



101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Thomas P. German, *Executive Secretary*

AGENDA

May 5th, 2020
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. Approve Minutes – April 21st, 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

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Board Meeting Minutes
April 21st, 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
Richard Sneider, Chief Investment Officer	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
Julie Benkoske	State Treasurer's Office

Absent Board members:

None

ITEM 1. CALL TO ORDER

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

ITEM 2. APPROVE MINUTES – April 7th, 2020.

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

DISCUSSION: None

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Mr. Sneider commented that the loans have been approved for public purpose by the Attorney General's office. There are three loans for wastewater treatment projects. BCPL has a joint program with the DNR where loans of less than \$2 million for wastewater treatment plants can receive a DNR subsidy on the interest rate. All three of these wastewater treatment loans qualify for this subsidy. These customers will be applying to the DNR for this subsidy. These loans will likely stay in the portfolio through maturity because these communities will be receiving a very low net interest rate and will likely not refinance. The other loans for consideration at this meeting are for trucks and other normal purchases.

Commissioner LaFollette asked for specification on which loans are the subsidized loans.

Me. Sneider replied, they are loans 5,6 and 7. Roxbury Sanitary District has two loans because each loan represents a separate phase of the project and wanted one of loans to have a shorter amortization period to pay it off a little quicker. Commissioner LaFollette confirmed that loan number 7 is also for a wastewater project, WWTP.

VOTE: The motion passed 3-0.

MOTION - The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$4,124,374.00** in State Trust Fund Loans to support **9** community projects in Wisconsin.

1. Village of Dresser / Polk County / Finance water tower project / \$650,000.00
2. Village of Fredonia / Ozaukee County / Finance WWTP project / \$1,549,064.00
3. Town of Gilman / Pierce County / Finance purchase of tractor / \$33,523.00
4. Town of Mercer / Iron County / Finance purchase of plow truck / \$161,787.00
5. City of Onalaska / La Crosse County / Finance capital budget expenditures / \$542,000.00
6. Sanitary District of Roxbury Sanitary District #1 / Dane County / Finance wastewater projects / \$700,000.00
7. Sanitary District of Roxbury Sanitary District #1 / Dane County / Finance wastewater lateral projects / \$300,000.00
8. Town of Summit / Douglas County / Finance purchase of dump truck / \$80,000.00
9. Town of Whitestown / Vernon County / Finance purchase of truck and equipment / \$108,000.00

ITEM 4. CONSIDERATION AND POTENTIAL VOTE ON CHANGES TO BCPL INVESTMENT POLICY

Board Chair Godlewski commented that the new investment policy was presented at the last board meeting and is hoping that commissioners have had time to review it and recommends that the investment policy is approved.

Commissioner Kaul commented that he has questions but can ask those questions during the discussion.

Board Chair Godlewski moved to approve the new investment policy.

Commissioner Kaul requested that discussion take place before the official motion in the event there are additional changes.

DISCUSSION: Commissioner Kaul thanked BCPL on the work that was done to write the new policy. He then asked about the ways in which the changes improve the investment plan and if there are trade-offs, for example what Commissioner LaFollette brought up last meeting.

Mr. Sneider commented that the major change is to modernize the policy from 2016. BCPL has filled the smoothing fund and a lot of the wording needed to be updated as well as other sections of the policy. BCPL is increasing the diversification of the assets to areas that will provide a higher risk adjusted rate of return for the long term while reducing the overall portfolio risk. It allows for further diversification of asset allocation due to the filling of our smoothing fund, and the smoothing fund should improve our distributions to our beneficiaries.

Executive Secretary German commented about the trade-off. The trade-off is changing the asset allocation does provide for the chance for more diversification and for better protection in the market. At the same time, the demand it puts on the staff is higher. This new policy requires BCPL to be more creative in asset allocation and can be more challenging and more expensive. Executive Secretary German sees this as the biggest trade-off.

Commissioner Kaul asked how this will change the work of the investment committee.

Executive Secretary German replied that the investment committee is already functioning along these lines and has been doing so informally. This new policy formalizes how the investment committee is to function. He added that since Board Chair Godlewski has joined BCPL she has been active in participating in discussions and strategy sessions. Executive Secretary German stated that this new policy formalizes the approach of the committee.

Board Chair Godlewski commented about the governance section of the new policy. She believes it is an advantage to the commissioners to have a commissioner sit on the investment committee, if the board so chooses, and now this is formally captured in the new policy. It is beneficial to have a commissioner serve in that role.

Commissioner Kaul asked about sentences in the revised document that address legal issues, for example trust laws

applying to BCPL. Are these statements typically part of investment policies? Any thoughts on the inclusion of this language in the revised investment policy?

