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Thomas P. German, *Executive Secretary*

AGENDA

September 7th, 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 – August 16, 2021 (Attachment)
3. Approve Loans

Old Business:

4. Update on co-op acquisition of idled paper mills

New Business:

5. Quarterly Investment Report
6. Quarterly Update on Goals and Priorities

Routine Business:

7. Chief Investment Officer's Report
8. Executive Secretary's Report
9. Board Chair's Report
10. Future Agenda Items
11. Adjourn

AUDIO ACCESS INFORMATION

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

Board Meeting
Minutes
August 16th, 2021

Present were:

Sarah Godlewski, Board Chair
 Josh Kaul, Commissioner
 Tom German, Executive Secretary
 Jim DiUlio, Deputy Secretary
 Richard Sneider, Chief Investment Officer
 Mike Krueger, IT Manager
 Denise Nechvatal, Senior Accountant
 Thuy Nguyen, Office Manager
 Julie Benkoske, Chief of Staff

State Treasurer
 Attorney General
 Board of Commissioners of Public Lands
 State Treasurer

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 12:30 p.m.

ITEM 2. APPROVE MINUTES – July 20, 2021

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

DISCUSSION: None

VOTE: The motion passed 2-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Mr. Sneider spoke about several loans.

Loan #2 to the Village of Westfield is to finance library renovations. The Village of Westfield hopes to raise money through donations and fundraisers to pay back the loan. The State Trust Fund Loan (STFL) program charges no penalty for prepayments so STFLs work well for communities that intend to pay the loan back faster than originally scheduled.

Loan #3 to the City of Racine is for renovation of the historic Horlick Malted Milk Industrial Complex into apartment buildings. The project involves installing rooftop solar and is LEED Gold Certified. There will be several other projects on this site to follow.

Loan #7 to the City of Mondovi is for an economic development project. The city is using the loan proceeds to finance a land purchase to expand the city's industrial park.

Loan #10 to the Village of Webster is for construction of solar panels on city land. These solar panels will reduce the cost of energy expenses over the next 20 years for the city and the city expects the project to pay for itself in eight to nine years.

VOTE: The motion passed 2-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$7,222,500.00** in State Trust Fund Loans to support **13** community projects in Wisconsin.

1. Town of Oregon / Dane County / Finance roadwork and equipment / \$325,000.00
2. Village of Westfield / Marquette County / Finance library renovations / \$175,000.00
3. City of Racine / Racine County / Finance Pass-Through Loan for Belle City Square / \$4,000,000.00
4. Town of Hutchins / Shawano County / Finance roadwork / \$445,000.00
5. Town of Martell / Pierce County / Finance purchase of pickup truck / \$42,500.00
6. Town of Ashippun / Dodge County / Finance roadwork and purchase loader / \$128,000.00
7. City of Mondovi / Buffalo County / Refinance industrial park land purchase / \$850,000.00
8. Town of Gordon / Douglas County / Finance land purchase / \$80,000.00
9. Town of Janesville / Rock County / Finance fire protection / \$300,000.00
10. Village of Webster / Burnette County / Finance solar electric installation / \$66,000.00
11. Town of Scott / Finance lift station replacements / \$426,000.00
12. Town of Milford / Jefferson County / Finance purchase of plow truck / \$85,000.00
13. Town of Bristol / Dane County / Finance highway construction and maintenance / \$300,000.00

ITEM 4. OLD BUSINESS – Update on co-op acquisition of idle paper mills

Executive Secretary German shared that there are no legislative developments to report on the idled mills. However, a private equity group, Atlas Holdings, has made an unsolicited offer to purchase the Wisconsin Rapids facility from Verso. BCPL has not been contacted about providing financing.

ITEMS 5 NEW BUSINESS

None

ITEM 6. CHIEF INVESTMENT OFFICER’S REPORT

None

ITEM 7. EXECUTIVE SECRETARY’S REPORT

None

ITEM 8. BOARD CHAIR’S REPORT

Board Chair Godlewski asked for confirmation regarding the time of the next board meeting.

Executive Secretary German confirmed that the next board meeting will be held at the normal time and date, September 7. The Sept. 7th meeting will require more time and is scheduled for 90 minutes. He asks the commissioners to let him know right away about scheduling conflicts.

