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Thomas P. German, *Executive Secretary*

AGENDA

January 6, 2023

2:00 P.M.

Board of Commissioners of Public Lands
101 E. Wilson Street, 2nd Floor
Madison, Wisconsin

Routine Business:

1. Call to Order
2. Election of Board Chair
3. Set board meeting schedule
4. Approve Minutes – December 20, 2022 (Attachment)
5. Approve Loans

Old Business:

6. None

New Business:

7. None

Routine Business:

8. Chief Investment Officer's Report
9. Executive Secretary's Report
10. Board Chair's Report
11. Future Agenda Items
12. Adjourn

AUDIO ACCESS INFORMATION

Conference Line Number: 608-571-2209
Conference ID Code: 386 436 692#

Board Meeting Minutes
December 20, 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 2:04 p.m.

ITEM 2. APPROVE MINUTES – December 9, 2022

MOTION: Board Chair Godlewski moved to approve the minutes; Commissioner LaFollette 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 pointed out Loan #5 to Barron County. This loan is for equipment for the county’s waste to energy facility. This equipment is designed to remove pollutants including acid gases, heavy metal gases and particulates from flue gas that results from the combustion process. This is replacement equipment which will allow the waste processing capacity to increase from 100 tons per day to 150 tons per day, all while reducing emissions by half of what they currently run.

Commissioner LaFollette noted that this equipment removes the acid, sulfur dioxide and nitrogen oxide, but the process still likely releases a lot of CO2 into the atmosphere. Many years ago, there was a disagreement with the power companies that were burning coal and it resulted in scrubbers being installed. These scrubbers took out sulfur and nitrogen oxides, which were creating acid rain. This equipment in Barron County may be similar to those scrubbers.

Commissioner LaFollette asked about Loan #1 for \$7.5 million.

Mr. Sneider explained that this loan is funding a number of different projects in the City of Glendale for their

capital improvement budget for the year.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$13,596,209.87** in State Trust Fund Loans to support **7** community projects in Wisconsin.

1. City of Glendale / Milwaukee County / Finance capital budget expenditures / \$7,518,880.00
2. Village of Lac La Belle / Waukesha County / Finance sewer maintenance and upgrades / \$60,000.00
3. Village of Lac La Belle / Waukesha County / Finance stream bank restoration / \$325,000.00
4. Palisades Pond Lake District / Calumet County / Refinance municipal advance for dam reconstruction / \$135,423.38
5. Barron County / Barron County / Finance Acid Gas Removal System / \$4,000,000.00
6. North Freedom / Sauk County / Finance construction of District EMS Building / \$56,906.49
7. Village of Greenville / Outagamie County / Finance roadwork and capital purchases / \$1,500,000.00

ITEM 4. OLD BUSINESS – Final Report on Land Exchange with US Forest Service (E1502)

Executive Secretary German explained that staff is reporting back to the board to ask for ratification of the steps that were taken that were in conformance with the original grant of authority given December of 2014. Initially the exchange consisted of about 3900 acres to the to the Forest Service for over 3400 acres of Forest Service land to BCPL. The reason for the difference in acreage exchanged was because we were going to give them more wetlands and they were going to be giving BCPL more upland forests that had a higher per acre value. The lands exchanged would be equal in value but not equal in acreage. Wetlands generally have a lower value per acre.

The resolution passed in 2014 gave the Executive Secretary the authority to substitute lands and to make adjustments. To stay in conformance with the statutes, the exchange has to be for substantially similar. At the beginning stages of the transaction, we used an educated guess as to what the values were. Years earlier, the Forest Service had actually expressed interest in buying specific BCPL lands. When such original sale did not happen, these lands were included in this proposed exchange. However, after we started the exchange process, the Forest Service went ahead and purchased those previously identified lands from BCPL, so we had to replace those lands in this transaction. To equalize the transaction, we added more school trust into it.

In the end, difference in acreage was roughly 1000 acres. The Forest Service wanted those lands because they were in-holdings within the Forest Service. They wanted to protect those lands and were willing to give us lands on the periphery of the National Forest that blocked well with our remaining lands and were good timber lands. All parties got what they were looking for with more consolidated blocks of land that would take less effort to manage because you would not have to deal with all those in-holdings and additional boundary line work. It was a great transaction, but it was slightly different from what we started. Therefore, we are asking the board to approve and ratify the actions that we took to close the transaction.

Commissioner LaFollette asked how much money BCPL received in the transaction.

Executive Secretary German explained that the final transaction resulted in BCPL receiving \$8000 as payment from the US Forest Service for the value difference between the two blocks of land.

MOTION: Commissioner LaFollette moved to ratify and approve the actions taken by agency management and staff in accordance with the original grant of authority from the Board; Board Chair Godlewski seconded the motion.

VOTE: The motion passed 3-0.

