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Thomas P. German, *Executive Secretary*

AGENDA

February 18th, 2020
2:15 P.M.

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

Routine Business:

- 1) Call to Order
- 2) Approve Minutes – February 4th, 2020 (Attachment)
- 3) Approve Loans (Attachment)

Old Business:

- 4) None

New Business:

- 5) None

Routine Business:

- 6) Chief Investment Officer's Report
- 7) Executive Secretary's Report
- 8) Board Chair's Report
- 9) Future Agenda Items
- 10) Adjourn

AUDIO ACCESS INFORMATION

Toll Free Number: **(888) 291-0079**
Passcode: **6363690#**

Board Meeting Minutes
February 4th, 2020

Present in person were:

Julie Benkoske, Chief of Staff
Tom German, Executive Secretary
Mike Krueger, IT Manager
Denise Nechvatal, Accountant
Richard Sneider, Chief Investment Officer

State Treasurer
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
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Present via teleconference were:

Josh Kaul, Commissioner
Doug LaFollette, Commissioner
Sarah Godlewski, Board Chair

Attorney General
Secretary of State
State Treasurer

Absent Board members:

None

ITEM 1. CALL TO ORDER

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

ITEM 2. APPROVE MINUTES – JANUARY 21st, 2019.

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

DISCUSSION: No discussion.

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 discussed the loan to the Town of Eagle, which is being made to fund Town operations. This is an allowable but unusual loan purpose for the program. Staff has confirmed that the community retains significant unutilized debt capacity and recommends approval of the loan. Mr. Sneider also discussed the Port Washington loan, which is a continuation of a project where the City is funding environmental remediation on a parcel to be re-developed for multi-family housing.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$1,014,964.48** in State Trust Fund Loans to support **7** community projects in Wisconsin.

- > Town of Eagle / Waukesha County / Finance operations / \$150,000.00
- > Town of Freedom / Outagamie County / Finance purchase of truck and accessories / \$195,000.00
- > Town of Hartford / Washington County / Finance purchase of truck / \$184,457.87
- > City of Port Washington / Ozaukee County / Finance environmental remediation project / \$47,426.00
- > Village of Webster / Burnett County / Finance skid steer / \$15,000.00
- > Village of Woodville / St Croix County / Refinance BCPL Loan #2019055.01 / \$255,337.07
- > Village of Woodville / St Croix County / Refinance BCPL Loan #2018087.01 / \$167,743.54

ITEM 4. NO OLD BUSINESS

DISCUSSION: None

ITEM 5. NO NEW BUSINESS

DISCUSSION: None

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider reported that equity prices remain high, with the market anticipating continued economic growth. This elevates risk to the downside should growth fail to materialize. However, BCPL needs to remain committed to investing into this market. Mr. Sneider explained that stock prices more than doubled in the 3 years following Alan Greensman's famous "irrational exuberance" comments in 1996. Corporate bonds continue to offer an attractive place to invest excess cash reserves. Staff continues to purchase \$5 million per week in corporate bond ETFs and \$1 million per week in equity ETFs.

Mr. Sneider reported that the \$15 million in WARF bonds purchased in early December have performed well, and currently show a significant increase in value. BCPL may continue to hold the bonds and earn a good rate of interest for many years, or decide to sell some of the bonds for a capital gain.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Secretary German announced that the Common School Fund earnings distribution for 2019 would be a record \$38.2 million. Both WEMTA and DPI were very pleased with the record earnings distribution. Staff will be coordinating with Board Members and WEMTA for the upcoming WEMTA convention and check presentation on Tuesday, March 24th during the lunch time. Tom has spoken with Adam from DPM about getting started on the recruitment for the Deputy Secretary position.

