

Board Meeting
Minutes
January 5th, 2020

Present were:

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| 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 |
| Jim DiUlio, Deputy 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 |
| Denise Nechvatal, Senior Accountant | Board of Commissioners of Public Lands |
| Thuy Nguyen, Office Manager | Board of Commissioners of Public Lands |
| Julie Benkoske, Chief of Staff | State Treasurer |

ITEM 1. CALL TO ORDER

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

ITEM 2. APPROVE MINUTES – December 15, 2020.

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; Commissioner Kaul seconded the motion.

DISCUSSION: Mr. Sneider commented on the loan #2 to Town of Wellington in Monroe County for flood repairs and road work. He shared that loan #3 for the Village of West Milwaukee is for refinancing their prior service pension liability. He pointed out that loans #5 and #7 are both for voting machines.

Executive Secretary German commented about loan #3 and how it is saving local taxpayers a significant amount of interest compared to their current obligation.

Mr. Sneider commented about the reluctance of some municipalities to take out loans like the Village of West Milwaukee’s.

Board Chair Godlewski asked how many loans like that have been done this past year.

Executive Secretary German explained that there were very few.

Board Chair Godlewski asked about loan #2 and the loan term of 10 years.

Mr. Sneider responded that he believes it is risk aversion just in case reimbursement funds do not come through in a timely manner.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$2,594,803.32** in State Trust Fund Loans to support **7** community projects in Wisconsin.

1. Town of Lafayette / Chippewa County / Finance vehicle purchases / \$320,000.00
2. Town of Wellington / Monroe County / Finance flood repairs and roadwork / \$150,000.00
3. Village of West Milwaukee / Milwaukee County / Finance WRS prior service pension liability / \$1,000,000.00
4. Village of Ontario / Vernon County / Finance purchase of plow/sander truck / \$81,303.32
5. Town of Willard / Rusk County / Finance purchase of voting machine / \$7,500.00
6. Village of Greendale / Milwaukee County / Finance purchase of capital equipment and roadwork / \$986,000.00
7. Town of Northfield / Jackson County / Finance roadwork and voting machine / \$50,000.00

ITEM 4. OLD BUSINESS - Status update on request for special counsel

Executive Secretary German shared that he and Thuy are working on a request for professional services, a/k/a Request for Purchasing Authority, and that Thuy's request for permission to apply for the purchasing authority through the RPA website was not granted. Instead, the agency is being guided by an individual in procurement with support from the Governor's counsel and DOA. He hopes to have the process completed by the end of January.

Board Chair Godlewski asked if Executive Secretary German could share in more detail the guidance he received from the Governor's Office.

Executive Secretary German shared that the Governor's Office explained that BCPL's situation did not meet the criteria for approval of special counsel under the statute but that there is a way to request specific acquisition authority for professional services outside the normal procurement channels. He commented on the challenges of applying for this authorization and shared that DOA is serving as a liaison with process.

Board Chair Godlewski commented on the progress made on the request.

Commissioner LaFollette asked about who it was that denied Thuy authority.

Executive Secretary German replied that it was someone at DOA. He also shared that Amber at DOA is the person BCPL is working with to facilitate this request.

Commissioner Kaul asked about the pros and cons of hiring outside counsel versus asking SWIB for assistance.

Executive Secretary German responded that SWIB would not act as trust fund managers, but they would instead hire outside fund managers and the cost for doing that is very high – roughly 50 basis points or more per year.

Commissioner Kaul asked about cost comparisons.

Executive Secretary German explained that the cost of hiring this 'special counsel' will be less than \$50,000. The 50 basis points annual cost for outside fund management of \$1.2 billion adds up to \$6+ million. Comparing annual outside

fund management costs of \$6+ million versus BCPL's current operating appropriation of \$1.7 million leaves a difference of \$4.3 million a year or more.

Commissioner Kaul replied that that is helpful.

Executive Secretary German commented that that was a good question.

Board Chair Godlewski commented on the special study session done the winter of 2018 and 2019. She shared that it is a helpful doc that addresses this issue.