ITEM 5. NEW BUSINESS - Sale of parcels in Sawyer County to Lac Courte Oreilles Band of Lake Superior Chippewa Indians of Wisconsin (S2303)

Executive Secretary German shared that in the last couple years BCPL has reached out to tribes to ask if they were interested in acquiring BCPL school trust lands that lie within or adjacent to reservation boundaries. Lac du Flambeau Band of Lake Superior Chippewa Indians was interested in buying land and moved quickly to complete their transaction. La Courte Oreilles Band of Lake Superior Chippewa Indians has now reached out and would like to do the same thing.

The lands have been appraised, and Lac Courte Oreilles has agreed to purchase the land at the appraised value. We are seeking approval from the board to sell those lands to the Lac Courte Oreilles at the appraised value.

Commissioner LaFollette asked about the number acres being sold to the Lac Courte Oreilles.

Executive Secretary German responded that acreage is just shy of 400.

Appraised value is confirmed to be \$308,500.

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

VOTE: The motion passed 3-0.

ITEM 7. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider shared his appreciation and thanked Board Chair Godlewski for her valuable membership and time devoted to the Investment Committee for the past four years. The Investment Committee would not have been able to accomplish everything they did without the experience and thoughtful input provided by Board Chair Godlewski.

Commissioner LaFollette thanked Board Chair Godlewski and commented that it has been wonderful working with her. Board Chair Godlewski helped push BCPL into new territory and BCPL successfully got through that territory with her help.

Commissioner Kaul asked about the need for an interim Investment Committee member between now and inauguration of the State Treasurer elect.

Executive Secretary German replied that Board Chair Godlewski would serve as a member up until inauguration day.

Board Chair Godlewski confirmed what Executive Secretary German stated.

Commissioner LaFollette shared that he will likely request to be board chair unless Commissioner Kaul would like to be. If Commissioner LaFollette is board chair, he would then also be on the Investment Committee.

The board agrees that the issue of board chair will be on the agenda for the January 6th meeting.

ITEM 8. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German asked to make his report after Board Chair Godlewski's report.

ITEM 9. BOARD CHAIR'S REPORT

Board Chair Godlewski thanked the Commissioners for providing her the opportunity to serve on the board. She has enjoyed serving as board chair, which was a big part of her role as State Treasurer. It has been an honor. She is proud of the accomplishments of BCPL and thanked the BCPL staff for their work. It continues to become clear more and more every day how critical BCPL is and how the agency really is a gem for the State of Wisconsin. Board Chair Godlewski shared a few key achievements over the last four years.

In 2019, the board set forth a four-year strategy for the agency with a focus on three goal areas. One of those areas was investments. We wanted to continue to build an investment program that ensures strong returns for our public schools while also embracing the agency's history to Wisconsin. The second thing was developing and implementing a strategy that would reduce unproductive land while ensuring BCPL's commitment to sustainability. The third goal was supporting the evolving role of the agency as not only committed to lands, but also a significant investment organization that is responsible for managing over \$1.3 billion in School Trust assets.

When we first came together as a board, we had a different executive secretary, Jonathan Berry. Jonathan's retirement brought an opportunity to appoint somebody new. BCPL's Deputy Executive Secretary was appointed, Tom German. She shared that it has been a pleasure working with Executive Secretary German over the past few years and thanked him for his commitment and leadership. Part of this goal was also focusing on the evolving nature of BCPL's investments. A few key changes were made. Board Chair became a member of the Investment Committee. The Investment Committee also added two financial experts who have provided invaluable guidance and support. We also built out our legal and due diligence capabilities, which has been very important as investments have been made ranging from \$5 million to over \$20 million. We created a scorecard that has been used to communicate and build awareness on the value that BCPL brings to the people of Wisconsin, our schools, and our communities.

Next, she spoke about lands. She shared that she and Executive Secretary German traveled to Lake Tomahawk earlier this year and saw firsthand the sustainable forestry work and the commitment to strengthening our GIS capabilities. It is all very impressive. She shared her appreciation of the district office staff. Northern office staff has spent a lot of time figuring out how to turn unproductive lands into timber producing lands that will benefit primarily our Normal School Fund. BCPL completed the largest land transaction in the agency's history with the US Forest Service, which was a very complicated lands transaction. We have and will continue to build partnerships with the indigenous communities in Wisconsin. BCPL completed two important land agreements with the Lac du Flambeau and the Lac Courte Oreilles Bands of Lake Superior Chippewa Indians. In total BCPL has involved over 13,000 acres in land transactions that have led to more productive timberland trust assets. This past year BCPL brought in over \$1,000,000 in timber revenue. Those funds benefit the UW system in the form of scholarships, support for the Nelson Institute, funding for UW Stevens Point programs and UW extension. She shared that she has visited the UW-Stevens Point and saw their incredible transformative work around sustainability. She shared that recent work of the UW-Stevens Point Sustainability Program helped to secure a grant from the federal government for the Wisconsin paper industry. These timber revenues for the Normal School Fund produce higher earnings and distributions. Some of those distributions will need a place to go as the UW merit scholarship program funded by BCPL sunsets this spring. The board will have the opportunity to meet the mission of the Normal School Fund by addressing Wisconsin's teacher shortages, whether it is through teacher scholarships or a student loan forgiveness program, the agency has already done some work on potential programs and partnership opportunities. She highlighted this point as the board is going to have to address these issues in the next few months.