Board Chair Godlewski reported that she has taken two interesting trips connected to the BCPL. First, she spent time in the Town of Washburn where solar panels were installed on their wastewater treatment facility. The value of the STFL program is evident in this project as the town is expecting to significantly cut their utility costs and hopes to be carbon

neutral in a little over a decade. There were members from surrounding communities in attendance who were interested in replicating this model. We may see more STFLs financing solar panel projects in the near future. She expressed that as chair she would like to travel to visit more projects financed by the STFL program. Due to the Delta COVID variant, it may become more difficult to travel but she is fortunate to have made some trips this summer.

Second, she visited one of the last pieces of land that was previously unprotected along the Namekagon River in northwestern Wisconsin. This now-protected-land was part of a land transaction between BCPL and the National Park Service. She shared that it was nice to see the land and talk to some community member about the value this specific land brings to the region. These projects are representative of the great work of BCPL. She is happy to share these experiences with the commissioners and hopes to share this information with Commissioner LaFollette upon his return.

ITEM 9. FUTURE AGENDA ITEMS

None

ITEM 10. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 2-0; the meeting adjourned at 12:42 p.m.

A handwritten signature in black ink, appearing to read "Thomas P. German", written over a horizontal line.

Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2021/2021-07-20 BoardMtgRecording.mp3>

**BOARD MEETING
SEPTEMBER 7, 2021**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Shiocton Outagamie County Application #: 02022021 Purpose: Finance purchase of lift station generators	Village Rate: 3.00% Term: 10 years	General Obligation	\$139,512.00
2. Darboy Joint Sanitary District #1 Outagamie County Application #: 02022022 Purpose: Finance rebuilding of water utility infrastructure	Sanitary District Rate: 3.00% Term: 10 years	General Obligation	\$1,500,000.00
3. Mount Pleasant Racine County Application #: 02022023 Purpose: Finance planning of Village Convention Center	Village Rate: 2.50% Term: 5 years	General Obligation	\$700,000.00
4. Footville Rock County Application #: 02022024 Purpose: Finance roadwork	Village Rate: 3.00% Term: 10 years	General Obligation	\$200,000.00
5. Clinton Rock County Application #: 02022025 Purpose: Finance roadwork	Town Rate: 3.00% Term: 10 years	General Obligation	\$100,000.00
6. Eagle Waukesha County Application #: 02022026 Purpose: Finance budget shortfall	Town Rate: 2.50% Term: 2 years	General Obligation	\$36,000.00
7. South Central Library System Adams, Columbia, Dane, Green, Portage, Sauk and Wood Counties Application #: 02022027 Purpose: Finance construction of HQ/Delivery facility	Federated Library System Rate: 4.00% Term: 20 years	General Obligation	\$5,500,000.00
8. Maiden Rock Pierce County Application #: 02022028 Purpose: Finance purchase of plow truck	Town Rate: 2.50% Term: 5 years	General Obligation	\$177,666.00
TOTAL			\$8,353,178.00

**Common School Fund
Portfolio Report
June 30, 2021**

Asset Class	Current Market Value	Cost	Unrealized Gain/Loss	% Gain/Loss	Yield at Cost	Projected Annual Income
Fixed Income						
Public Debt						
State/State Agency/Municipal Bonds	153,389,232	143,295,190	10,094,042	7.0%	4.0%	5,748,658
U.S. Treasury/Agency Bonds	-	-	-			-
U.S. Treasury Inflation Protected Securities	-	-	-			-
Corporate Bonds	216,306,877	208,475,353	7,831,524	3.8%	4.9%	10,143,490
Private Debt						
BCPL State Trust Fund Loans ¹	257,620,638	257,620,638	n/a	n/a	3.6%	9,281,001
Other Private Debt	46,644,600	41,192,420	5,452,180	13.2%	8.8%	3,613,510
Total Fixed Income	673,961,347	650,583,601	23,377,746	3.6%	4.4%	28,786,659
Equities and Alternatives						
Public Equities						
Domestic Equities ²	257,953,897	218,391,183	39,562,714	18.1%	3.8%	8,311,005
Global Equities	150,238,931	122,653,280	27,585,651	22.5%	3.1%	3,783,197
Alternatives						
Private Real Estate ³	120,221,083	114,286,748	5,934,335	5.2%	4.3%	4,926,113
Real Assets/Infrastructure	-	-	-			-
Private Equity/Venture Capital ⁴	24,583,610	18,598,963	5,984,647	32.2%	0.0%	-
Total Equities and Alternatives	552,997,521	473,930,174	79,067,347	16.7%	3.6%	17,020,315
Cash						
ADM	-	-				-
State Investment Fund ⁵	95,054,910	95,054,910			0.05%	43,553
Total Cash	95,054,910	95,054,910			0.05%	43,553
TOTAL CSF PORTFOLIO	1,322,013,778	1,219,568,685	102,445,093	8.4%	3.8%	45,850,527

