Executive Secretary German to clarify if the Board will need to ratify the new loan rates and approve the soft cap of the 5 million.

Executive Secretary German replied that that is correct.

Board Chair Godlewski read the proposed resolution.

**MOTION:** Commissioner Kaul moved to ratify the proposed resolution; Commissioner LaFollette seconded.

**VOTE:** The resolution is approved 3-0.

## **ITEM 5. CONSIDERATION AND POTENTIAL VOTE ON SPECIAL COMMON SCHOOL FUND EARNINGS DISTRIBUTION**

**DISCUSSION:** Board Chair Godlewski provided some background about the need for the special distribution. She explained that we are in unprecedented times as we navigate COVID-19 in Wisconsin, and this requires unprecedented action. The virus and the steps that have been taken to contain it have had an impact on our beneficiaries, public schools and the children. Board Chair Godlewski has been talking with teachers and with media specialists about how they have been doing everything they can with distance learning tools, but they do not have all the resources they need. Board Chair Godlewski shared that she spoke with an individual at WEMTA about how stressed media specialist and librarians are as they support students' eLearning needs. She explained that there is a digital divide and children do not have all the resources and technology they need. She shared that she had a discussion with Superintendent Taylor. The Superintendent said she is doing all she can but there is so much more that is needed. Board Chair Godlewski commented that in conversations with Executive Secretary German, Mr. Sneider and the investment committee it was agreed that BCPL has a responsibility to our beneficiaries and that it is prudent for BCPL to take action in a historical way because its beneficiaries need extraordinary help. The investment committee discussed what would be fiscally prudent if BCPL provided a special distribution for schools and how this distribution should not impact the fund for future distributions. During this discussion, the distribution of 5.25 million was agreed upon. BCPL is uniquely positioned to make a positive difference for its beneficiaries during this crisis. Media specialists, now more than ever, need these funds for hot spots, eBooks and distance learning tools. Board Chair Godlewski urges the Board to pass this distribution so BCPL can make a prudent difference to its beneficiaries.

Executive Secretary German commented he had been in contact with DPI and that communication is something that makes BCPL's relationship with its beneficiaries different. Once the money leaves the hands of the land commission and goes to the beneficiaries that conversation tends to stop but because BCPL has a close relationship with its beneficiaries it has a more acute understanding of what their needs are. That is why BCPL thinks it is important it consider what it could do in this situation. Taking a closer look, several factors had to come into play, first contact with the beneficiaries, secondly being prudent and cautious of the management of the fund. Even though there have been losses suffered from other endowments and funds, BCPL is only down less than 2% and having come this far BCPL is able to recommend the supplemental distribution. BCPL took a hard look at how the additional distribution would affect its funds and impact its plans for diversification while still providing the libraries and schools with additional funding. BCPL is constantly looking at how the fund is performing. Given all the chaos it is wonderful that BCPL is able to do this and Executive Secretary German would like to thank everyone personally for their work on this.

Mr. Sneider shared that as of the end of the last fiscal year, June 30, 2019, BCPL had approximately 3 million dollars in extra smoothing funds. The smoothing fund is calculated at 50% of the following years distribution. The smoothing fund's balance was projected to be 19.1 million dollars yet BCPL had about 20 million dollars in the smoothing fund at the end of the year. The supplemental distribution will be utilizing 3 million from this fund and will not put a real negative impact on any future distributions.

Board Chair Godlewski asked for clarification about the date the distribution is to be given to DPI. Is it April 15<sup>th</sup>?

Executive Secretary German replied, yes and Denise is planning on making the distribution before April 15<sup>th</sup>. He was not sure the exact date but explained that it will be there before the 15<sup>th</sup>.

Board Chair Godlewski added when DPI receives the money it will turn around and deploy it right away. She shared that media specialists across the state have said they have a lot of ways they can use these funds to help with their eLearning needs. They have assured her it is relief that when provided would be used quickly.

Commissioner LaFollette commented that he is surprised the schools need another distribution given that the distribution of 38 million was a record distribution. It is his understanding that the schools are not in session right now and thought expenses be lower than normal. Commissioner LaFollette shares that he is a little perplexed by the request.

Board Chair Godlewski commented that one of the things that librarians and media specialists need to purchase are eLearning or distant learning tools, hot spots for kids and eBooks. She explains that schools are still in session even though they are not meeting in classrooms.

Commissioner LaFollette commented that he understands that schools are still in session but was surprised by the need for additional funds because he thought schools were not utilizing the expenses they normally would in classroom teaching and thought those funds could be used for the additional tools. Commissioner LaFollette further commented that he agreed to pass the request but was surprised by the request.

