

Board Meeting  
Minutes  
September 15<sup>th</sup>, 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
Jim DiUlio, Deputy 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

**ITEM 1. CALL TO ORDER**

Board Chair Godlewski called the meeting to order at 2:04 p.m.

**ITEM 2. APPROVE MINUTES** – September 1, 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:** Mr. Sneider commented about loan #5, Village of Mishicot. This loan is a refinance of a BCPL loan and an extension. By statute, BCPL cannot accept loan prepayments from September 1 through December 31 which is when municipalities set their respective tax levies. This statutory restriction is in place because accepting prepayments could in turn change the next year's loan payments which would then impact the levy calculations for municipal borrowers. Village of Mishicot did not get its loan application in on time to refinance before September 1, so they will be closing on their loan January 4, 2021. The other loans are standard, and all loans have been approved by the Attorney General's office.

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

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$3,513,889.85** in State Trust Fund Loans to support **5** community projects in Wisconsin.

1. Town of Stockbridge / Calumet County / Finance roadwork / \$400,000.00
2. City of Superior / Douglas County / Finance 2011 Notes and Bonds / \$1,925,000.00
3. Town of Springvale / Columbia County / Finance roadwork / \$470,000.00
4. Town of Barnes / Bayfield County / Finance roadwork / \$100,000.00
5. Village of Mishicot / Manitowoc County / Refinance BCPL Loan #2019138.02 / \$618,889.85

**ITEM 4. OLD BUSINESS - NONE**

**ITEM 5. NEW BUSINESS – Submerged Land Lease for Dairyland Power**

Executive Secretary German shared that BCPL manages trust assets and is also the leasing agent for the State for submerged lands (lake beds and riverbeds). If a riparian (waterfront owner) decides to lease the bed of a navigable water from the State, BCPL serves as that leasing agent. This requires that the DNR make a regulatory finding that the proposed physical changes are consistent with the public interest in those navigable waters. In 1978, the DNR made such findings and the BCPL made a lease with Dairyland Power Cooperative (DPC). The lease was unusual in that it had some other components other than just the payment of rent. Dairyland Power Cooperative was also creating recreational fishing opportunities for fisherman by dredging the pond area that has become a fishery for various species important to local anglers. DCP is requesting a new lease and has approached the DNR. The DNR has made their findings. DCP is seeking a new lease for 50 years.

Executive Secretary German explained that BCPL can only lease for certain purposes: harbor or navigation improvements; the lease must be to the riparian owner; the lease can only be for a limited period of time, up to 50 years; and it can only be on certain waters, specifically waters where the Army Corp of Engineers maintained a navigational channel, the Great Lakes or the Wisconsin River. In this case the DNR wants that local fishery on that pond to stay in place. BCPL took the original lease with DCP and brought it into the present time. Instead of the rent being \$100 per year it is now \$1,675 per year with regular increases. BCPL is asking the board to approve it on those material terms and such other terms and conditions as determined to be reasonable and necessary.

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

**DISCUSSION:** Commissioner LaFollette asked how big the pond is.

Executive Secretary German replied that the pond is not that big. He added that he does not have the exact dimensions of the pond.

Commissioner LaFollette asked if the pond is as big as Lake Monona.

Executive Secretary German answered no, it is not that big.

Commissioner LaFollette commented that he assumed the pond was small and wondered why it is so interesting for fishermen.

Executive Secretary German responded that sometimes fishermen are interested more in the types of fish and the structures in those waters. DCP was putting fish sticks in the water, which is a structure in there that attracts fish for habitat.

Commissioner LaFollette asked if the pond is stocked with fish.

Executive Secretary German replied that the pond is not stocked.

Commissioner LaFollette asked if the pond relies on natural reproduction. Executive Secretary German agreed with. Commissioner LaFollette finds it interesting that there is such interest in a small pond.

Board Chair Godlewski asked for clarification of the lease and whether it is merely an extension of the previous lease for 50 more years. She commented about the increase in rent in the new lease and the funds from these leases helping the trust fund and then asked about what the future increases in rent look like.

Executive Secretary German clarified that these lease funds go into the general fund, and do not go to any of the trust funds. He further explained that the leases contain a structure where the lease goes up every 5 years by a certain percent. Generally, it is set to go up 10% every 5 years. Contained in the lease is a provision that after a certain amount of time, if inflation is significant, an appraisal can be done, and the lease amount can be adjusted.

Commissioner Kaul asked about what the fair market value is of the leasing rights, as rights in some areas may be valued differently than others and the inflation rate can affect the value.

