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Thomas P. German, *Executive Secretary*

AGENDA

March 16th, 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 – March 2, 2021 (Attachment)
3. Approve Loans (Attachment)

Old Business:

4. Mindoro Sanitary District #1 loan repayment

New Business:

5. Trust Fund Loan process
6. WEMTA Survey results
7. Communications regarding distribution to beneficiaries

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: **790 694 843#**

Board Meeting
Minutes
March 2, 2021

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 2:01 p.m.

ITEM 2. APPROVE MINUTES – February 16, 2021

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

VOTE: The motion passed 3-0.

DISCUSSION: None

ITEM 3. APPROVE LOANS

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

DISCUSSION: Commissioner LaFollette shared that he finds it interesting that there are three loans for the same municipality.

Mr. Sneider commented that the City of Fox Lake is getting some roadwork done. He explained that the City of Jefferson is financing a land acquisition in one their Tax Increment Districts and that the City of Green Bay is financing the costs for reassessment of the properties within the City.

Commissioner LaFollette asked about the Green Bay loan and what financing the reassessment means.

Mr. Sneider replied that every ten years, municipalities are required to assess the properties within their borders for tax purposes, and that costs a lot of money. Over the last several years more communities are borrowing through the State Trust Fund Loan Program (STFLP) to fund that expense.

Commissioner LaFollette shared his amazement at the cost to do that reassessment.

Mr. Sneider noted that it's a lot of properties.

Commissioner LaFollette commented he believed that there was a system in place for this. He stated that when somebody has sold property near Commissioner LaFollette's home, his property gets reassessed.

Mr. Sneider agreed with Commissioner LaFollette. He added that on an annual basis, there is an algorithm that a local assessor uses to predict what the value of the properties are worth, but every so often, and he believes it is required by statute, a more in-depth reassessment must be done.

Commissioner LaFollette then asked about the City of Fox Lake taking out three separate loans.

Mr. Sneider explained that they likely wanted to keep the loans separated for transparency purposes. He added that paperwork for loans through the STFLP is very easy to complete and it is in everybody's best interest to keep separate purpose loans separate rather than combining them because 10 years down the road somebody might want to know what that loan was for and it's a lot easier if they are kept separate.

Board Chair Godlewski pointed out that the loans for the City of Fox lake are for different terms. Two are for five years and one is for 20.

Mr. Sneider agreed and added that having separate loans provides additional flexibility in regards to the term interest rates.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$1,497,475.00** in State Trust Fund Loans to support **5** community projects in Wisconsin.

1. City of Jefferson / Jefferson County / Finance TID #8 Land Acquisition / \$384,250.00
2. City of Green Bay / Brown County / Finance revaluation assessment service / \$340,000.00
3. City of Fox Lake / Dodge County / Finance Green Street reconstruction project / \$560,000.00
4. City of Fox Lake / Dodge County / Finance purchase of rescue pumper fire truck / \$127,225.00
5. City of Fox Lake / Dodge County / Finance Mill Road improvement project / \$86,000.00

ITEM 4. OLD BUSINESS

None.

ITEM 5. NEW BUSINESS

None

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

None.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared with the Board that BCPL has just received notice from Mindoro Sanitary District #1 that they may not be able to make their full loan payment this year. In the history of the program, BCPL has never had a customer default on a loan. It is Secretary German's understanding that the sanitary district had a large user, a dairy, that is no longer using the Sanitary District services as much. The loss of this customer revenue interrupted their cash flow. They have indicated they would be able to make a partial payment that would cover all the interest on the loan, but not all the principle that is due this year. Currently, we are in the information gathering stage of figuring out how we can help this customer get through this troubled time. He does not believe there will be a need for an emergency Board meeting between now and March 16th, but he wanted to ensure the Board was kept apprised about this issue.

Board Chair Godlewski asked how much money are we looking at?

Executive Secretary German replied that the sanitary district's annual payments are over \$40,000 and that there remains eight or nine years yet on the loan. The customer has indicated that they will have more than \$30,000 for payment. He reiterated that that is not the full amount.

Board Chair Godlewski asked if this issue is the result of COVID?

Executive Secretary German stated that he had also asked that. He explained that the issue was likely due to the dairy payment issues that existed prior to COVID.

Board Chair Godlewski asked how long the loan term is.

Executive Secretary German replied that is for 20 years. We cannot extend the loan out beyond the time that it was originally set for, but it may be possible to restructure it. He shared that the US Department of Agriculture has its own assistance program, but it takes time to process the request. If approved, they could take it out to 40 years. He stated again that we are at the early investigation stage to figure out all the facts, what the options are and what the best course of action is.

Commissioner LaFollette asked about loan repayment schedules. Can the customer wait and repay the entire loan balance at the end of 20 years or do they have to pay back something every year?

Executive Secretary German explained that they must pay something every year. The customer must at least pay interest. On longer term loans, oftentimes on an economic development loan, there will be no principle required in the first year. BCPL does not make interest only loans for 20 years. It may be possible to restructure the loan but again, we do not have all the information at this point.

Commissioner LaFollette asked how long they've been paying back the loan.

Executive Secretary German replied that it is somewhere between eight to ten years.

Commissioner LaFollette asked how much the annual payment amounts to.

Executive Secretary German and Board Chair Godlewski stated that it's over \$40,000.

Mr. Sneider clarified that the payment due for 2021 is a little over \$48,000.