Executive Secretary German comments that this language is not necessarily common. He explained that the reason why this language is not necessarily common is that in most other endowments you have much more robust language in the charter documents. In BCPL's current situation, the Constitution is brief on how things are structured, in fact, the Constitution does not use the word "trust" anywhere. More comprehensive language can be found in some of the policies of some Western states' land commissions because they rely on 100 year old constitutional language as well. Executive Secretary German believes it is a good idea to have this language because it gives everyone a much better grasp of the intention and role of BCPL. Executive Secretary German further explained that the legislative council study committee put together their own compilation of laws that applied. BCPL ended up tracking the legislative council's compilation.

MOTION: Commissioner Kaul moved to ratify the proposed resolution; Board Chair Godlewski seconded.

FORMAL DISCUSSION: None

VOTE: The resolution is approved 3-0.

ITEM 5. NEW BUSINESS - NONE

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider commented that BCPL is continuing to make prudent investments in the public sphere in both equities and bond ETFs. That strategy has proven effective for BCPL, while other endowments and other public funds have seen huge decreases over the past few months, the total net decline in BCPL managed funds is less than 1% which it is proud of.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared that Dan Wisniewski, former Executive Secretary from 1999-2004 passed away last week. BCPL put a condolence message on our homepage.

Executive Secretary German commented that the pandemic may create some different demand for the Trust Fund Loan Program. The financial market has become much more volatile, so the reliability of the Trust Fund Loan Program becomes much more important to borrowers during times like this. Some of the Governor's emergency declarations may also have some unexpected effects for BCPL. People can now delay payment of their last property tax installment that is normally due in July until September. BCPL has no idea how many people will take advantage of this extension and although there always are some uncollected property taxes in August, counties are required to pay the full amount of those uncollected property taxes to the other taxing entities, like school districts, cities, vocational and technical schools. After that payment from the counties is made, the counties attempt to collect the unpaid property taxes. However, because of the larger expected amounts of unpaid taxes this year, counties may need to borrow money in order to settle-up with the other taxing authorities at that time. The counties may look to the Trust Fund Loan Program or may consider issuing other public debt instruments. Because there may be an increased need for loans, the Board Chair Godlewski and Executive Secretary German took part in a WI Counties' Association discussion and the Counties' Association will be running a story on BCPL in their upcoming May newsletter.

Executive Secretary German commented next about Governor's declaration prohibiting cutting off utilities for people who have not paid their utility bills. In response to this, municipal utilities asked the legislature for emergency legislation allowing municipal utilities to borrow from BCPL. Unfortunately, these utilities did not speak with anyone at BCPL before they spoke with the legislature. In response, the emergency legislation contained a non-statutory clause that authorizes BCPL to lend to "municipal utilities" on conditions the parties agree on. On the face this sounds

innocuous, unfortunately, 'municipal utility' is not something that is defined in chapter 24, and so it creates some unusual tension. In situations where 'municipal utility' is merely a division of a municipality, it being one in the same entity and there is no legal distinction, there is no problem in lending under chapter 24. The non-statutory legislation gives BCPL the opportunity to vary the terms of what is contained in chapter 24. When a municipality owns or operates the 'municipal utility' as a separate legal entity, there may be some problems. These municipal utilities are looking at this legislation for specific reasons, first, the municipality is not interested in borrowing money on a general obligation basis. Second, the municipal utility may already have some significant debt on its books that is already secured. Third, its revenues are falling, otherwise it would not need this emergency funding. And, fourth, BCPL cannot guarantee with any certainty that the loan would fall under chapter 24 allowing BCPL to intercept shared revenue, which makes the loan a riskier loan. Given these circumstances BCPL may choose not to lend to municipal utilities unless BCPL finds some additional assurances.

Commissioner LaFollette repeated his suggestion from a previous conversation, asking that BCPL tell the utility to go to its municipality and work it out.

Executive Secretary German responded that he agrees with Commissioner LaFollette as long as the municipality borrows from BCPL, it may be worked out. But in a situation where the municipal utility is a separate entity and it is trying to vary the terms of the statute, things can become more precarious. BCPL will update the board as things develop.

Executive Secretary German closed sharing that the Forest Service has issued a contract with the appraiser to move forward on the land exchange contract.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski commented that the local government in Wisconsin has been put in a unique situation as it has seen a decrease and delay in revenue. How does the State finance its needs given that property taxes will be paid later and there are increases in expenditures to address COVID-19? Unfortunately, the State, in the legislation that was passed last week, did not include any relief for local government. The federal government that was working on the 3.25 CARES Act that just passed also did not include support for local government. Wisconsin is uniquely positioned with the State Trust Fund Loan Program to step in and help, both for the community and schools. BCPL will continue to keep you posted as it has conversations with both the state counties' association and the treasurers' association.