Executive Secretary German replied that the value of the rights is what he thinks about first. However, after speaking with appraisers, he has discovered there are no comps. Part of the issue that impacts the value is that the leases are only for specific purposes. The highest and best use for waterfront property is not harbor and navigation improvements. A housing project, a restaurant, or some other type of high value improvement is more valuable, but these are not things that can be done under the statutory leasing restrictions. For a comparable valuation of this type of land a comp for some industrial type property is what would be appropriate. There were no comps that were applicable in this situation. That is why looking at the old lease is what was done. In the Superior area there are comps available for leases in that part of the State, in other parts of the State it is difficult to find comps.

Board Chair Godlewski asked Commissioners Kaul and LaFollette if they would like more information before voting on the lease.

Commissioner Kaul asked the BCPL if there is any other information it thinks the commissioners need.

Executive Secretary German replied that he has shared all the information he believes is necessary to make a decision but is happy to answer additional questions if there are any.

**VOTE:** The motion to approve the resolution passed 3-0.

## **ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT**

Mr. Sneider shared that the investment committee voted to move forward on commitments to two open-ended real estate funds including \$20 million to BlackRock Core Property Fund and \$40 million to the Investco U.S. Real Estate Income Fund. This is a \$10 million increase over our prior commitment.

The InvestCo Fund is a better mix of property types in the current environment, and higher level of diversification throughout the United States. BlackRock fund is a mature fund that has been the most stable fund available over the past years, it provides additional diversification and has the lowest fees available in its asset class.

The investment committee also approved moving forward with due diligence on Brookfield Infrastructure Debt Fund. Brookfield is one of the largest investors in the global infrastructure. This fund was chosen for income stability and diversification. As a debt fund, the projected income provided will be in the form of distributable income of approximately 7-8% annually. The security behind the debt generally consists of long-term stable contracts and assets

providing essential services such as electricity and communications. While this fund is not solely dedicated to renewable power, it is expected that renewable project financing will make up approximately 1/3 of the fund assets and growing portion of the fund. Also included in the packet is a summary and detail of the current portfolio.

Board Chair Godlewski thanked Mr. Sneider for his report. She commented that the one class that is not included when looking at the asset classification is the State Trust Fund loans. She asked Mr. Sneider about providing data on loans provided in the last year or some type of update on those funds in the portfolio.

Mr. Sneider replied that it would be good to provide reporting on that on at least an annual basis. He added that BCPL is trying to get the Trust Fund Loan Program included in the portfolio management software and has been working toward that so that it can be an all-inclusive report. Until that happens, he will provide information on the Trust Fund Loan Program over the past year.

Board Chair Godlewski added that since the Board approves these loans every two weeks or so, it would be good to see that information.

#### **ITEM 7. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary German shared that he and Mr. Sneider participated in the Wisconsin Towns Association Zoom conference presentation regarding the Trust Fund Loan Program. It was good to be in front of a BCPL stakeholder since this COVID absence. He appreciated the opportunity to do the presentation in the front of the Towns Association and with Mr. Sneider.

Executive Secretary German commented that it is September 15<sup>th</sup>, the date State agencies are supposed to submit their budget requests. BCPL has done so and has abided by the governor's admonition to restrain its spending. BCPL's budget request has a slight decrease in GPR funding. BCPL asked for a separate appropriation of program revenue to make its payments in lieu of taxes, which by statute it is required. BCPL did not have an appropriation for these payments when the State did its last minute changes to BCPL's budget two years ago. Program revenue together with the GPR results in a budget request that has a slight increase but less than 1%. BCPL also asked for a program revenue appropriation to accept and spend gifts and grants given to the agency. Through the Board Chair, BCPL reached out to the Governor's Office and to the DNR to request an earmark in the stewardship bonding authority to set aside \$1 million a year to dedicate to BCPL properties. When BCPL received its land banking authority in 2006, the earmark was \$2 million a year but that was abruptly cancelled in 2014 before the DNR was able to complete purchases of priority BCPL targets. BCPL is hoping that this will get that program jump started again.

BCPL has received another request for a conservation easement against mineral estate. It does not pertain to a large property, but the North Central Conservancy Trust reached out to BCPL. BCPL is in the initial stages of due diligence in providing a conservation easement to them.

Before the end of the year, the conference line that the Board uses for its meetings is going to go away. BCPL will be transitioning to a new phone number for conferencing by the end of the year.

Commissioner LaFollette shared that after 30 years he has finally memorized the number.

#### **ITEM 8. BOARD CHAIR'S REPORT**

None

**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 2:24 p.m.

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

Thomas P. German, Executive Secretary

Link to audio recording:

[https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2020/2020-09-15\\_BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2020/2020-09-15_BoardMtgRecording.mp3)