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Thomas P. German, *Executive Secretary*

AGENDA

January 5th, 2021
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 – December 15, 2020 (Attachment)
3. Approve Loans (Attachment)

Old Business:

4. Status update on request for special counsel

New Business:

5. 2020 Year in review

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

Conference Line Number: **(608) 571-2209**
Conference ID Code: **790 694 843#**

Board Meeting
Minutes
December 15th, 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 |
| 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 2:03 p.m.

ITEM 2. APPROVE MINUTES – December 1, 2020.

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

DISCUSSION: Commissioner Kaul requested a correction to clarify that he recalled that staff in his office had touched base with Ryan Nilsestuen almost a year ago.

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 to the City of Middleton for \$300,000. Middleton intends to use the funds for a loan program to help local businesses affected by the pandemic. This is a creative and excellent use of the loan program.

Commissioner LaFollette asked for clarification about the Middleton loan.

Mr. Sneider responded that they are funding a loan program for local businesses.

Commissioner LaFollette commented that it was interesting that Middleton is using BCPL funds to lend to other businesses. Are they going to charge more than 2.5% and make money on it?

Mr. Sneider replied that it is possible. This is a common practice when BCPL does a pass through loan like this.

Commissioner LaFollette thanked Mr. Sneider for the information.

Commissioner Kaul asked if this is something other municipalities would be interested in. Does BCPL want to promote this type of loan?

Executive Secretary German commented he was planning on reaching out to Gail Sumi and Jerry Deschane at the League of Wisconsin Municipalities because they put out newsletters or news updates in between their bigger publications. BCPL has done loans like this in the past but this is the first one in the era of COVID targeted to help businesses during the pandemic.

Board Chair Godlewski shared that the County Treasurers continue to share how this program can be used. She looks forward to the January 5th year-end review meeting to see how the State Trust Fund Loan Program has helped communities during COVID.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$460,225.00** in State Trust Fund Loans to support **3** community projects in Wisconsin.

1. Town of Lake / Marinette County / Finance purchase of tanker truck / \$72,500.00
2. City of Middleton / Dane County / Finance Middleton Economic Relief Loan Program / \$300,000.00
3. Village of Clayton / Polk County / Finance various public works projects / \$87,725.00

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

Executive Secretary German commented that there have been no changes since he drafted the short update.

Executive Secretary German commented on his recent conversations with DOA's general counsel, Charlotte Gibson, and Corey Finkelmeyer. They will get back to us when they can.

Commissioner LaFollette commented about the urgency of the request because of the discount if the investment is made within a certain time frame.

Commissioner LaFollette suggested that because of the time sensitivity, could Executive Secretary German go ahead and deal with that one himself.

Executive Secretary German explained that it takes a lot time to work on these subscription agreements.

Commissioner LaFollette stated that he understands but is asking whether in this one case, if the discount is substantial and help is not available elsewhere, perhaps Executive Secretary German could do it.

Executive Secretary German replied that he cannot work on the subscription agreements without leaving too many other BCPL duties behind at the present time.

Commissioner LaFollette asked how much the discount is worth?

Executive Secretary German responded it is 0.15%. On a \$20 million investment, it's \$30,000 a year.

Commissioner LaFollette expressed that that is a lot of money.

Board Chair Godlewski asked about the extension Mr. Sneider mentioned at the last meeting.

Mr. Sneider shared that no action was taken at the most recent meeting of the index fund, which was the impetus for the change in the discount policy. There is no end of the year deadline any longer. The deadline is going to be extended at least until the first quarter, maybe longer but that is all he knows at this time.

Board Chair Godlewski commented that BCPL can buy into it by the first quarter of 2021, so there is some additional time.

Mr. Sneider replied that he can't guarantee that, but it is a fair statement. However, they can institute a new policy at any time.

Board Chair Godlewski commented that at the last Board Meeting there was discussion about three courses of action. Commissioner Kaul working with the Department of Justice and deciding whether to resubmit a request for special counsel to the Governor's Office. Another option was to potentially seek legislative action through the budget. The third course of action was seeing if DOA might be able to do this on their own. Where are we?