BCPL has ~200,000 acres of severed mineral estate, to the best of his knowledge BCPL has never been paid for any of those mineral rights. A person in northern Wisconsin has a cranberry bog that they want to revert back to a natural wetland and receive wetland mitigations credits for the conversion. BCPL owns mineral rights on three of the parcels (~120 acres) that they want to revert. BCPL would have to agree to not use the mineral rights for them to qualify for mitigation credits. There are no statutory mechanisms to sell or convey mineral rights. Commissioner LaFollette asked if we can sell mineral rights – Secretary German said we cannot sell the mineral rights but we could lease or agree to a conservation easement. Staff is exploring the possibility of selling a conservation easement that restricts mineral extraction on the parcels. BCPL has over 30,000 acres of wetlands that could be used for wetland mitigation banking (both DOT and DNR supports programs that protect/preserve existing wetlands. Secretary German will be

attending the Wisconsin Wetlands Association meeting later this month to discuss possible wetland mitigation options.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski commented she is meeting weekly with Tom now. She was interested in looking into how the annual distribution is being used by in the various school districts. Looking for stories on how the money has made a difference.

ITEM 9. FUTURE AGENDA ITEMS

No new future agenda items.

ITEM 10. ADJOURN

Commissioner Lafollette moved to adjourn the meeting; Board Chair Godlewski seconded the motion. The motion passed 3-0; the meeting adjourned at 2:17 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/2020/2020-02-04_BoardMtgRecording.mp3

**BOARD MEETING
FEBRUARY 18, 2020**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Fredonia Ozaukee County Application #: 02020107 Purpose: Finance WWTP Projects	Village Rate: 3.75% Term: 20 years	General Obligation	\$1,700,000.00
2. Burlington Racine County Application #: 02020108 Purpose: Finance the purchase of fire truck	Town Rate: 3.25% Term: 10 years	General Obligation	\$700,000.00
3. Combined Locks Outagamie County Application #: 02020109 Purpose: Finance roadwork	Village Rate: 3.75% Term: 20 years	General Obligation	\$1,000,000.00
	TOTAL		<hr/> \$3,400,000.00

BOARD MEETING

February 14, 2020

AGENDA ITEM 6**Investment Transaction Report – January 2020**

Transactions during the months of January 2020 are as follows. Outstanding commitments are as of the end of the month:

Fixed Income

Bonds

Purchases	None
Sales	None
Redemptions	None

ETFs and Mutual Funds

Purchases	\$15.0 million
Sales	None

Trust Fund Loans

Monthly Board Approvals	\$4.5 million
Net Disbursements ¹	(\$24.3 million)
Outstanding Commitments	\$8.2 million

Equities and Alternatives

Public Equities

Purchases	\$5.0 million
Sales	None

Real Estate/Infrastructure²

Monthly Funding	None
Outstanding Commitments	\$120.0 million

Private Equity/Venture Capital³

Monthly Funding	\$ 1.6 million (12/27/19)
Outstanding Commitments	\$24.6 million

Cash Balance

\$336.6 million

¹ BCPL does not allow loan prepayments between 9/1 and 12/31 each year, and it is normal for prepayments to build up and be applied in January. Prepayments exceeded new disbursements for the month.

² All outstanding commitments have been approved by the Investment Committee and are awaiting document review and execution.

³ Outstanding PE/VC commitments include \$37.5 million in total commitments less amounts called to date. The first capital call of \$1.645 million for Baird Venture Partners V occurred on 12/27/19 and was inadvertently left off the December transaction report.



BCPL Public Bond Portfolio
As of 01/31/2020

<u>Description</u>	<u>Expected Yield</u>	<u>Yield to Maturity at Cost</u>	<u>Modified Duration (years)</u>	<u>Cost Basis</u>	<u>Estimated Current Value</u>	<u>Estimated Unrealized Gain (Loss)</u>	<u>Annual Income</u>
Publicly-Traded Fixed Income Securities							
Wisconsin and State Agency	4.17%	4.21%	9.82	106,430,434	111,998,601	5,568,168	4,623,536
Municipal/School District	4.05%	4.11%	9.01	92,191,871	97,699,957	5,508,086	3,866,511
Treasury and Agency Securities	3.65%	3.66%	12.12	14,972,500	15,124,830	152,330	546,500
Corporate Debt	3.56%	3.56%	18.92	15,000,000	16,095,180	1,095,180	534,600
	<u>4.05%</u>	<u>4.09%</u>	<u>10.24</u>	<u>228,594,805</u>	<u>240,918,569</u>	<u>12,323,764</u>	<u>9,571,147</u>



