

Board Meeting
Minutes
April 19, 2022

Present were:

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

ITEM 1. CALL TO ORDER

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

ITEM 2. APPROVE MINUTES – April 5, 2022

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

DISCUSSION: None

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Mr. Sneider commented that the loan to the City of Burlington is for an unusual purpose. The city is using the funds to demolish a dilapidated building they acquired because of tax delinquency. The other loans are for vehicle acquisitions, road work and a dredging project for a lake district.

Commissioner LaFollette expressed his surprise at how much it costs to take down an old house.

Mr. Sneider explained that it may entail more work than just razing the house.

VOTE: The motion passed 3-0

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$517,900.00** in State Trust Fund Loans to support **5** community projects in Wisconsin.

1. City of Burlington / Racine County / Finance demolition of 617 Pine Street / \$96,000.00
2. Village of Redgranite / Waushara County / Finance purchase of truck / \$92,000.00
3. Village of Oliver / Douglas County / Finance purchase of dump truck with plow and sander / \$29,900.00
4. City of Brillion / Calumet County / Finance roadwork / \$150,000.00
5. Arkdale Lake District / Adams County / Finance dredging project / \$150,000.00

ITEM 4. OLD BUSINESS

None

ITEMS 5. NEW BUSINESS – Update on Goals and Priorities

Executive Secretary German noted that the board materials contained a written report and he also provided some oral comments in support of the report:

- We distributed over \$40 million to public school libraries and our CS smoothing fund is on track to be **more than fully funded** by the end of the fiscal year.
 - It would not have been possible to achieve this without developing the due diligence protocol for private fund investments and developing and implementing a plan for diversifying our portfolio into the different asset classes.
 - Developing a group of advisors that we can depend on to evaluate investment ideas has also been highly beneficial.
- We are on track to distribute \$1,070,000 from the Normal School Fund to the UW this year. Commencing from that dismal starting point when the NSF actually ran perennial deficits for a decade in the late 1990s to early 2000s, to now being an annual source for hundreds of UW scholarships and programs, this is a cause for celebration.
- Our timber revenue for this fiscal year is on track to exceed \$930,000 this year. That's not just an all-time record. That's a huge increase over the last ten years. This didn't happen by accident.
 - We put the time, effort, and resources into modernizing our processes for tracking and administering timber contracts.
 - We made a greater effort to publicize our timber sales through every conceivable communication channel and as a result we had a larger number of bidders than in past years and every single one of our timber sales actually sold this year.
 - We listened to our loggers and adjusted some of our procedures to make it easier to harvest during the summer on some of our sites that could accommodate summer logging,
 - All of these changes combined to produce the record \$900,000 in timber receipts this fiscal year.

We are celebrating Earth Day this week. And as public land managers, we have good reasons to celebrate.

- We own some of the best pristine native lands in Wisconsin. Many have never been privately titled and provide people with a unique place to recreate and enjoy nature in peace.
- While we do harvest trees, we do so in an ecologically responsible manner. We're permanent fund managers. Unlike private equity groups, we don't churn our portfolio every 7 to 10 years. As long as we have land holdings, it makes sense to manage those lands in a way that protects and preserves those lands for future generations of beneficiaries (and land stewards). During harvests, we intentionally leave some big trees in place to hopefully provide a good genetic source of seeds to replenish the surrounding area. We also plant some trees to replenish our stock.
- For those school trust lands that have special natural area qualities (or high conservation values), we have worked hard to sell or exchange those lands to the DNR, the US Forest Service, the US Fish and Wildlife Service, the National Parks Service, counties, and local land trusts that have a conservation mandate. We are proud that our efforts have resulted in more than 15,000 acres of land being conveyed to such groups. This provided us with the funds to purchase a commensurate amount of other timber lands to manage for our beneficiaries.