Executive Secretary German commented that in terms of option number one, obtaining special counsel, there is nothing more he can do other than submit a request for special counsel. As of now, no feedback has been given from the Governor's Office so it would be too early to do that. Since it is not known why the last request was definitively turned down, he does not know what else he could provide that would result in a different determination. In terms of option number two, having DOA provide those services, DOA acknowledged that they did not have the staff to provide that assistance. The question is whether their relationship with their special counsel could be modified to include this and the answer is uncertain.

Executive Secretary German discussed an alternative option of BCPL modifying its contract with Portside to potentially indirectly obtain some assistance with subscription agreements. But Secretary German cautioned that this option has not yet been vetted.

Commissioner LaFollette asked Commissioner Kaul if there was something he could do to find out the answer expeditiously.

Commissioner Kaul replied that he believes there is no reason this can't be resolved in the next few weeks so next steps can be decided.

Commissioner LaFollette asked Executive Secretary German why this is an issue now when he hasn't heard anything about it in 40 years?

Executive Secretary German explained that for 35 of those years BCPL had no authority to invest in limited partnerships and the like until expanded authority came its way at the end of 2015. The end of 2016 is when BCPL did its first investment policy.

Executive Secretary German commented about the possibility of a legislative solution.

Board Chair Godlewski asked knowing there is a potential for legislative action, is Commissioner Kaul able to get some feedback.

Commissioner Kaul explained that it largely depends on the Governor's Office. It's easy to ask the question, but they will have to review it and figure out what their position is on it.

Board Chair Godlewski asked about the formality of the process of Commissioner Kaul inquiring with the Governor's Office.

Commissioner Kaul explained that there is not a formal process

Board Chair Godlewski commented about working in the next three weeks before the next Board meeting in January through the legislative process, if needed.

Commissioner LaFollette asked if requesting the legislative change should be done now.

Executive Secretary German replied that he could reach out to Mike Gallagher at the Legislative Reference Bureau (LRB) and ask him to draft the change. It would stay in draft format only until something should be done with it.

Commissioner Kaul shared that he believed the main issue is persuading the Governor's Office to include it and suggested Executive Secretary German contact Corey or Charlie in his office and mention that alternative option.

Executive Secretary German shared that they are already aware of this option. He shared the different ways to go about the legislation.

Board Chair Godlewski recapped the next actions Executive Secretary German is to take.

Executive Secretary German shared that he would give Mike Gallagher at LRB a heads up about drafting the legislative change language.

Commissioner LaFollette commented on the difficulty of getting an answer from the Governor's Office.

Executive Secretary German responded that there are many factors, the pandemic, lawsuits etc.

Commissioner LaFollette expressed that it might be time for the Commissioners together to contact to the Governor directly.

Board Chair Godlewski shared her appreciation of Commissioner LaFollette's suggestion and shared an alternative strategy of the Commissioners each reaching out more informally.

Commissioner Kaul agreed with Board Chair Godlewski but added that there is no urgency as far as a year-end deadline.

Board Chair Godlewski reiterated the strategy of each Commissioner reaching out to the Governor's Office more informally to get an answer before sending a formal letter from all three Commissioners.

Commissioner LaFollette suggested that Board Chair Godlewski make a call to the Governor's Chief of Staff.

Board Chair Godlewski agreed she will make contact and provide an update.

Executive Secretary German expressed the importance of knowing why the answer is 'no', if that is the result with this second request. That explanation would provide guidance for the next step.

Commissioner LaFollette shared his frustration about the speed at which the Governor's Office is replying. He stressed the importance of Board Chair Godlewski discussing this matter with the Governor's Office at her next meeting with them.

Board Chair Godlewski agreed.

ITEM 5. NEW BUSINESS – Resolution Commending John Schwarzmann

Executive Secretary German shared that John Schwarzmann has been valued member of the BCPL team for decades. He commented on John's great service with the agency and shared that he has drafted a proposed resolution honoring John.