Commissioner Kaul thanked Board Chair Godlewski for the information.

ITEM 5. NEW BUSINESS

Board Chair Godlewski commented that she is excited about sharing and discussing the accomplishments of the agency. She thanked Executive Secretary German and the staff for putting the document together.

Executive Secretary German commented that he would like to thank the staff at BCPL for their assistance on putting the report together. He shared aspects of the loans and some of the difficulties the staff and municipal officials encountered due to COVID. He commented about the agency's investments and changes in the timber market during this challenging time. He expressed his appreciation to the staff for their hard work and creativity.

Board Chair Godlewski reiterated her appreciation of the staff on behalf of the Board. She commented about the investment policy: 1) diversification of assets and focusing when possible on investments in the State; 2) consideration of ESG factors (environmental, social and governance factors); and 3) addition of a Commissioner on the investment committee.

Commissioner LaFollette asked about staff that spent 92 hours helping health services with GIS (geographic information systems).

Executive Secretary German explained that DHS and DOA requested that agencies provide some of their staff to help in different ways with the State's COVID response. Kevin Burns, BCPL's Senior Forester, is an expert in geographic information systems. He explained that GIS can be used for many things, such as tracking the movement of illnesses. Kevin provided some great services to DHS to keep an eye on where the virus was spreading to help with the State's response.

Commissioner LaFollette responded that that is very interesting and thanked Executive Secretary German for the explanation.

Commissioner Kaul commented that he would like to thank the BCPL team for their work this year. Thank you everybody for your work under unprecedented circumstances.

Board Chair Godlewski commented about the goals and priorities and asked if the Commissioners had any thoughts about things they would like to see in 2021 or questions for the staff.

Commissioner Kaul asked to include the BCPL staff about things that should be added or considered.

Board Chair Godlewski shared that she would like the Commissioners to get more information about the investments from the Investment Committee and Chief Investment Officer. She commented about Wisconsin investments, ESG factors and expanding the Investment Committee.

Commissioner LaFollette asked about the Federal flood money disbursement that was mentioned in the report.

Executive Secretary German explained that each year a check from the federal government arrives that represents flood control money for specific counties. He explained the origin of the flood monies and that generally disbursement of these funds does not take much time, but this year DOA asked BCPL staff a number of detailed questions. Secretary German explained that it was not easy to answer these questions as the federal government provided little documentation about these funds when they send it to BCPL, so BCPL staff had to spend a fair amount of extra time researching the relevant statutes and program in order to respond effectively to DOA's questions.

Commissioner LaFollette commented that he did not know about the flood money until now and thanked Executive Secretary German for the information.

Board Chair Godlewski asked for clarification that these funds come in annually.

Executive Secretary German replied, yes, and BCPL disburses it all in less than a week.

Commissioner LaFollette asked if the counties applied for the flood money.

Executive Secretary German explained that there were no applications. He further clarified how the amounts are calculated. The federal government leases out certain federal lands. Pursuant to the federal statutes, the federal government is required to provide 75% of the leasing revenue that the feds receive on such lands to the local county where the land was located.

Commissioner LaFollette asked about the leases.

Executive Secretary German responded that he did not have specific information about the land leases.

Commissioner LaFollette stated that the counties are just happy to get their funds.

Executive Secretary German replied yes, and some counties inquire as to when they will get their funds.

Commissioner LaFollette thanked Executive Secretary German for the information.

Board Chair Godlewski asked Executive Secretary German to talk about reporting on the agency's investment performance.

Executive Secretary German shared the challenge of creating comprehensive reports due to the diversification of the portfolio, the limitations of Schwab's Portfolio Center and the amount of staff time it requires to put together the data for these reports. He commented that BCPL has been looking at ways to automate some of the reports. There are some options, but the costs are very high and some of these companies do not provide exactly what we need. He commented on what a reasonable reporting schedule would be. He shared that the soonest the Board could expect a report would be the first meeting of the second month following the end of a quarter. These reports would be tentative because some private funds do not provide performance information for a full 60 to 90 days after the quarter. He added that the BCPL continues to work toward automating more of the reporting process.