- We have not only jumped through the hoops of having our organization and processes certified by the Forest Stewardship Council, but we have also worked hard at being good neighbors and good partners to the other stakeholders in our land holding areas.
 - We have reached out to the tribes soliciting their input regarding upcoming timber sales
 - We have made a greater effort at communicating our upcoming timber sales to loggers through email, snail mail, ads in newspapers and trade magazines and improving the transparency of our website.
 - We have supervised our loggers to make sure that timber harvests are conducted in a responsible manner
 - We have welcomed people to enjoy outdoor recreation on our lands. Our lands are not open to the public by statutory edict, they are open because of board policy.

- We have worked hard to build larger blocks of productive timberland to make it easier to manage. Having 2000 scattered parcels across the Northern Part of Wisconsin had left our small staff with an almost impossible management mission. It was hard enough to visit all those parcels, much less manage them. We are not yet halfway done, but it is already evident that we have moved the needle on revenue production and cost containment.

- Finally, we are working on developing a RFP for selling carbon credits. In accordance with our goals and priorities, we have taken a good long honest look at our land portfolio and determined that the highest and best use for some of the lands is in fact as carbon offset revenue generation. Developing that plan with enough flexibility to still sell some land and still harvest timber requires a careful and thoughtful approach. We are convinced that there is a path to success which includes that flexibility, and we are looking forward to completing that plan and sharing it with the board.

Commissioner LaFollette asked how unproductive lands are transformed into revenue producing assets.

Executive Secretary German explained there are a couple different ways. If it is an area that has high conservation value, the way you convert that into a productive asset is you sell that to the DNR, to the Forest Service or to the National Park Service then take the money and invest it. There have been times that we have looked at a parcel and thought. “Well, I don't think that we can cut any timber there because it's maybe not big enough.” But after looking at it a little more carefully, we realize we could generate some timber revenue from that land. We are also looking at being able to sell carbon offset credits on land.

Commissioner LaFollette inquired about the maple syrup production on BCPL land.

Executive Secretary German explained that it's going to take a little bit longer than we had hoped. We are meeting with three different groups that were interested in maple syrup production. However, none of the three are in a position currently to move forward but possibly next year. The number of maple trees and the sizable blocks of maple trees on BCPL lands makes for a good revenue opportunity.

Commissioner Kaul asked if this maple syrup venture is new or something BCPL has previously been involved in.

Executive Secretary German replied that it is new.

Commissioner LaFollette commented that the idea would be to find someone who BCPL could contract with to make the syrup and then we could get half of the revenue and they would get the other half, or something like that.

Executive Secretary German replied yes.

Commissioner LaFollette commented that maple syrup production takes quite a bit of person power.

Executive Secretary German agreed and added it also takes a lot of financial power, e.g., the cost of taps, tubes, etc. and can become a fairly sizable investment. He added that there are more demands for Midwest maple syrup. Maple syrup was more of an eastern US and Canadian thing but as visibility and prices go up, people are looking at the Midwest more as a source.

Commissioner LaFollette brought up a past idea about growing wild rice.

Executive Secretary German commented that wild rice production is not a great business opportunity for BCPL.

Commissioner LaFollette recalled that the idea of planting wild rice was not for commercial purposes but rather restoration for the wildlife on BCPL lands.

Executive Secretary German added that there are some tribes that still harvest wild rice on BCPL lands but it is not something commonly done.

Board Chair Godlewski commented that BCPL continues to be a resilient, small but mighty organization that continues to make record breaking distributions under its investment goals. She sees BCPL as good stewards that provide noteworthy timber revenue and is creative in making unproductive land create revenue for its beneficiaries, (e.g., carbon credits, maple syrup). She shared her appreciation for the work the agency is doing every day.

ITEM 6. NEW BUSINESS – Proposed Land Bank Transactions

(a) Purchase of Tyler 40 – P2201

(b) Sale of Kitty Corner 40s – S2201

(c) Sale of Highway 13 80 – S2202

Executive Secretary German described the land bank transactions as a chance to acquire a productive inholding. We have a large block of land, and this particular purchase is an inholding within that block. Acquiring a piece of land inside of all your other land is always a good idea because it makes it easier to manage the other lands that you have. The sales can both be described as lands that are not central to our revenue generation plans for the future. Some nearby landowners have expressed some interest in them and so we felt it was worth it to get the lands appraised and offer them for sale. Proceeds from the sale would provide us revenue to be able to acquire other lands that would be more productive.