Notes:

¹ The total market value of STFL assets is likely greater than cost. However, these assets are held at cost because no independent appraisal has been conducted and STFL assets have always been held to maturity. Annual income is at STFL interest payments due 3/15/22, and is subject to change.

² Domestic equities currently include \$104 million (market value) in preferred stock ETFs. Categorizing this hybrid asset class as a domestic equity creates the appearance of overweighting domestic equities relative to other asset classes and relative to the market risk incurred. The inclusion of preferred stocks in this asset class also has the effect of overstating the yield attributable to common stock funds. Staff is working to provide a separate category within the asset allocation for preferred stock investments in future reporting.

³ The CSF closed on funding two private real estate investments totaling \$35MM on 7/1/21. These investments are included (at cost) in the above analysis to provide a more complete forecast of future annual income. Income from these two funds is projected at their trailing 12 month distribution rate.

⁴ Private equity/venture capital is valued at market value per sponsor as of the end of the prior quarter plus the cost of new investments made during the current quarter. Historical valuations are updated as new valuations are received 75-105 days following the end of each quarter.

⁵ State Investment Fund rate is from June 2021 SIF Pool Earnings Workbook.

Common School Fund
Asset Allocation Report
 June 30, 2021

Asset Class	Current Portfolio		Potential Portfolio			Target	
	Current Market Value	Current Allocation	Unfunded Commitments	Market Value + Commitments	Potential Allocation	Target Allocation	Target Range
Fixed Income							
Public Debt							
State/State Agency/Municipal Bonds	153,389,232	11.6%		153,389,232	11.6%	5.0%	0% to 30%
U.S. Treasury/Agency Bonds	-	0.0%		-	0.0%	0.0%	0% to 30%
U.S. Treasury Inflation Protected Securities		0.0%		-		0.0%	0% to 10%
Corporate Bonds	216,306,877	16.4%		216,306,877	16.4%	10.0%	0% to 30%
Private Debt							
BCPL State Trust Fund Loans	257,620,638	19.5%		257,620,638	19.5%	30.0%	20% to 50%
Other Private Debt	46,644,600	3.5%	26,188,318	72,832,918	5.5%	10.0%	0% to 20%
Total Fixed Income	673,961,347	51.0%	26,188,318	700,149,665	53.0%	55.0%	
Equities and Alternatives							
Public Equities							
Domestic Equities	257,953,897	19.5%		257,953,897	19.5%	7.5%	5% to 30%
Global Equities	150,238,931	11.4%		150,238,931	11.4%	7.5%	5% to 20%
Alternatives							
Private Real Estate	120,221,083	9.1%	55,877,723	176,098,806	13.3%	20.0%	5% to 25%
Real Assets/Infrastructure		0.0%		-	0.0%	5.0%	0% to 10%
Private Equity/Venture Capital	24,583,610	1.9%	17,880,494	42,464,104	3.2%	5.0%	0% to 10%
Total Equities and Alternatives	552,997,521	41.8%	73,758,217	626,755,738	47.4%	45.0%	
Cash							
ADM	-	0.0%					
State Investment Fund	95,054,910	7.2%					
Total Cash	95,054,910	7.2%				0.0%	0% to 10%
TOTAL CSF PORTFOLIO	1,322,013,778		99,946,535				