Commissioner LaFollette shared that he is a long serving Board member who has worked with John over many, many years. Because of this he would like to adopt the resolution.

MOTION: Commissioner LaFollette moved to adopt the resolution. Commissioner Kaul seconded the motion.

WHEREAS, JOHN SCHWARZMANN has been a public servant for the Board of Commissioners of Public Lands and the State of Wisconsin for over 30 years, and

WHEREAS, throughout his career, JOHN has managed BCPL's School Trust Lands in a sustainable manner to produce timber revenue for the School Trust Funds which benefit public education, and

WHEREAS, JOHN has been a strong proponent for best silviculture practices, and

WHEREAS, JOHN's contributions over the years have benefitted the Board of Commissioners of Public Lands, the State of Wisconsin and its citizens;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of Public Lands recognizes JOHN SCHWARZMANN'S career of public service, his contributions to BCPL, the State of Wisconsin and to the forestry profession, and

BE IT FURTHER RESOLVED that the Board of Commissioners of Public Lands expresses its appreciation and commends John for his accomplishments.

VOTE: The motion passed 3-0.

Board Chair Godlewski shared her appreciation of Executive Secretary German for drafting the resolution and expressed her appreciation to John for everything he's done.

John Schwarzman shared his appreciation to the Board and commented on what a pleasure it has been to work with BCPL.

Board Chair Godlewski thanked John for sharing his knowledge and leadership.

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider shared that the Investment Committee approved investing an additional \$100 million of Common School Fund assets into public equity ETF's with a focus on high dividend index funds and value index bonds that feature very low management fees. This investment will increase the total commitment to domestic and global public equities above the individual targets included in the investment policy, but the amount will remain well within a target range as approved by the Board.

Public equities including preferred shares now comprise about 22% of the Common School Fund assets and that number includes \$41,000,000 in unrealized gains. This new investment will increase that level to about 30%, while the target

ranges provide for maximum investment of 40% of Common School Fund assets. BCPL intends to make this investment methodically over the next few months, with staff looking for attractive entry points in a volatile market.

The choice of funds was developed by the Investment Committee based on four factors. 1) Recent studies have shown the divergences between growth and value stocks is at record levels; 2) Investment strategies tend to revert to the mean. Meaning that the relationship between growth stocks and value stocks will return to normal overtime. Value stocks are currently priced at a discount. 3) The mandate of the BCPL is to produce distributable income for its beneficiaries and value in high dividend stocks better meet that criteria than other sectors within the market; and 4) Its cash is producing near 0 record rates near 0 rates of return and moving cash into these specific value sectors of the public equity market will help increase the annual Common School Fund distribution to beneficiaries.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German reported this past week that one of our municipal borrowers was hit with a spear-phishing attack. One of those Internet attacks that you sometimes hear about. Someone had hacked into emails, read them, and then tried to masquerade as BCPL people by sending an email asking that community to make their trust fund loan payment to a fraudulent ACH account. Luckily, the Clerk of that community called Denise. Denise realized the problem, notified the community that the emailer was a fraud, and assured them that BCPL had not changed its payment procedures. Denise then reached out to Mike Kruger, who then pressed DOA Division of Enterprise Technology for assistance. Mike was persistent on that. Ultimately, the issue got relayed to DOJ, who was able to shut down the email domain of the fraudsters to stop the attack on the community. We then sent short emails to our borrowers notifying them of the issue and providing them with the best practice advice from the Government Financial Officers Association. We got thank yous from a number of them. We also kept DOA abreast of the issue and our agency's response. Hats off to Denise, Mike, and DOJ on this one. At the end of the day, it turned out well for everyone.

Executive Secretary German commented about the contract to work with Stephanie Marquis on the Wisconsin Impact report that the Board requested. Stephanie's father passed away recently, and she may be delayed a bit on the project. He expressed condolences to her on behalf of BCPL. He is looking forward to working with her on the completion of the project after she attends to the needs of her family during this trying time.