Commissioner LaFollette commented on the purchase of Tyler 40. \$2250 an acre seems very expensive. He asked if land prices have gone up that much.

Executive Secretary German explained that there are two reasons for the price. One is because the land has decent timber on it and land in the area of that 40 have gone up. He further explains that land prices have not gone up uniformly up north. Some areas have gone up more than others and it tends to be more of a feature of what's on that land - accessibility, houses on the land, opportunities for recreation on the land. If the land is too hard to get to the prices of those lands have not moved that much.

Commissioner LaFollette asked who owns the surrounding land. He asked if it is that National Forest.

Executive Secretary German replied yes, but that's mostly land that we are going to be acquiring.

Commissioner LaFollette commented that there are many 40s in the middle of BCPL property.

Executive Secretary German explained that the land referenced as E1502 USFS represents land to be exchanged with the Forest Service. The Forest Service is dragging their feet on approving the form of our land patents for the exchange. We're now down to the last piece of crossing T's and dotting I's.

Commissioner LaFollette asked if the two 40s south of the USFS land is privately owned.

Executive Secretary German replies yes, there are still a couple of private inholdings within that block. We were offered

an opportunity to buy one of those 40 but there was a really nice house on it so the cost to us would have been pretty significant. After evaluating the property and cost several times, we just couldn't justify it.

Commissioner LaFollette asked about the sale of the Kiddy Corner 40s and whether BCPL owns all the land around those and if not, who owns them.

Executive Secretary German replied that the surrounding land is all privately owned which is why BCPL is selling it.

Commissioner LaFollette asked if those lands are owned by a big timber company or something.

Executive Secretary German replied, no. He believes they are owned by revocable trusts, or privately owned by people but it was a limited number of owners and some families own 200 acres here or 300 acres there.

Commissioner LaFollette asked if the surrounding owners manage it for timber production.

Executive Secretary German shared that he believes the lands are managed more for recreation.

Board Chair Godlewski asked for clarification on Parliamentary procedure.

Executive Secretary German suggested that a motion to approve each of the resolutions as stated be made and if the motion is approved and seconded, one could call for unanimous consent.

MOTION: Commissioner Kaul moved to approve all three the land transaction resolutions; Commissioner LaFollette seconded the motion.

VOTE: The motion passed 3-0

ITEM 7. CHIEF INVESTMENT OFFICER'S REPORT

None

ITEM 8. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared that he had a chance to talk to the Wisconsin Lakes Group, specifically the district treasurers at the Wisconsin Lakes Group conference about using the State Trust Fund Loan Program to borrow for their lakes' projects. There is a lake district loan approved today by the board and BCPL has received a number of other calls. Those loans are a little bit different, so it is nice to be able to reach out to a different group in person as the pandemic wanes. He shared that he will be attending the Municipal Treasurers of Wisconsin conference in La Crosse next week and will hopefully reestablished connections with a group that we have not had a chance to talk to for a while.

ITEM 9. BOARD CHAIR'S REPORT

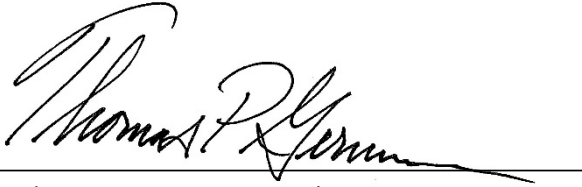
Board Chair Godlewski shared that she did another check presentation last week. She traveled to Whitewater in Walworth County and met with community leaders and talked about the impact that the \$80,000 was going to have on their school district. It was a great opportunity and educational moment. DPI in partnership with BCPL recently finished a video on what the Common School Fund is and how it supports public schools. The video is posted on the BCPL website as well as DPI's website. She thanked Executive Secretary German and Mike for their assistance in posting the video on the BCPL website.

ITEM 10. FUTURE AGENDA ITEMS

None

ITEM 11. ADJOURN

Commissioner LaFollette moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 2:30 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/2022/2022-04-19 BoardMtgRecording.mp3>