

Board Meeting
Minutes
August 18th, 2020

Present were:

Sarah Godlewski, Board Chair	State Treasurer
Josh Kaul, Commissioner	Attorney General
Doug LaFollette, Commissioner	Secretary of State
Tom German, Executive Secretary	Board of Commissioners of Public Lands
Richard Sneider, Chief Investment Officer	Board of Commissioners of Public Lands
Mike Krueger, IT Manager	Board of Commissioners of Public Lands
Denise Nechvatal, Senior Accountant	Board of Commissioners of Public Lands
Thuy Nguyen, Office Manager	Board of Commissioners of Public Lands
Julie Benkoske, Chief of Staff	State Treasurer
Jim DiUlio	Guest

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:03 p.m.

ITEM 2. APPROVE MINUTES – August 4, 2020.

MOTION: Commissioner LaFollette moved to approve the minutes; Commissioner Kaul 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: Commissioner LaFollette commented that he observed that the most common loans this time are refinance loans.

Mr. Sneider commented that it is common to see these loans this time of year. At the end of August BCPL closes off the ability to make prepayments on loans, which includes refinances, until the end of the year. BCPL does this because at this time borrowing entities are going through their levy process and if BCPL allowed prepayments and refinances during this time it would confuse matters greatly. August is a natural time for borrowers to get their refinances in.

Board Chair Godlewski asked if these communities experience cost savings through refinancing.

Mr. Sneider replied, yes, that is correct. The rates available through the State Trust Fund Loan Program and throughout the marketplace are very competitive right now. It is a good opportunity for borrowers to lock in low long term rates and

reduce their finance costs moving forward.

Board Chair Godlewski commented that it would be interesting to know how many communities are refinancing because of COVID and what the cost savings would be for these communities.

Comments about the Rosendale loan were made by Board Chair Godlewski and Executive Secretary German.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$5,091,405.93** in State Trust Fund Loans to support **15** community projects in Wisconsin.

City of Chilton / Calumet County / Refinance BCPL loan #2019096 / \$733,983.00
Town of Unity / Trempealeau County / Finance purchase of fire truck / \$250,000.00
Town of Calamus / Dodge County / Finance roadwork / \$200,000.00
Town of Calamus / Dodge County / Refinance BCPL Loans 2018140.01 and 2018140.02 / \$72,359.50
Village of Bruce / Rusk County / Finance new village hall and shop facilities / \$212,000.00
Town of Dunkirk / Dane County / Finance roadwork and road equipment / \$350,000.00
Town of Dunkirk / Dane County / Refinance BCPL Loan #2020015 / \$229,467.78
City of Marshfield / Marathon and Wood Counties / Finance 2020 Capital Expenditures / \$736,000.00
Town of Lucas / Dunn County / Finance roadwork / \$700,000.00
Town of Neenah / Winnebago County / Finance new park shelter / \$208,000.00
Town of Neenah / Winnebago County / Refinance BCPL Loan #2018125 / \$82,359.94
Town of Neenah / Winnebago County / Refinance BCPL Loan #2012137 / \$57,870.63
De Pere School District / Brown County / Finance school remodeling / \$415,000.00
Village of Rosendale / Fond Du Lac County / Finance the purchase of police squad truck / \$56,000.00
Cambria-Friesland School District / Columbia and Green Lake County / Finance building projects / \$160,000.00
Cambria-Friesland School District / Columbia and Green Lake County / Refinance BCPL Loan #2019080 / \$268,021.82
Cambria-Friesland School District / Columbia and Green Lake County / Refinance BCPL Loan #2020004 / \$360,343.26

ITEM 4. OLD BUSINESS - Revisit and discuss goals and priorities of BCPL

DISCUSSION: Board Chair Godlewski commented about the cover letter that was included with the goals and priorities memorandum that talked about how BCPL is at a unique juncture. The Board has two new commissioners, a new structure, a new Executive Secretary, investment authority has been expanded and a new investment policy has been created. She added that she wanted to make sure the commissioners were all on the same page and far as what they are working toward. This also aligns with an updated description created for the Executive Secretary position. She then discussed the goals and priorities of the agency. She shared that input for this document was provided at a strategy planning session with Mr. Sneider, now Executive Secretary German and now retired Executive Secretary Barry to identify goals for three areas: Investments, Operations and Lands. Since it has been over 6 months and the agency will be meeting in the next month or so together to do some planning, she thought it would be good to revisit these goals.

Board Chair Godlewski asked Commissioners Kaul and LaFollette if they would like to go over these goals again.