Commissioner Kaul commented that he understands that schools are taking on additional costs because while they have fixed costs they are needing to incur new costs. Schools need to make sure students who do not have access to remote learning, are able to get the tools to access that technology. These are new fixed costs that were not anticipated in their budget. Commissioner Kaul believes this is a great idea. He would also like to continue the conversation with the schools. He understands the reasoning behind being careful about not allowing our smoothing fund balance to go too low but hearing from schools about the costs they have he understands their need for resources is greater now than it has been, and BCPL is here to help them. He adds that it is a very important use of these funds and BCPL needs to assess if additional funds are appropriate.

Board Chair Godlewski commented that BCPL has a very good relationship with DPI and should continue to strengthen that relationship and follow its asset allocation and appropriately plan for this distribution and continue to make sure BCPL is here to support its beneficiaries. Board Chair Godlewski shares that she is happy that the investment committee was able to meet and come up with the plan for the distribution of 5.25 million.

**MOTION:** Board Chair Godlewski moved to ratify the proposed resolution; Commissioner Kaul seconded.

Commissioner Kaul requested an edit to the proposed resolution. Specifically, after the paragraph that begins "Now be it resolved...", the following paragraph references a section in the BCPL's investment policy. He would like that section to be added to the proposed resolution.

Executive Secretary German commented that he agrees the paragraph reads as if it refers to a specific section. He explained that at the time he wrote the proposal he believed that the reference was to a specific section identified by a numbered or letter in the investment policy, however, it is not and recommends the word section be removed.

Commissioner Kaul changes his proposed amendment to the policy to simply strike the word 'section' from that paragraph.

Board Chair Godlewski agreed to the amendment and stated that it will be changed in the proposal.

**VOTE:** The resolution is approved 3-0.

## **ITEM 6. PRESENTATION OF PROPOSED CHANGES TO THE BCPL INVESTMENT POLICY**

Board Chair Godlewski commented that the BCPL has been working very hard on the new policy over the last few months and it is a very good policy and will guide BCPL's future investments. She highlighted specific portions. First she comments about governance. In the new policy, governance is further clarified as to the rules and responsibilities of how BCPL manages the 1.2 billion dollars and how BCPL coordinates the fiduciary responsibilities of the commissioners. Second, the new policy redefines BCPL's investment philosophy. It takes into consideration today's financial environment to keep up with the best practices and clarifies what its fiduciary duties are, especially these three parts: 1.) asset allocation and diversification; 2.) clarify the importance of transparency; and, 3.) reaffirm the history and commitment to Wisconsin. She also comments on the risk section of the policy and how specific factors such as environmental, social and government impacts play into the role of BCPL's fiduciary duties.

Mr. Sneider commented he believes BCPL's investment policy is improved because of these changes. He adds that it is BCPL's responsibility to improve its policy as it moves forward and as the market changes.

Secretary LaFollette commented the major change in the new policy is that more authority is given to the investment committee and less to the Board.

Executive Secretary German commented that in some areas he agrees but it is not the case in as many areas as it may seem. Executive Secretary German shared that he is cognizant of that and believes that BCPL is being careful to balance the authority in an appropriate way.

Secretary LaFollette commented about the end of the document. He said he sees that in almost all BCPL's funds the allocations are different than what the previous policy allows. He asks about the adjustments to those allocations.

Executive Secretary German explained that BCPL will be readjusting the allocations and BCPL is moving away from fixed income. The market has changed so the asset allocation changes reflect the changes in the market and smoothing funds have more money in them so BCPL can afford to diversify funds more.

Secretary LaFollette shared his concern about BCPL moving toward more investment in the normal market and taking more risk.

Board Chair Godlewski responded to Secretary LaFollette's comment about governance and the change in authority of the investment committee. She explained BCPL now has a representative on the investment committee, that is new. Currently, the commissioners do not have a representative or a commissioner serving on the investment committee, but the new policy includes that.

Secretary LaFollette confirmed that the representative from the commissioners on the investment committee is Board Chair Godlewski.

Board Chair Godlewski agreed that it is her.

Commissioner Kaul commented that he would like a redlined version of the policy.

Mr. Sneider commented that he will provide a redlined copy to the commissioners.

Board Chair Godlewski explained that at the next meeting the board will discuss approving the new investment policy. She asks that any questions about the new policy be presented to Mr. Sneider and Executive Secretary German so the new policy can be approved at the next meeting.

Secretary LaFollette comments about the new allocations.

Board Chair Godlewski responded that further clarification of the asset allocations proposed can be provided by Mr. Sneider and Executive Secretary German. The asset allocation set forth is about investing so we can increase our long-term capital gain and build the principal of the fund, not just distribution.

Secretary LaFollette responded he understands the reason for the changes and recalls past conversations about the changes but was surprised by the changes presented because he is more conservative and wants BCPL to be successful.

Board Chair Godlewski further commented that BCPL also has the smoothing fund to address any risks.