Finally, she spoke about BCPL's investments. She shared that the first year on the board we experienced an unimaginable pandemic that would lead to economic uncertainty and a difficult market. Despite these challenges over the past few years, we have distributed record-breaking returns to public schools every single year. Each year has outperformed the last. For the first time in the Common School Fund's history, we provided a special distribution during COVID to help address remote learning needs. In total over the past four years, the Common

School Fund grew by 19% and has distributed approximately \$159 million to public schools. The Normal School Fund has provided record-breaking distributions to support the UW system, and last year we provided over \$1,000,000. These are the results of the hard work of Mr. Sneider and the Investment Committee. BCPL's investment approach was updated and a lot of time was spent implementing this strategy. Since 2019, we have diversified approximately \$780 million to often higher performing assets and this includes tens of millions of dollars to Wisconsin based startup funds in areas ranging from La Crosse to Madison to Milwaukee and farther. The State Trust Fund Loan Program has financed over 600 projects across the state totaling \$300 million. Thank you to staff and the Investment Committee.

She shared that she is very proud of the work and the difference the agency has made for our schools, communities, and state. She looks forward to hearing about all the great work the BCPL will continue to do for Wisconsin in the future. She thanked everyone for providing her this point of privilege.

Commissioner Kaul thanked the BCPL staff for everything that they do, including their incredible track record. He thanked Board Chair Godlewski for all of her leadership as chair over the last four years on the numerous initiatives that she outlined as well as the incredibly successful record of BCPL with its investments and strategizing for the long term over the last several years. He thanked Board Chair Godlewski for everything she has done, not only for the BCPL, but for Wisconsinites and especially for schools and the programs that the Trust Funds serve.

ITEM 8. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared that BCPL accomplished all these things without additional positions and without additional funding from joint finance. Creating the investment policy was a huge accomplishment. He thanked Mr. Sneider for doing the lion's share of that. Our investment policy is different than most in that our charter documents are over 100 years old as opposed to most entities that are dealing with charter documents that were updated in the last 10 years. Implementing the investment policy was a much bigger mountain to climb. He thanked Board Chair Godlewski and the board for helping the agency climb that mountain. Accomplishments like establishing our due diligence protocols and selecting funds and obtaining outside counsel, working with Schwab on custody matters was almost unimaginable when he first started at BCPL years ago. We were able to get great people to join our Investment Committee as advisers which is remarkable. We really have embraced the mission of BCPL, of supporting public education in the state of Wisconsin.

Executive Secretary German spoke about the BCPL implementing creative approaches to reducing unproductive lands. BCPL staff took that directive to use creativity to heart. He was impressed with what Kevin and Micah and Joe have done in terms of looking at every parcel and saying, "What can we do with this, what's its highest and best use?" BCPL has been able to reduce our unproductive lands and increase the number of productive lands for timber. We are now on the cusp of selling carbon credits that could produce another \$1,000,000 a year in revenue for the Normal School Fund. Outreach during the pandemic was challenging. He shared that staff will be travelling more soon. The Wisconsin Towns Association has invited us to speak at their district meetings. We still have a way to go with more outreach and we have a way to go with our legislature to get the resources we need to keep on moving the marker every year for distributable earnings. Thank you for your leadership. Thank you for your guidance. Thank you for your help.

Board Godlewski thanked Executive Secretary German and shared that the BCPL has a lot to celebrate. Hats off to the team. Thanks to the Commissioners. It's been a very collaborative board and we worked well together.

ITEM 10. FUTURE AGENDA ITEMS

None

ITEM 11. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioners Kaul and LaFollette seconded the motion. The motion passed 3-0; the meeting adjourned at 2:41 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/2022/2022-12-20 BoardMtgRecording.mp3>

**BOARD MEETING
JANUARY 6, 2023**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Round Lake Sawyer County Application #: 02023054 Purpose: Finance boat landing repairs	Town Rate: 5.75% Term: 10 years	General Obligation	\$34,000.00
2. Round Lake Sawyer County Application #: 02023055 Purpose: Finance purchase of fire truck	Town Rate: 5.75% Term: 10 years	General Obligation	\$341,000.00
	TOTAL		<hr/> \$375,000.00