This month BCPL offered six timber sales to the highest bidder. All six of them sold. The aggregate amount of the bids was just under \$450,000. Congrats to the Lake Tomahawk staff for conducting successful sales. This has been a challenging time for timberland owners considering the closure of the Verso Mill and the lingering effects from the 2019 summer blow down. That storm knocked down almost two-year's worth of timber harvests in one day. BCPL staff has been very strategic in choosing sales that contain timber that is less affected by those issues.

BCPL is in the final stage of testing the DNR's WISFIRS Timber Sale Management software. At this point, things look good. The WISFIRS system is more automated than BCPL's current software, and it looks like WISFIRS could bring more efficiency to the management of our timber sales.

The BCPL's Madison office is concluding 2020 on a good note. We had 100% participation in the Partners in Giving campaign. In a year when many people are suffering, congratulations to the staff on their great response and giving back to the community during a very challenging time. And finally, a reminder to everyone that we are looking to start the new year off at the January Board meeting with a recap of calendar year 2020. As a result, we expect the first board meeting in January to run a little bit longer than usual. And he respectfully requests that you reserve enough time in your respective schedules to accommodate that.

Board Chair Godlewski shared how impressed she was with how the spear-fishing-cyber-security attack was handled. She commented that she and her staff of one also participated 100% in the Partners in Giving campaign.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski reported that despite 2020 being a challenging year, she is looking forward to the January 5th meeting to review the goals and priorities of the Board, the performance and work of the investments, the State Trust Fund Loan Program and to an update from Executive Secretary German now that he has been in his role for a year and discussing that role and comparing it with the position description that was put together. She suggests that the meeting time be reserved for a longer period than 30 minutes and that the agenda be sent out prior to the meeting.

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 2:52 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/2020/2020-12-15-BoardMtgRecording.mp3>

**BOARD MEETING
JANUARY 5, 2021**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Lafayette Chippewa County Application #: 02021083 Purpose: Finance vehicle purchases	Town Rate: 2.50% Term: 5 years	General Obligation	\$320,000.00
2. Wellington Monroe County Application #: 02021084 Purpose: Finance flood repairs and roadwork	Town Rate: 3.00% Term: 10 years	General Obligation	\$150,000.00
3. West Milwaukee Milwaukee County Application #: 02021085 Purpose: Refinance WRS prior service pension liability	Village Rate: 2.50% Term: 2 years	General Obligation	\$1,000,000.00
4. Ontario Vernon County Application #: 02021086 Purpose: Finance purchase of plow/sander truck	Village Rate: 3.00% Term: 10 years	General Obligation	\$81,303.32
5. Willard Rusk County Application #: 02021087 Purpose: Finance purchase of voting machine	Town Rate: 2.50% Term: 3 years	General Obligation	\$7,500.00
6. Greendale Milwaukee County Application #: 02021088 Purpose: Finance purchase of capital equipment and roadwork	Village Rate: 3.00% Term: 10 years	General Obligation	\$986,000.00
7. Northfield Jackson County Application #: 02021089 Purpose: Finance roadwork and voting machine	Town Rate: 2.50% Term: 2 years	General Obligation	\$50,000.00
TOTAL			\$2,594,803.32



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Thomas P. German, *Executive Secretary*

MEMORANDUM

TO: BOARD OF COMMISSIONERS OF PUBLIC LANDS
FROM: TOM GERMAN, EXECUTIVE SECRETARY
RE: CALENDAR YEAR 2020 REPORT TO THE BOARD
DATE: DECEMBER 29, 2020

This has not been an average year. Rather it has been an extraordinary year both in terms of challenges and accomplishments.

The year 2020 brought not only a COVID-19 pandemic and a request from the Governor to reduce expenses and donate staff members to the pandemic effort, but also brought a sharp reduction in market interest rates which in turn drove a spike in Trust Fund Loan prepayments and a rush of bond calls. The market conditions also had a hand in the closing of the Verso mill which negatively impacted timber sales in Northern Wisconsin. In this challenging time, BCPL along with other agencies and organizations struggled with the pandemic and their communication with external audiences. BCPL staff members rose to the occasion in the face of these challenges and delivered a performance that in my estimation was extraordinary.