Private Fund Commitments as of 6/30/21

	Total	Unfunded	
Private Debt			
Blackstone Credit Secured Lending Fund	\$ 30,000,000	\$ -	
Brookfield Infrastructure Debt Fund II	\$ 30,000,000	\$ 26,188,318	
PGIM Senior Loan Opportunities Fund I	\$ 50,000,000	\$ 50,000,000	Commitment approved by BCPL IC - Not yet closed or included above
Private Real Estate			
Blackstone Strategic Partners Real Estate VII	\$ 30,000,000	\$ 20,877,723	
BlackRock Core Property Fund	\$ 20,000,000	\$ -	
Brookfield Premier Real Estate Partners	\$ 30,000,000	\$ -	
Invesco US Income Fund	\$ 40,000,000	\$ 35,000,000	
Private Equity/Venture Capital			
4490 Venture II	\$ 15,000,000	\$ 5,700,000	
Venture Investors Health Fund VI	\$ 15,000,000	\$ 7,920,000	
Baird Venture Partners V	\$ 7,500,000	\$ 4,260,494	
NVNG Fund I	\$ 10,000,000	\$ 10,000,000	Commitment approved by BCPL IC - Not yet closed or included above

See Notes provided on the attached Portfolio Report for additional information

Common School Fund

Progress Report

June 30, 2021

Asset Class	Market Value	Market Value	Change from Prior Quarter		Market Value	Change from Prior Year	
	6/30/2021	3/31/2021	Market Value	%	6/30/2020	Market Value	%
Fixed Income							
Public Debt							
State/State Agency/Municipal Bonds	153,389,232	184,640,099	(31,250,867)	-16.9%	194,185,167	(40,795,935)	-21.0%
U.S. Treasury/Agency Bonds	-	-	-	0.0%	10,077,180	(10,077,180)	-100.0%
U.S. Treasury Inflation Protected Securities	-	-	-	0.0%	-	-	0.0%
Corporate Bonds	216,306,877	212,674,889	3,631,988	1.7%	117,966,907	98,339,970	83.4%
Private Debt							
BCPL State Trust Fund Loans	257,620,638	270,802,596	(13,181,958)	-4.9%	378,455,004	(120,834,365)	-31.9%
Other Private Debt	46,644,600	39,541,165	7,103,435	18.0%	13,514,099	33,130,501	245.2%
Total Fixed Income	673,961,347	707,658,749	(33,697,402)	-4.8%	714,198,357	(40,237,009)	-5.6%
Equities and Alternatives							
Public Equities							
Domestic Equities	257,953,897	247,877,203	10,076,694	4.1%	100,863,388	157,090,509	155.7%
Global Equities	150,238,931	142,986,016	7,252,915	5.1%	87,840,454	62,398,477	71.0%
Alternatives							
Private Real Estate	120,221,083	60,540,199	59,680,884	98.6%	40,454,620	79,766,463	197.2%
Real Assets/Infrastructure	-	-	-	0.0%	-	-	0.0%
Private Equity/Venture Capital	24,583,610	17,445,340	7,138,270	40.9%	12,116,474	12,467,136	102.9%
Total Equities and Alternatives	552,997,521	468,848,758	84,148,763	17.9%	241,274,936	311,722,585	129.2%
Cash							
ADM	-	80,000,000	(80,000,000)	-100.0%	-	-	n/a
State Investment Fund	95,054,910	31,236,589	63,818,321	204.3%	221,866,494	(126,811,585)	-57.2%
Total Cash	95,054,910	111,236,589	(16,181,679)	-14.5%	221,866,494	(126,811,585)	-57.2%
TOTAL CSF PORTFOLIO	1,322,013,778	1,287,744,096	34,269,682	2.7%	1,177,339,787	144,673,991	12.3%
			Prior 3 month CPI	2.2%		Prior 12 month CPI	2.5%
			10 yr Avg Quarterly CPI	0.7%		10 yr Avg Annual CPI	2.7%

Note: BCPL has determined that the most appropriate measure of inflation for the Common School Fund is CPI - Educational Books and Supplies. The CPI calculations shown above are estimates utilizing the latest available data, which is updated by the US Bureau of Labor Statistics approximately 45 days after the end of each month. The above quarterly CPI estimate uses data from March 1 through June 1, while the annual estimate uses data from June 1, 2020 to June 1, 2021. CPI calculations will be updated to the applicable time periods as data becomes available. The 10 year average quarterly CPI rate and the 10 year average annual CPI rate are included for reference.