Commissioner LaFollette asked what the original loan amount was.

Mr. Sneider stated that originally the loan was \$568,000 and there is about \$347,000 left.

Commissioner LaFollette shared his appreciation for the information.

Board Chair Godlewski asked about the interest rate on the loan.

Mr. Sneider replied that it was a 20 year loan taken out in 2010 and the rate on this loan is 5.25%.

Board Chair Godlewski commented that refinancing could be an option, but it does not help all of it. Restructuring options may be helpful.

Mr. Sneider shared that the principal payments are much greater than the interest payments at this point on this loan.

Board Chair Godlewski asked what the timeline is for action.

Executive Secretary German shared that he hopes to have the information needed by the end of this week in terms of what the facts are and have a plan to share early next week. The viability of the plan may depend on other parties. He restated the possibility of the US Department of Agriculture refinancing the loan. The answer may be a tentative yes, but their timeline for doing that could be well over six months. He explained that there is a short term issue and a long term issue. The short term issue is what to do about the payment due on March 15th? The long term issue is what to do about this loan that is scheduled for another 10 years from a borrower that is struggling right now.

Commissioner LaFollette commented that it is possible to take their state aid if needed.

Executive Secretary German explained that that is normally the situation, however, with the sanitary district he is uncertain if they get any state aid. That is something that needs to be investigated.

Commissioner LaFollette asked about the security of loans to customers who receive no state aid.

Executive Secretary German stated that it is not as secure as a loan to a city or a school district that gets state aid. A closer look needs to be taken at how intercepting funds works with a sanitary district. The sanitary district has obligations with the town, so the questions is are we able to intercept town aid if the town sanitary district does not pay? He added that he does not yet know the answer to that.

Commissioner LaFollette thanked Executive Secretary German for the information.

Commissioner Kaul commented that although this is not the immediate problem, when the immediate problem has been addressed, he believes it would be worth it to figure out what happened with this particular loan. If the entire loan's success was dependent on one business, it seems like this is a higher degree of risk than other loans typically involve. In terms of thinking about loan issuing practices going forward, whether that means that there is anything we should rethink, without overreacting to one specific instance, he believes it's worth figuring out what we can learn from it.

Executive Secretary German agreed with Commissioner Kaul. He commented on loan applications from communities that had larger water systems that had to do with ethanol plants, and that those were reviewed more closely regarding their capacity to repay. He reiterated that he didn't have all the facts regarding the original Mindoro Sanitary District loan, but he agreed that it would be wise to assess whether there are any lessons we can learn from this situation going forward.

Board Chair Godlewski asked if there were other questions. She reaffirmed with Executive Secretary German that the Board will wait for more information to chart potential courses of action. The issue will be revisited at the next Board meeting on March 16th or potentially earlier, if needed.

Executive Secretary German reiterated that he hopes to have facts put together by the end of the week and have at least a tentative preferential strategy in place by then.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski shared that she met with the president and legislative chair for WEMTA (WI Educational Media & Technology Association) Friday afternoon and talked about not only the survey results but also about if they will be seeking additional aid for this year, if that seems to be something that BCPL could do. She added that she would like to add to the agenda for the March 16th Board Meeting the survey results as well as the feedback from the media specialists and librarians because she believes it would be good information for the Commissioners to have.

The second update that coincides with that is based on the last two meetings. She shared that we are excited about our largest record-breaking distribution. Julie Benkoske from her team has been working with Executive Secretary German and the BCPL on the rollout strategy for the great news. She requested that that be added to the agenda for next meeting as well - an update on the rollout strategy as we make sure we're communicating the news about the \$39 million distribution across the State.

The last piece of news she wanted to highlight was about investments and opportunities here in Wisconsin. She shared that she had a great meeting with the new executive director for the Economic Development Corporation for the Greater Madison Region on potential investment opportunities. As we look at broadband and real estate, she will work through the Investment Committee on this issue and keep Commissioners Kaul and LaFollette apprised as we move forward.

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 2:21 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2021/2021-03-02-BoardMtgRecording.mp3>

**BOARD MEETING
MARCH 16, 2021**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Mishicot Manitowoc County Application #: 02021105 Purpose: Finance purchase of truck and dump box	Town Rate: 2.50% Term: 5 years	General Obligation	\$50,000.00
2. Freedom Outagamie County Application #: 02021106 Purpose: Finance roadwork	Town Rate: 2.50% Term: 5 years	General Obligation	\$325,000.00
3. Suamico Brown County Application #: 02021107 Purpose: Finance TID #2 Roadwork	Village Rate: 2.50% Term: 5 years	General Obligation	\$677,000.00
4. Dane County Drainage District 9 Dane County Application #: 02021108 Purpose: Finance Drainage Projects	Drainage District Rate: 2.50% Term: 5 years	General Obligation	\$125,600.00
5. Dane County Drainage District 8 Dane County Application #: 02021109 Purpose: Finance Drainage Projects	Drainage District Rate: 2.50% Term: 5 years	General Obligation	\$284,400.00
6. Conover Vilas County Application #: 02021110 Purpose: Finance purchase of dump truck and skid steer	Town Rate: 2.50% Term: 5 years	General Obligation	\$250,000.00
7. Suring Oconto County Application #: 02021111 Purpose: Finance water tower repair and hydrant replacement	Village Rate: 5.00% Term: 20 years	Utility Revenue	\$262,000.00
TOTAL			\$1,974,000.00