In an “average” calendar year, the staff at BCPL would:

- Staff our offices appropriately in the ordinary course of business without heightened concern for a pandemic and encounter zero staff turnover.
 - This year we:
 - Took extra precautions to keep our staff safe;
 - Adopted limited office schedules and travel protocols and deployed air purifiers that reduced chances for virus transmission and infection and implemented video technology in both offices to allow better (virtual) face to face discussions on agency issues;
 - Provided 92 hours of staff time to the Department of Health Services GIS Department to help support the State’s COVID-19 geographic information management response efforts;
 - Completed the recruitment and onboarding of two crucial staff members;

- Spent several days developing and implementing additional cost savings plans for two separate fiscal years as requested by the Governor and DOA; and
 - Still provided sufficient staff coverage to process loans, disbursements, check receipts, and other everyday matters. We processed and paid all accounts payable in a timely manner so that no late fees or interest were charged. (To our external customers, business partners and the public we were able to maintain business as usual).
- Originate approximately 185 loans totaling approximately \$125 million. In an average year we would process prepayments of Trust Fund Loans totaling \$72 million in the ordinary course of business. We would also participate in some municipal conferences to spread the word about the Loan Program.
 - This year we:
 - Originated and processed an above average amount of State Trust Fund Loans despite having to spend much more time with our borrowers on each loan due to municipalities' COVID-19 limitations. A number of loan documents this year had to be executed by secondary municipal officials (due to the unavailability of primary officials) with additional support and guidance from BCPL. During 2020, we originated 194 loans and completed over 200 loan disbursements, which total slightly less than \$100 million;
 - Processed **226** prepayments of trust fund loans totaling \$125 million. a 52% increase;
 - Successfully managed a spear phishing email attack on one of our loan customers (BCPL's state firewall was not compromised by the attacker). We took a **proactive approach** and communicated effectively with other state officials and provided our other existing loan customers with pertinent information and best practice advice on preventing such attacks in the future; and
 - Made presentations at several Wisconsin Towns Association (WTA) online conferences and wrote a lengthy article about BCPL for the Wisconsin Counties Magazine (May 2020).
- Review our Investment Policy Statement (IPS) and recommend minor adjustments, if any, in accordance with market conditions. As in recent years, we also made methodical progress on diversifying our investment portfolio into publicly traded investments in accordance with the IPS.
 - This year we:
 - Guided the Board through some material changes to the IPS, including changes to the asset allocation model that were adopted at the April 21, 2020, Board Meeting;

- Developed a due diligence protocol for private investment funds and procured reports from a financial advisor that included a legal review of the private investment documents;
 - Committed significant internal resources to the review and approval of investments into private investment funds in accordance with the IPS, including financial analysis and review by the Investment Committee, necessary completion and execution of partnership agreements and subscription agreements, and the funding of capital calls. During 2020, we completed an additional three subscription agreements for private investments and deployed a total of \$90 million into six separate funds including venture capital, private debt, and real estate. The 19 capital calls we processed required additional scrutiny as some of the calls contained instructions seven pages long; and
 - Adjusted our asset allocation levels within the ranges authorized by the IPS in order to take advantage of opportunities while the move into more alternative investments was delayed.
- Conduct scaling, administration, and other necessary operations on all active timber sales; Mark the timber, then offer and sell on average 10 tracts of timber which total slightly less than 1,000 acres, which represent an average of \$625,000 in estimated timber revenue. We would also work on updating and improving our Geographic Information Systems (GIS) and other information databases with respect to School Trust Lands. We would also spend approximately 120 hours of staff time working on an annual Forest Stewardship Council (FSC) sustainable timber management audit and a few hours researching new timber sale management software
 - This year we:
 - Still conducted scaling, administration and other necessary operation on all active timber sales;
 - Offered and sold 9 tracts of timber for sale on three separate dates which totaled 1,069 acres. These sales represent an estimated timber revenue of \$649,950;
 - Created a GIS Data Library, updated the ownership boundary layer, completed the easement, severed mineral rights, historic timber sale, potential sale tracts, and CFI Inventory layers;
 - Spent more than 70% additional time working on FSC audit issues as the auditor struggled to adapt to the COVID-19 environment;
 - Researched, tested, and developed an implementation strategy for migrating to DNR's WisFIRS timber sale management software - approximately 70 upper-level staff hours; and