## **ITEM 7. CHIEF INVESTMENT OFFICER'S REPORT**

Mr. Sneider shared that BCPL is moving forward with acquiring ETFs and Mutual Funds in accordance with our policy and BCPL has been accelerating that now that prices are more reasonable. He further explained the overall yield for BCPL's ETFs and Mutual Funds portfolio is 4.6% compared to early March which was 4%. When prices go down, yields go up which is good for beneficiaries moving forward.

## **ITEM 8. EXECUTIVE SECRETARY'S REPORT**

- Executive Secretary German shared what is happening at BCPL during this time of 'safer at home'.
- Deployed desktops, monitors, laptops and iPads to allow all BCPL employees to work remotely.
- Processed over 50 State Trust Fund Loan applications
- Disbursed 13 Trust Fund Loans totaling \$5.7 Million
- Deployed \$40 million in investments in real estate.
- Deployed \$60 million in investments in Exchange Traded Funds (ETFs)
- Deployed \$600,000 in investments in previously committed venture capital (VI)
- Reconciled march financials
- Signed contracts for the sale of 133 acres of timber totaling \$134,000. (BCPL finished marking 80 of those acres for sale during this time as well).
- Conducted due diligence on 400 acres of school trust lands in Ashland and Iron Counties that may be sold or exchanged
- Conducted due diligence on thousands of acres of Forestland Group properties that BCPL staff is reviewing as proposed acquisitions for board consideration
- Transitioned to an updated automated continuous forest inventory system
- In addition to all the ongoing duties that shape our day to day work lives

He shared that BCPL was able to close the last phase of the Minocqua Timber land transaction. The exchange with the National Park Trust has been delayed on their end for a couple months but BCPL was able to close on four parcels that will ultimately go to the National Parks Service in return for 228 acres of timberland in Iron County. This transaction is a testament to Micah Zeitler's creativity and his perseverance. Thank you, Micah. The Oneida County part of the larger Minocqua Timber land transaction was the subject of an inquiry from State Senator Tiffany. The Senator He cited the fact that the Town of Little Rice adopted "Coordination" resolutions and ordinances in 2010 and asked why BCPL did not comply with such. Executive Secretary German explains that he was aware that "Coordination" resolutions were a subject of serious controversy back then. At the time these resolutions and ordinances were adopted by the Town, former AG JB Van Hollen issued a published AG's opinion that such resolutions and ordinances had no effect. In Executive Secretary German's response to Senator Tiffany, he reaffirmed BCPL's commitment to transparency, stated he was unfamiliar with the specific documents and resolutions the Senator cited but did notify him that he was aware of the previous AG opinion on the topic and let him know that BCPL sought current guidance from DOJ on the matter. Finally, the US Forest service appraiser kept her word and released the invitation to bid for the appraisals for the proposed land exchange. In the meantime, Micah has been working on the title issues surrounding the transaction. And while the transaction is still a long way from the finish line, this is a good indication that the transaction is progressing towards completion. Executive Secretary German thanked everyone for their hard work.

Board Chair Godlewski inquired about employees working remotely.

Executive Secretary German commented things are going well. BCPL is doing a staff meeting remotely every Tuesday morning at 10am to check in with everyone to see how people are doing personally and professionally. We are keeping the lines of communication open so that if one of us is working on something that touches somebody else that we are staying abreast of each other. Executive Secretary German adds that he believes things are working pretty well.

Board Chair Godlewski inquired about Senator Tiffany. She asks if there is there anything the Board can or should do to assist in the Senator's inquiry.

Executive Secretary German commented that he has forwarded it to DOJ, the matter was assigned to an Assistant Attorney General and he is awaiting their guidance on the matter. He has provided DOJ with the 2010 AG's opinion along with other materials as well.

Board Chair Godlewski asked that Executive Secretary German keep the Board posted as that situation progresses.

Executive Secretary German agreed that he will.

### **ITEM 9. BOARD CHAIR'S REPORT**

Board Chair Godlewski shared her appreciation by thanking the staff at BCPL, especially Rich, Tom and Denise, for everything they've done this last month. She acknowledges that the staff has been extremely busy and has really stepped up and delivered. She also thanks Doug and Josh for approving the special distribution. She shared that it is very eye opening from her communications with DPI and media specialists how these funds will make a difference across the state and she appreciates the support of the Board.

### **ITEM 10. FUTURE AGENDA ITEMS**

No new future agenda items.

### **ITEM 10. ADJOURN**

Commissioner Kaul moved to adjourn the meeting and added his appreciation of everyone for working on these issues; Commissioner LaFollette seconded Commissioner Kaul's sentiment and the motion. The motion passed 3-0; the meeting adjourned at 2:53 p.m.



Thomas P. German, Executive Secretary

Link to audio recording: <https://bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2020/2020-04-07-BoardMtgRecording.mp3>