ITEM 9. FUTURE AGENDA ITEMS

No new future agenda items.

ITEM 10. ADJOURN

Commissioner LaFollette moved to adjourn; Commissioner Board Chair Godlewski the motion. The motion passed 3-0; the meeting adjourned at 2:26 p.m.



Thomas P. German, Executive Secretary

Link to audio recording: https://bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2020/2020-04-21_BoardMtgRecording.mp3

**BOARD MEETING
MAY 5, 2020**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Guenther Marathon County Application #: 02020143 Purpose: Finance new town garage	Town Rate: 2.75% Term: 10 years	General Obligation	\$300,000.00
2. Kendall Monroe County Application #: 02020144 Purpose: Refinance Bank Loans	Village Rate: 2.75% Term: 10 years	General Obligation	\$411,000.00
3. Delavan Walworth County Application #: 02020145 Purpose: Finance purchase of golf course equipment	City Rate: 2.50% Term: 5 years	General Obligation	\$306,300.00
4. Pelican Oneida County Application #: 02020146 Purpose: Finance purchase of plow truck	Town Rate: 2.50% Term: 3 years	General Obligation	\$150,000.00
5. Lowville Columbia County Application #: 02020147 Purpose: Finance purchase of ambulance	Town Rate: 2.75% Term: 8 years	General Obligation	\$150,000.00
6. Rutland Dane County Application #: 02020148 Purpose: Finance Roadwork	Town Rate: 2.75% Term: 10 years	General Obligation	\$340,000.00
7. Rutland Dane County Application #: 02020149 Purpose: Refinance BCPL Loan #2019005	Town Rate: 2.75% Term: 10 years	General Obligation	\$85,879.79
8. Lodi Columbia and Dane Counties Application #: 02020150 Purpose: Finance stadium project	School Rate: 2.75% Term: 10 years	General Obligation	\$500,000.00

Municipality	Municipal Type	Loan Type	Loan Amount
9. Lawrence Brown County Application #: 02020151 Purpose: Finance TID Project for Impact Sports Academy	Town Rate: 2.75% Term: 10 years	General Obligation	\$300,000.00
10. Fox Lake Dodge County Application #: 02020152 Purpose: Finance purchase of fire truck	Town Rate: 2.50% Term: 5 years	General Obligation	\$230,000.00
11. Wausau Marathon County Application #: 02020153 Purpose: Finance street and park improvements	City Rate: 2.50% Term: 5 years	General Obligation	\$2,986,000.00
12. Union Pierce County Application #: 02020154 Purpose: Refinance BCPL Loan #2017025	Town Rate: 2.50% Term: 5 years	General Obligation	\$24,778.91
13. Union Pierce County Application #: 02020155 Purpose: Finance roadwork	Town Rate: 2.50% Term: 5 years	General Obligation	\$100,000.00
14. Union Pierce County Application #: 02020156 Purpose: Refinance BCPL Loan #2017026	Town Rate: 2.50% Term: 5 years	General Obligation	\$50,838.14
15. Union Pierce County Application #: 02020157 Purpose: Refinance existing loan on JD Grader 772GP	Town Rate: 2.50% Term: 5 years	General Obligation	\$115,435.33
16. Two Rivers Manitowoc County Application #: 02020158 Purpose: Finance water and sewer laterals project	City Rate: 2.50% Term: 3 years	General Obligation	\$550,000.00
17. Two Rivers Manitowoc County Application #: 02020159 Purpose: Finance utility and shoreline projects	City Rate: 4.50% Term: 15 years	Utility Revenue	\$1,073,000.00

Municipality	Municipal Type	Loan Type	Loan Amount
18. Two Rivers Manitowoc County Application #: 02020160 Purpose: Finance property purchase for redevelopment	City Rate: 3.00% Term: 10 years	General Obligation	\$550,000.00
19. Two Rivers Manitowoc County Application #: 02020161 Purpose: Finance TID #13 developer grant	City Rate: 3.50% Term: 20 years	General Obligation	\$250,000.00
20. Navarino Shawano County Application #: 02020162 Purpose: Finance fire station and high capacity well	Town Rate: 3.50% Term: 15 years	General Obligation	\$220,000.00
21. Troy Walworth County Application #: 02020163 Purpose: Finance roadwork and refinance bank loans	Town Rate: 3.00% Term: 10 years	General Obligation	\$1,830,000.00
TOTAL			\$10,523,232.17

BOARD MEETING**May 5, 2020****AGENDA ITEM 6****Investment Transaction Report – April 2020****Fixed Income**

Bonds		
Purchases		None
Sales		None
Redemptions		None
ETFs and Mutual Funds		
Purchases		\$20.0 million
Sales		None
Private Debt		
Monthly Funding		None
Finalized Commitments		\$30.0 million
Net Trust Fund Loans		\$8.3 million

Equities and Alternatives

ETFs and Mutual Funds		
Purchases		\$25.6 million
Sales ¹		\$0.6 million
Real Estate/Infrastructure		
Monthly Funding		None
Finalized Commitments ²		\$30.0 million
In-Process Commitments		\$80.0 million
Private Equity/Venture Capital		
Monthly Funding		None
Finalized Commitments		\$23.9 million

¹ Public Equity ETF transactions included some small sales of ETFs that had outperformed during April. These sales were necessary to realign the portfolio to target allocations.