- Procured and launched a camera-equipped drone to assist with land examination and analysis.
- Rarely participate in any land exchanges. Furthermore, BCPL had not previously generated any revenue from severed and reserved mineral estates.
 - This year we:
 - Completed the land exchange with the National Park Trust where BCPL transferred 146 acres of waterfront property in Burnett, Polk and Washburn Counties in exchange for 228 acres of productive timberland in Iron County. We also continued to work towards the completion of a large land exchange with the U.S. Forest Service; and
 - Researched, drafted a legal memo and worked with DOJ to confirm a viable pathway to selling conservation easements on reserved mineral estates. We obtained Board approval for one of these sales and closed the sale and deposited the monies in the respective trust account.
- Manage ancillary responsibilities of BCPL in an efficient manner. In a typical year, we would spend a few hours receiving, accounting for and disbursing federal flood control money to certain counties. We would also provide advice to Wisconsin waterfront communities regarding submerged land leases, but we would execute less than one lease per year on average.
 - This year we:
 - Spent several days researching and responding to the DOA State Controller’s Office requests for information on the underlying federal law that provides the framework for those flood control monies and the reporting requirements for such law; and
 - Completed two submerged lands leases – one with the City of Sturgeon Bay, the other with Dairyland Power Cooperative.

The end result of all these efforts is that:

- We have kept our people safe to the extent possible;
- We have kept moving the agency forward in the midst of great challenges;
- We have managed our agency expenses in a very responsible and frugal manner; and
- We have managed the trust funds in a prudent fashion that produced great results during a tumultuous market.
 - The drastic reduction in interest rates resulted in a significant amount of our trust fund loans and callable government bonds being prepaid. Without a diversification strategy,

BCPL would have been left with little choice but to purchase bonds that were paying 1% for ten years. The State's Investment Fund (SIF) is now paying even less at 0.1% per year. But for our diversification strategy, the reduction in distributable income for our beneficiaries would have been painful.

- But the fact is that we had previously adopted an IPS and had already started to diversify our portfolio. When COVID-19 upended the markets in the spring, we took this opportunity and the reduction in stock prices to accelerate our movement into equities. Not only did our equities rebound in price (which has generated tens of millions of unrecognized capital gains), but the dividends paid on those stocks have produced a strong stream of distributable earnings.
- The diversification into high yield bond exchange traded funds has also produced great results for the Common School Fund. This is a stream of distributable income that did not exist before.
- Finally, alternative investments have also produced a good stream of distributable earnings. The valuations of these private investments are not as volatile as the public markets, so they do not show as much of a gain in value, but their distributions have also helped cushion the loss of BCPL's fixed income portfolio.
- Earlier this year, we were able to make a record "regular" earnings distribution of \$38.2 million from the Common School Fund to our beneficiaries. Furthermore, as a result of our trust fund management efforts, and the fact that we had been able to "fill the smoothing account" of the Common School Fund, we were able to make a "special distribution" of an additional \$5.25 million this year to help schools and school libraries tackle some of the funding challenges posed by the COVID-19 pandemic.
- Currently, the Common School Fund is on track to earn more than \$40 million this fiscal year in a time when fixed income investments are not paying much interest at all. If BCPL had continued to manage the fund in the way we managed it ten years ago, or even five years ago, the distributable earnings this year would have likely been decreased by more than \$10 million.
- The above recitations are not intended to be comprehensive (this report is being written before the year is even over). This report is merely intended to give the Board an overall assessment of what staff had accomplished during this year.

The goals and priorities identified by the Board a year ago were aspirational in nature. They assumed that staff could easily accomplish our "everyday" responsibilities and then have time and resources available to achieve such goals and priorities.