Commissioner Kaul responded that he would like future updates from the staff and then the commissioners could follow up with questions.

Commissioner LaFollette felt the memorandum was very straightforward.

Board Chair Godlewski highlighted a few of the items. She talked about investments. It is good to know and

communicate how the investments are performing and provide that data in an annual report. BCPL has done that biennially. She added that she would like to make it about the Trust Fund as much as possible, e.g. the distribution, the number of loans that were provided, where the loans went, the impact the loans had, essentially communicating the good news of this agency. The investment committee has been working on this reporting along with asset allocation and how to work toward the best investments. She talked about the investment committee structure, the voting members and non-voting members. She shared that there is a non-voting member from the University and added that it is helpful to have outside opinions and outside diverse thought. Having different perspectives creates good dialogue which helps ensure the best selection and returns possible. She also discussed the Impact Advisory Group and making investments in Wisconsin whenever those investment make the most sense for the agency and provides the best returns.

Commissioner LaFollette asked if she would like to go over the list under operations quickly to talk about whether the agency has or has not completed those projects.

Board Chair Godlewski replied that some items are in progress and others have not yet been started.

Commissioner LaFollette commented that he understands that to be the case.

Board Chair Godlewski explained that her intention was to remind everyone about what was talked about. She spoke about providing quarterly updates on the progress of these items. She suggested that Executive Secretary German take the lead as to the updates. She asked the other commissioners if that seems worthwhile.

Commissioner LaFollette suggested that Executive Secretary German write one or two paragraph status updates for each of the 12 or so items on the list. The commissioners could then get a feeling for where the agency is at with each item.

Board Chair Godlewski agreed that that was a good suggestion.

Commissioner Kaul shared that he would like updates and that Executive Secretary German should handle the updates however he feels is best. He commented that he would like regular updates and status check-ins to assess how things are going to aid in deciding to add or change things.

Executive Secretary German expressed that he is more than happy to provide updates in any format that the board would like.

Commissioner LaFollette shared the reason he suggested writing the one to two paragraphs is that it would make it easier for the commissioners to look at the updates. He added that doing it verbally at the meetings can be hard to follow. He would prefer to look at and read the updates before the meeting.

Board Chair Godlewski proposed having Executive Secretary German provide quarterly written highlights. She commented that the Board can be provided updates after the off site agency session. She hopes that that session will provide additional insights into the document. She thanked the other commissioners for their input.

Commissioner LaFollette asked about the status of the new Deputy Secretary.

Board Chair Godlewski replied that Executive Secretary German will be commenting on that in his report.

ITEM 5. NEW BUSINESS – NONE

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider commented that BCPL's allocation to preferred stock has been fulfilled. BCPL is now at the 5% status that

was approved by the investment committee a few months ago. He explained that page 12 in the packet is not a complete table but rather a preview of what BCPL will be able to provide shortly. The table does not include all of BCPL's assets but in a month or two all assets will be entered into the performance software and included in a new table. The goal of this reporting is to see how BCPL measures up to the benchmarks of the Board approved investment policy.

Commissioner LaFollette asked about the \$45 million private real estate that BCPL owns.

Mr. Sneider replied that it is two separate funds, \$40 million invested in Blackstone Real Estate Investment Trust for the Common School Fund and \$5 million in the same fund for the Normal School Fund.

Commissioner LaFollette shared that he recalls those investments and commented that those were indirect real estate purchases, so to speak.

Mr. Sneider further clarified that those investments are not publicly traded but do offer some liquidity on a monthly basis, should BCPL ever decide to get out of that investment.

Commissioner LaFollette asked about the losses.

Mr. Sneider explained that a lot of it has to do with timing. BCPL entered into that investment in late March, at the time COVID hit. It was marked down quickly after it was purchased but he believes it is on its way back up. The investment from the Normal School Fund has increased since it was made because it was made in a later month. He also points out the importance of diversification. He shared that the remaining assets have increased by about \$33.5 million.

Commissioner LaFollette clarified that he was inquiring about why the real estate investments reached almost a 6% loss.

Mr. Sneider explained that the loss is due to COVID.

Commissioner LaFollette asked if the agency knows what type of real estate it invested in.

Mr. Sneider replied, yes, it is known down to the specific properties.

Commissioner LaFollette asked about other reasons those specific properties have lost so much value.

Mr. Sneider responded that the reason for the loss in value is because this fund can invest up to 20% of its assets in securities, meaning in debt that is secured by real estate and in actual properties. It may invest in securities to provide additional liquidity and cash flow for the fund. During March and April that type of security was hit hard but it has now come back up.