² Documentation has been executed for the \$30 million commitment to the Blackstone Strategic Partners Real Estate Fund VII, and those funds are now available to be called and invested by the fund manager.

The 3rd party due diligence report on Invesco U.S. Real Estate Income Fund has been received and is currently under review by the BCPL Investment Committee.

Due to an increase in risk regarding current valuations within the commercial real estate markets, the BCPL Investment Committee has suspended the completion of the commitment process for \$80 million In-Process Commitments to the Real Estate asset class until September 2020.



BCPL Public Bond Portfolio

As of 05/01/2020

04/30/2020 Prices

<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%	4.22%	9.31	106,430,434	110,940,286	4,509,852	4,623,536
Municipal/School District	4.05%	4.10%	9.09	90,950,631	95,922,245	4,971,614	3,803,698
Treasury and Agency Securities	3.65%	3.66%	12.30	14,972,500	15,100,355	127,855	546,500
Corporate Debt	3.56%	3.56%	18.77	15,000,000	16,248,660	1,248,660	534,600
	<u>4.05%</u>	<u>4.09%</u>	<u>10.06</u>	<u>227,353,565</u>	<u>238,211,546</u>	<u>10,857,981</u>	<u>9,508,335</u>



Common School Fund ETFs and Mutual Funds

As of 05/01/2020
04/30/2020 Prices

<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>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	1,509,856	38.79	58,573,950	37.03	55,909,968	(2,663,983)	-4.5%	6.3%	3,533,634
BYLD	iShares Yield Optimized Bond ETF	768,398	25.41	19,521,791	25.24	19,394,366	(127,425)	-0.7%	3.7%	709,353
JMSIX	JPM Income Fund	2,113,221	9.23	19,500,000	8.59	18,152,573	(1,347,427)	-6.9%	5.6%	1,019,161
				97,595,741		93,456,906	(4,138,836)	-4.2%	5.6%	5,262,148
Domestic Equity										
VTI	Vanguard Total Stock Market ETF	224,928	137.97	31,033,475	145.84	32,803,500	1,770,024	5.7%	1.9%	618,552
VYM	Vanguard High Dividend Yield ETF	304,257	80.02	24,348,138	78.01	23,735,089	(613,049)	-2.5%	3.5%	833,664
VNQ	Vanguard REIT ETF	108,746	79.24	8,617,110	76.11	8,276,658	(340,452)	-4.0%	4.2%	345,812
VIG	Vanguard Dividend Appreciation E	72,038	108.22	7,796,216	113.60	8,183,517	387,301	5.0%	1.8%	151,280
VXF	Vanguard Extended Market	77,610	105.61	8,196,293	104.79	8,132,752	(63,541)	-0.8%	1.4%	115,639
				79,991,232		81,131,515	1,140,283	1.4%	2.5%	2,064,947
Global Equity										
VEU	Vanguard FTSE All World ex-US ET	743,928	46.40	34,515,752	43.81	32,591,486	(1,924,267)	-5.6%	3.7%	1,197,724
VYMI	Vanguard International High Divid	525,283	53.81	28,267,700	48.05	25,239,848	(3,027,852)	-10.7%	5.2%	1,323,713
VIGI	Vanguard International Div Appre	130,396	61.95	8,078,553	62.27	8,119,472	40,919	0.5%	2.3%	183,858
VNQI	Vanguard Global ex-US Real Estat	181,645	51.15	9,291,557	44.65	8,110,449	(1,181,108)	-12.7%	10.0%	813,770
SCZ	Ishares MSCI EAFE Small Cap	83,379	51.74	4,314,324	49.12	4,095,576	(218,747)	-5.1%	4.5%	182,600
EEMS	Ishares MSCI Emerging Mkt Small	116,060	38.52	4,470,127	34.84	4,042,950	(427,177)	-9.6%	3.4%	138,843
				88,938,014		82,199,782	(6,738,232)	-7.6%	4.7%	3,840,508
				266,524,987		256,788,202	(9,736,785)	-3.7%	4.3%	11,167,603