Common School Fund ETFs and Mutual Funds
As of 01/31/2020

<u>Symbol</u>	<u>Description</u>	<u>Quantity</u>	<u>Avg Cost</u>	<u>Cost Basis</u>	<u>Current Price</u>	<u>Current Value</u>	<u>Weight</u>	<u>Unrealized Gain (Loss)</u>	<u>Percent Gain (Loss)</u>	<u>Current Yield</u>	<u>Projected Annual Income</u>
Corporate Debt											
USHY	iShares Broad USD HY Corp Bond	510,921	41.08	20,990,738	41.04	20,968,198	15.7%	(22,541)	-0.1%	5.9%	1,241,538
BYLD	iShares Yield Optimized Bond ETF	271,834	25.77	7,005,990	26.02	7,073,121	5.3%	67,131	1.0%	3.6%	256,233
JMSIX	JPM Income Fund	726,141	9.64	7,000,000	9.67	7,021,786	5.3%	21,786	0.3%	5.1%	356,781
				<u>34,996,728</u>		<u>35,063,105</u>	<u>26.2%</u>	<u>66,377</u>	<u>0.2%</u>	<u>5.3%</u>	<u>1,854,552</u>
Domestic Equity											
VTI	Vanguard Total Stock Market ETF	120,258	140.66	16,915,079	163.52	19,664,588	14.7%	2,749,509	16.3%	1.8%	348,748
VYM	Vanguard High Dividend Yield ETF	161,353	84.97	13,710,071	91.36	14,741,210	11.0%	1,031,139	7.5%	3.1%	458,243
VNO	Vanguard REIT ETF	53,540	83.38	4,463,934	93.93	5,029,012	3.8%	565,078	12.7%	3.3%	168,116
VIG	Vanguard Dividend Appreciation E	39,460	109.03	4,302,398	125.37	4,947,100	3.7%	644,702	15.0%	1.7%	84,050
VXF	Vanguard Extended Market	39,205	116.31	4,559,972	125.32	4,913,171	3.7%	353,199	7.7%	1.3%	64,296
				<u>43,951,454</u>		<u>49,295,081</u>	<u>36.9%</u>	<u>5,343,627</u>	<u>12.2%</u>	<u>2.3%</u>	<u>1,123,452</u>
Global Equity											
VEU	Vanguard FTSE All World ex-US ET	379,553	50.35	19,111,811	51.92	19,706,392	14.8%	594,580	3.1%	3.2%	633,854
VYMI	Vanguard International High Divid	242,757	60.91	14,786,339	61.09	14,830,025	11.1%	43,687	0.3%	4.4%	650,589
VIGI	Vanguard International Div Appre	69,355	63.82	4,426,508	70.62	4,897,850	3.7%	471,342	10.6%	1.9%	91,549
VNQI	Vanguard Global ex-US Real Estat	85,023	57.62	4,899,162	57.51	4,889,673	3.7%	(9,489)	-0.2%	7.8%	380,903
EEMS	Ishares MSCI Emerging Mkt Small	57,048	43.15	2,461,853	43.04	2,455,346	1.8%	(6,507)	-0.3%	2.8%	68,247
SCZ	Ishares MSCI EAFE Small Cap	40,851	57.33	2,341,835	59.91	2,447,383	1.8%	105,548	4.5%	3.7%	89,464
				<u>48,027,508</u>		<u>49,226,669</u>	<u>36.9%</u>	<u>1,199,161</u>	<u>2.5%</u>	<u>3.9%</u>	<u>1,914,604</u>
				<u>126,975,690</u>		<u>133,584,855</u>	<u>100.0%</u>	<u>6,609,165</u>	<u>5.2%</u>	<u>3.7%</u>	<u>4,892,609</u>