

Board Meeting
Minutes
June 15, 2021

Present were:

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

State Treasurer
Attorney General
Secretary of State
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
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Board of Commissioners of Public Lands
State Treasurer

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:01 p.m.

ITEM 2. APPROVE MINUTES – June 1, 2021

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 highlighted three loans. 1.) Town of Lawrence, near Green Bay in Brown County, is borrowing \$2.5 million for a road and utilities on their American Drive Phase I project; 2.) Village of Fredonia is borrowing a little less than \$1.6 million to add to their industrial park and begin infrastructure improvements; and 3.) City of Saint Francis is borrowing \$3.56 million to finance a property for future development in one of their tax incremental districts.

Board Chair Godlewski asked for more specifics on the City of Saint Francis loan. Mr. Sneider explained that the loan is for an underdeveloped property. Improvements were to be made by the owner on that property, but the owner has failed to do so. The city is purchasing the property to better control the situation.

Board Chair Godlewski inquired about the original terms of the refinance loan. Mr. Sneider stated he did not know off hand but would send that information to her via email.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$8,744,384.67** in State Trust Fund Loans to

support 9 community projects in Wisconsin.

1. Town of Lawrence / Brown County / Finance American Drive Phase 1 project / \$2,500,000.00
2. Village of Fredonia / Ozaukee County / Finance land purchase and public improvements / \$1,575,000.00
3. Village of Whiting / Portage County / Finance roadwork and equipment replacement / \$295,600.00
4. Town of Nekimi / Winnebago County / Finance purchase of fire truck / \$95,000.00
5. Village of Dousman / Waukesha County / Finance purchase of plow truck / \$93,300.00
6. Village of Dousman / Waukesha County / Refinance BCPL loan #2012067 / \$265,484.67
7. Town of Grant / Clark County / Finance purchase of dump/plow truck / \$160,000.00
8. Town of Ruby / Chippewa County / Finance roadwork / \$200,000.00
9. City of Saint Francis / Milwaukee County / Finance TID #5 property purchase / \$3,560,000.00

ITEM 4. OLD BUSINESS – update on co-op acquisition of idle paper mills in Wisconsin Rapids and Park Falls

Board Chair Godlewski spoke about the paper mills facing closure. She shared that she and Executive Secretary German attended a task force meeting. She has continued to be in touch with that task force and the Governor's office about the idled mills. New legislation has been proposed and she asked Executive Secretary German to share an update on the legislation and any other information he might have.

Executive Secretary German discussed the bill that was introduced. The focus of the bill is to provide a substantial loan of \$50 million from the Wisconsin Economic Development Corporation (WEDC) for acquisition of the two idled mills. The bill provides that the WEDC loan be contingent on the cooperative that is trying to acquire and operate these mills obtain other non-state revenue sources (e.g., investments from investors and a loan from BCPL to an entity eligible for the loan). Both the county and municipality for each of those mills are eligible borrowers under our State Trust Fund Loan Program. No decisions have been made yet at the local level, and BCPL has not received a request for an application for these purposes. Therefore, with respect to our role in the matter, we have nothing new to report since the last board meeting.

Executive Secretary German pointed out that over 10 years ago, a lawsuit was filed in Washington County questioning whether a county could borrow money from BCPL and then deliver the loan proceeds to a private business. The Circuit Court in that case issued a strong opinion based upon a prior State Supreme Court decision and confirmed that such a scenario was legally permissible. The stake holders have now formed separate cooperatives for each of the mills instead of having one cooperative acquiring and operating both. The original bill was amended to clearly provide that the loan proceeds could be used for acquisition and for improvements to infrastructure. The bill passed the Assembly State Affairs Committee and is now being considered by the Senate Committee on Economic and Workforce Development. That committee is meeting today. The money for the WEDC loan would come from the State Fiscal Recovery Fund, monies received by Wisconsin under the American Rescue Plan act in 2021. For the WEDC loan to be an eligible use of the State Recovery Fund Money, the designated use must be to address an economic harm resulting from or exacerbated by the public health emergency. The bill sponsors are currently working with the Fiscal Bureau and DOA to determine whether the use of the federal stimulus funds is appropriate in this situation. We are continuing our outreach to local officials, the cooperatives, and answering any questions that come to us from DOA or from the sponsors of the bill.

Board Chair Godlewski asked about the reason for BCPL being inserted in the bill. Executive Secretary German shared that he thinks it is because the bill sponsors wanted to make sure local governments were included in the acquisition of the mills and because the State Trust Fund Loan Program has more flexibility than most other sources of financing.