Despite the challenges of 2020, and the limitations on staff time and resources, we still made progress on the goals and priorities identified by the Board;

- We have engaged a private contractor (Stephanie Marquis) to assist with the development of an agency “Scorecard.”
- We developed a Due Diligence Protocol for private investment funds and procured financial and legal reports from a third-party vendor.
- We made great progress on moving forward with diversifying our trust fund investments in accordance with the IPS asset allocation but encountered some delays for alternative investment funds due to the unavailability of special counsel.
- Rich Sneider, CIO and the team have worked hard to produce more comprehensive reports on Trust Fund performance. We will be providing those reports on a quarterly schedule at the first Board Meeting in the months of February, May, August, and November. As it takes a significant amount of time to compile the information from the different Trust Fund investments, staff continues to explore cost effective ways to automate more of the process. At those quarterly meetings, we will also provide updates to the Board on the other goals and priorities.
- We developed a staffing plan that utilizes agency positions in new ways.
 - The 1.0 FTE Archivist position is being split to produce a new 0.8 FTE Accountant with 0.2 FTE being added to the Real Estate Specialist position. However, the 9.5 FTEs allocated to BCPL are not enough to accomplish all the responsibilities on our plates. Staffing means more than FTEs.
 - We continue to rely on LTEs for assistance with IT (rewriting the computer code for our legacy applications such as the Trust Fund Loan software) and Forestry (managing timber sales, working on GIS issues and timber stand improvement).
 - We also rely on outside contractors for providing due diligence reports on private investment funds, appraisals for trust lands, development of the agency “scorecard” report, professional facilitation for strategic planning and advising on government relations.
- We worked hard to develop a 2021-23 biennial budget request that would provide the DNR with an earmark in their Stewardship authorization. They could acquire BCPL lands to both protect those lands and also reduce BCPL’s inventory of lands that do not produce revenue.
- We took the first step toward developing a new strategic plan by working with a professional facilitator to develop personal profiles and begin preparations for planning sessions, but the inability to meet in person has shelved those plans for the time being.

We look forward to the new year and the hope that with COVID vaccines available, we will be able to make further progress in the coming year in:

- Making further progress on diversifying our trust fund portfolio in accordance with the IPS;
- Producing more distributable income for our beneficiaries;
- Developing and implementing a strategy for converting our trust land portfolio into a more consolidated and productive portfolio; and
- Making further progress on the Board's Goals and Priorities.

State of Wisconsin - Office of the State Treasurer

Office of the State Treasurer
Madison, WI
Email: treasurer@wi.gov
Phone: 608-266-1714



Sarah Godlewski
State Treasurer

MEMORANDUM

DATE: October 31, 2019

TO: Attorney General Josh Kaul and Secretary of State Doug La Follette

FROM: Treasurer Sarah Godlewski, Chair of the Board of Commissioners of Public Lands

CC: Jonathan Barry, Executive Secretary of the Board of Commissioners of Public Lands

SUBJECT: DRAFT 2020-2022 Goals and Priorities

Goals & Priorities

1. Investments

Build a comprehensive investment program that ensures strong returns for our beneficiaries while embracing the agency's history of investing in Wisconsin.

Priorities:

- A. Create a School Trust Fund Investment Performance Scorecard & Annual Report**
- B. Establish a Due Diligence Protocol For Investments**
- C. Establish a Wisconsin Impact Advisor Group**
- D. Expand the Membership of the Investment Committee**
- E. Execute the Asset Allocation and Develop Clear Timeline**

2. Operations

Update BCPL's operations to meet its evolving role and to best serve beneficiaries and stakeholders

Priorities:

- A. Develop a BCPL Strategic Plan and Supporting Metrics**
- B. Update BCPL Budget & Personnel Staffing Plan**
- C. Improve the Agency's Outreach, Communication, and Branding**
- D. Create a Government Relations Approach**

3. Lands

Develop and implement a land strategy the upholds the BCPL's work to land stewardship agency.