Executive Secretary German added that the bulk of that fund is invested in industrial properties, primarily distribution centers for companies like Amazon. The vast majority is in pretty good shape but as Mr. Sneider pointed out there are some areas that were pressured by COVID. Those areas are a smaller portion of the fund but were pressured a little bit more, whereas the industrial properties that are distribution centers are going up in value. Overall, the fund is doing okay but it did get pushed down a bit by COVID.

Mr. Sneider commented that 75% of that fund is invested in industrial properties in addition to apartments. Those are the two areas that he thinks are best positioned moving forward in this environment.

Commissioner LaFollette commented that it is much more complicated today than it was in the past. In the past it was easier to keep track of things because it was all school loans or municipal loans. Now there are more complicated investments. He thanks everyone for their explanations.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared that BCPL has selected a new Deputy Secretary, Jim DiUlio. Jim DiUlio is coming over from the Department of Financial Institutions where he has been one of the principal people managing the Edvest program which has over 5 billion in assets. Jim has had a good career in the investment world and BCPL is looking forward to him joining the agency at the end of the month.

Executive Secretary German commented that as part of the communication outreach for the proposed land exchange with the USFS, he made an informational presentation to the Voigt Intertribal Task Force of Great Lakes Fish and Wildlife Council. After passing along Commissioners' greetings to the tribal members and giving a short presentation, he answered questions. The agenda called for 20 minutes. The questions lasted an hour and a half. He thought it was the beginning of a good dialogue and a road to better relations with the tribes.

Commissioner LaFollette asked about the questions the tribe members asked.

Executive Secretary German replied that many of the members had not interacted much with BCPL in the past. In this exchange, land is going in two different directions, from the Forest Service to BCPL and from BCPL to the Forest Service. They had concerns about the land that was going from the Forest Service to BCPL because the Federal government has a memorandum of understanding with the tribe. They talked about how they can exercise their treaty rights. The State has no such agreement with the tribe. Those relations are governed by the Voigt decision. The tribe is trying to get a better sense of who we are and what we do, how we do it and why we do it. He reiterated that it was a good conversation.

Commissioner LaFollette asked if BCPL is authorized to loan money to the tribes.

Executive Secretary German responded that the loan program specifies certain entities that can borrow through loan program. Those entities include cities, villages, town, counties, lake protection districts and technical colleges. In Menominee the tribe is synonymous with some of those things. So, in Menominee County that is possible but in other counties BCPL cannot lend to tribes through the loan program.

Executive Secretary German shared, as noted previously, BCPL has more potential submerged land leases working their way through the process and expects there will be another one on the board agenda for the next board meeting.

Finally, Executive Secretary German is working with DOJ on defining a legal pathway for selling a conservation easement against our reserved mineral estate. Over the years, BCPL has reserved mineral rights on over 200,000 acres of land that it sold. He had previously reported to the Board about a situation where BCPL owned the mineral estate and the surface owner operated a cranberry bog on the property. BCPL received a request from that cranberry bog owner to join him in selling a conservation easement. Executive Secretary German believes this is not only legally permissible, but as fiduciaries, something BCPL should consider for its trust funds. By selling such a conservation easement on BCPL's mineral estate, it would not only be generating revenue for the trust fund, but also protecting the environment. In the words of the Board Chair, a win-win situation. This will be coming to the Board at the next meeting for consideration as well.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski commented that her report will be very brief. She welcomed Jim DiUlio to the agency. She shared that she formerly worked with Jim in a unique way. He was on the executive committee of the National Association of State Treasurers and was active in the 529 Plan nationally but participated in a lot of work with the financial officers for the State, so she is excited to see him in this role. She added that he was a great leader nationally and

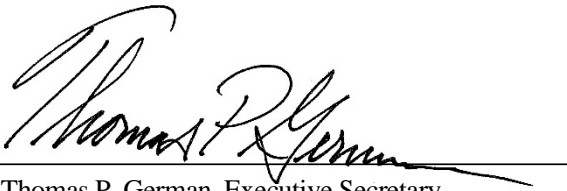
knows he will do a great job for the agency moving forward. She is excited for him to get to work at the end of the month and thanked him for attending the meeting.

ITEM 9. FUTURE AGENDA ITEMS

None

ITEM 10. ADJOURN

Commissioner LaFollette moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 2:31 p.m.

A handwritten signature in black ink, appearing to read "Thomas P. German", is written over a horizontal line.

Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2020/2020-08-18 BoardMtgRecording.mp3>