Board Chair Godlewski asked that this item be kept on the agenda for future meetings as the acquisition moves forward. Executive Secretary German agreed because it has the capacity to be front page news in certain parts of the state, and secondly because the size of the loans may be substantial. He commented that the total funding needs from the cooperatives for these mills will likely exceed \$10 million on top of the \$50 million that they're talking about in the bill.

Commissioner LaFollette excused himself from the rest of the meeting as he is traveling overseas.

ITEMS 5 NEW BUSINESS

None

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider shared that the investment committee approved the reallocation of equity ETF investments. This reallocation involves selling some ETF shares that had increased in price significantly over the past year. These recent transactions netted approximately \$11 million. This brings our total fiscal year realized gains to just under \$12 million. About \$775,000 of these gains were short term. Meaning that they will be added to our distributable income with \$11.2 million long term gains (assets held over one year) that will be added to the Common School Fund principle.

Total unrealized gains in the Common School Fund portfolio remains over \$103 million. The Investment Committee received and approved the third party due diligence report for Common School Fund investment in NVNG Fund No. One. NVNG stands for "nothing ventured, nothing gained." This venture capital fund is managed by Carrie Thome, the former chief investment officer at Wisconsin Alumni Research Foundation (WARF) who has 20 plus years of experience investing in venture capital. NVNG is a fund of funds, meaning that Carrie and her team will be directing the investment of NVNG monies into other venture capital funds. Fund of fund structure provides additional diversification for BCPL, because we will have ownership interests in 10 to 20 different funds through this one investment. Potentially, this will provide access to on-demand funds led by highly successful managers that we might not otherwise have access to. While providing excellent returns to the partners, the focus of NVNG will be to further development of the venture capital community in Wisconsin by facilitating the relationship between Wisconsin corporate investors and local entrepreneurs and innovators working in the same industry. The strategy follows the successful introduction of similar funds both in Michigan and in Cincinnati. It is expected that this \$10 million commitment will close in July with funding over the next five years through a series of capital calls.

The Investment Committee also approved a commitment of between \$30 and \$50 million to PGIM Senior Loan Opportunities Fund One. This is a fund that is managed by Prudential Investments. The Prudential team has an impressive track record over the past 20 years, lending directly to middle market companies with negligible losses and very high recovery rates. This fund is expected to generate distributable income in the 9 to 11% range with very low default and interest rate risks. This Common School Fund commitment is contingent upon satisfactory review of a third party due diligence report that is currently underway. Following receipt of that report, the Investment Committee will determine the final amount of the commitment and assuming all goes well, the closing will occur on September 30th. The commitment will be funded with a series of capital calls over the next three years.

Board Chair Godlewski asked Mr. Sneider to share again the short and long terms gains.

Mr. Sneider stated that so far in this fiscal year short terms gains are about \$775,000 and \$11.2 million in long term gains. The short term gains are considered distributable income to our beneficiaries. Long term gains are added to Common School Fund principle. Our unrealized gains remain at a significant level at over \$100 million.

Board Chair Godlewski commented that the work of the Investment Committee and returns have been very impressive. She pointed out that the NVNG investment, which is anticipated to close in July, is something that has been in works for a while and this investment is an example of keeping investments in Wisconsin and the Midwest. She thanked Mr. Sneider for the great work.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German reported that the Normal School Fund will be distributing \$1,025,000 to the UW next week. This is a new record eclipsing last year's record of \$900,000. This distribution will fund scholarships at UW Madison and

educational programs at UW Stevens Point. He shared that until 2009, this fund provided zero distributions to the UW. It took some time to get the fund fully invested and operating properly, but now the fund is doing well. He explained that the normal schools were the original state teachers' colleges and then the state teachers' colleges became the state college system which became the state university system. The UW is the successor in interest to those original state colleges and therefore the beneficiary of the Normal School Fund.

Board Chair Godlewski and Commissioner Kaul shared that they were not aware that no distributions were made until 2009 from the Normal School Fund.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski commented that the board wants to shine a light on this record breaking distribution for the Normal School Fund. She shared that last year students who were recipients of scholarships made possible by the Normal School Fund were highlighted and they shared the difference these funds made in their lives. Board Chair Godlewski's office is putting together a communication strategy on this and will continue to keep the board informed on its progress. She believes there may also be opportunities to share some of the loans that were approved today. She commented that the work of the BCPL holds not only value in dollar amount but also value in the community. She would like everyone to know about the great work the agency has done and will keep the board updated on the communication strategy.

ITEM 9. FUTURE AGENDA ITEMS

Update regarding the co-op acquisition of idled paper mills.

ITEM 10. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 2-0; the meeting adjourned at 2:23 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/2021/2021-06-15 BoardMtgRecording.mp3>