Priorities:

- A. Create an approach that reduces unproductive lands**
- B. Complete a financial analysis on BCPL land holdings**

State of Wisconsin - Office of the State Treasurer

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Sarah Godlewski
State Treasurer

MEMORANDUM

DATE: October 31, 2019

TO: Attorney General Josh Kaul and Secretary of State Doug La Follette

FROM: Treasurer Sarah Godlewski, Chair of the Board of Commissioners of Public Lands

CC: Jonathan Barry, Executive Secretary of the Board of Commissioners of Public Lands

SUBJECT: DRAFT Position Description for the Executive Secretary

Job Summary

The Executive Secretary is responsible for providing strategic, financial, and operational leadership for the Board of Commissioners of Public Lands (BCPL). This position is the cornerstone of the BCPL as it's an appointment that works on behalf of the Board. The Executive Secretary ensures the successful management and execution of the school trust assets worth over \$1 billion, the agency's lands, and administrative and executive duties. The ideal candidate is a demonstrated leader with a strong skill set in running complex organizations and has a strong background in financial management and state government.

Executive Secretary and State Statutes

Chapter 24 of the Wisconsin state statutes outline only a few responsibilities for the Executive Secretary. These limited responsibilities revolve around lands management, which was important in the 19th and 20th centuries. These responsibilities include collections from land purchasers for every certificate or patent issued by the land, the executive secretary "may take the acknowledgments of the board to all certificates and patents, and no fees may be charged therefor." The BCPL must give to applicants who wish to purchase public lands at private sale "a memorandum signed by the executive secretary of the board, stating the application, describing the lot or tract applied for, and stating the price at which the lot or tract may be sold and the amount to be paid at the time of the sale." Land appraisals are also filed with the executive secretary and recorded.

In addition to what is captured in statute, it is important that the Executive Secretary has the skills and abilities to meet the agency's evolving role. Today, beyond land management, the BCPL is a significant investment organization - responsible for the management of the School Trust Assets worth over \$1 billion dollars that benefit Wisconsin's public schools. The Essential Job Duties captured below highlight the competencies for a successful Executive Secretary.

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Competency: Leadership & Operational Excellence

- **BCPL Strategy & Performance:** Work with the Board to develop and implement an agency strategy and supporting metrics that optimizes the agency's performance by focusing on priorities and outcomes.
- **Optimize the Agency's Evolving Operations:** Create and implement procedures, staffing plans, and budgets that will improve the Agency's operations and effectiveness to best meet its current and developing role for the state of Wisconsin.
- **Trusted Adviser:** Serve as a trusted advisor to the Board by providing advice and insight and effectively keeping the Board apprised of agency activity.
- **Public & Government Affairs:** Develop and implement the BCPL's legislative and public affairs approaches that improve the understanding of BCPL's value while increasing visibility and branding.
- **Outreach & Stakeholder Management:** Develop strong relationships with key constituencies and beneficiaries across the state.
- **People Management:** Empower the BCPL staff to best fulfill their positions through effective management strategies and tools that foster a collaborative and communicative culture.

Competency: Financial Administration

- **Investment Oversight:** Provide oversight of the investment management process, including formulating, recommending and implementing of policies, asset allocation and written procedures (e.g. due diligence, internal controls, etc) for the investment of School Trust Assets. Further, ensure BCPL has strong compliance policies and can effectively evaluate and minimize risk.
- **Investment Strategy:** Work with the CIO and Investment Committee to generate and implement a modernized investment strategy that includes investment criteria that ensures asset diversification and strong financial returns for the beneficiaries while embracing the agency's history of investing in Wisconsin. Develop and implement Key Performance Indicators for the portfolio that provide transparency and accountability.
- **Finance and Investment Network:** Establish relationships within the finance and investment community to ensure the BCPL has access to best-in-case research and information; create a network of advisers to support.
- **Budget Administration:** Oversee the development and submission of the agency's budget. Work with the Commissioners and BCPL team to update budget requirements and devise a plan to advocate for the agency's requested budget.

Competency: Lands Oversight

- **Lands Management:** Work with lands team to generate an effective land strategy that optimize timber sales and overall lands operations while upholding the agency's work to land stewardship.

Other duties as assigned: Serve at the pleasure of the Board