Mr. Sneider shared that he is looking forward to the automation of the process.

Board Chair Godlewski agreed. She commented that she is looking forward to the end of the quarter reports and progress on the goals and priorities. She understands the difficulties of the reporting process and thanks everybody for their work.

Commissioner Kaul thanked everyone for their work.

Board Chair Godlewski commented that schools, students and teachers continue to struggle with COVID. She asked how we can be supportive and wishes to engage in conversations about that moving forward.

Board Chair Godlewski stated that the goals and priorities document should be updated so it better reflects where we are moving into 2021 and 2022. She commented about the role of Executive Secretary in the agency and the position description. She asked Executive Secretary German to provide feedback about his experience over the past year.

Executive Secretary German shared that the job description that was drafted sums up the position well. He spoke about the goals and priorities and the challenges of making progress on some of them during this time. He commented that the agency had contracted with a consultant to develop the School Trust Fund Investment Performance Scorecard. He commented on establishing the due diligence protocol, his struggles with the Wisconsin Impact Advisor group, expanding the Investment Committee, the challenges of improving agency outreach during a pandemic, creating demand for BCPL's unproductive lands and taking a more targeted approach to creating a financial analysis on BCPL landholding.

Commissioner LaFollette commented about the unproductive lands going to the DNR.

Executive Secretary German agreed with Commissioner LaFollette statement.

Board Chair Godlewski commented that there will be some updates made to the document as it is a 'living' document.

Commissioner LaFollette shared that things have become more complex than they were many years ago, but it is probably a good thing. He thanked Executive Secretary German, Board Chair Godlewski and Mr. Sneider.

Board Chair Godlewski commented that things also get much more complicated with COVID. She shared that today's meeting is good as she recognizes all that goes on behind the scenes. That completes discussion of the 2020 review. She thanked everyone for putting the report of 2020 together.

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider commented that he will provide a review of where the portfolio is today versus where it was a year ago at the next meeting in February.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German again thanked the BCPL staff for their help in putting together the year-end report. Their assistance was invaluable.

Executive Secretary German commented about the bill that was passed last summer that would allow BCPL to lend money to municipal utilities, on terms and conditions agreeable to both parties. As there was a moratorium on cutting off ratepayers who fell behind on their payments, municipal utilities were worried about obtaining loans to keep operating while waiting for those user fees to be paid. But BCPL raised concerns that that bill would not necessarily allow BCPL to intercept shared revenue if the municipal utility borrower defaulted on the loan. It is his understanding that a new bill addressing COVID-19 issues is being introduced. But it is also his understanding that this bill will contain a provision allowing BCPL to make revenue loans to municipalities for the purpose of providing funding for municipal utilities. The loans would be made directly to the municipality. If the language is structured this way, then this direct relationship between BCPL and municipal borrowers described in Chapter 24 remains intact. BCPL would then be able to intercept state shared revenue in the event of a default by the municipality, which hopefully will never happen and will keep you

apprised about this development as we get more information.

Executive Secretary German shared that BCPL is anticipating the first request from a drainage district for a trust fund loan. The law was changed a decade ago to allow drainage districts to access the State Trust Fund Loan Program, but we had not received a serious request for an application until recently. The borrowing authority for a drainage district is different, and it's generally governed by Chapter 88 of the statutes and it requires an opinion from the Attorney General of the evidence of indebtedness before they can proceed. As a result, Commissioner Kaul may anticipate hearing from the Dane County Drainage Board with respect to a future loan application.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski commented that all things considered, 2020 was a success. She thanked BCPL and the Commissioners for their work. Despite these unprecedented times a lot of good things and bright spots were achieved throughout this year. Great job everybody, thanks for taking the time. It was a good meeting, and she looks forward to 2021.

ITEM 9. FUTURE AGENDA ITEMS

NONE

ITEM 10. ADJOURN

Commissioner LaFollette moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 3:07 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2021/2021-01-05-BoardMtgRecording.mp3>