See Notes provided on the attached Portfolio Report for additional information



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Thomas P. German, *Executive Secretary*

MEMORANDUM

TO: BOARD OF COMMISSIONERS OF PUBLIC LANDS
FROM: TOM GERMAN, EXECUTIVE SECRETARY
RE: GOALS AND PRIORITIES REPORT TO THE BOARD
DATE: SEPTEMBER 2, 2021

Fiscal Year 2021 was very good for BCPL. We made a record annual distribution from the Common School Fund for public school libraries and a record distribution from the Normal School Fund as well. We have made great progress with the diversification of our portfolio of trust assets.

The challenges of the pandemic have brought opportunities to make advancements in the way we do business. For example, we have made greater use of programs like DocuSign in order to improve the flow of electronic documents instead of relying on paper and copies. We also made progress on developing ways to tell our story. As the pandemic continues to impact our communities and our economies, we continue to look for ways to better connect with stakeholders without adding additional risk. The sum total of these efforts is that we continue to make progress on the Board's Goals and Priorities.

I have set forth below a short summary of progress on the Goals and Priorities identified by the Board.

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

- a. This priority was achieved earlier and much of this work will be incorporated into the biennial report.

B. Establish a Due Diligence Protocol For Investments

- a. This priority was also completed earlier.

C. Establish a Wisconsin Impact Advisor Group

- a. It is our understanding that the board would like this priority to be folded into the priority of expanding the membership of the investment committee. While staff have given this item a great amount of thought, we have not yet been able to identify a path forward on this item.

D. Expand the Membership of the Investment Committee

- a. BCPL staff and Investment Committee members have identified people who may be able to provide additional expertise and diversity of viewpoints to the Investment Committee. Vetting of these people is going slower than expected due to the difficulty of meeting people in person and the large amount of ongoing activity in the agency's operations.

E. Execute the Asset Allocation and Develop Clear Timeline

- a. We have now diversified our trust fund investments in accordance with our investment policy and asset allocation such that all asset categories are now within their respective target ranges. This priority required a vast amount of work and coordination between BCPL staff and outside service providers. However, the accomplishment of this priority has produced results that are easy to see. The trust funds are producing distributable income at a rate that could not have been accomplished under the old investment parameters of only limited fixed income investments. As noted earlier, the Investment Committee will be making recommendations to the board to slightly amend the asset allocations from time to time based on market conditions, this item is likely to always be a work in progress.

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.

- a. BCPL Madison office staff took the first step last year in working with Erickson & Company to evaluate our respective communication styles and set the stage for a group strategic planning and problem-solving session to follow. However, this session has been postponed several times due to COVID. We are tentatively looking at scheduling this session for late fall, contingent on conditions at the time.

B. Update BCPL Budget & Personnel Staffing Plan

- a. There have been a few changes since our last update.
 - i. John Schwarzmann, the supervisor of the Lake Tomahawk office retired. Kevin Burns, BCPL's senior forester was promoted to the supervisor position. Joe Malinowski was hired to fill Kevin's previous position.
 - ii. Jim DiUlio, BCPL's deputy secretary recently retired, and we expect to post that position within the next two weeks.

C. Improve the Agency’s Outreach, Communication, and Branding

- a. We are working with Stephanie Marquis to assist us with this goal. We are currently working together on the biennial report and upon completion of that project will then pivot to developing a communications and outreach plan for the agency.

D. Create a Government Relations Approach

- a. We engaged an advisor to provide professional advice on our budget request to the legislature and we then used feedback from this advisor to improve our communications materials for our budget request. We will continue our efforts to communicate with the legislature more often using the materials we have developed to demonstrate the impact of BCPL in each legislator’s district. I intend to resume visiting legislator’s offices on a regular basis when circumstances warrant.

Lands

Priorities:

A. Create an approach that reduces unproductive lands

- a. As noted earlier, this remains an elusive priority after 173 years. We continue to make progress on selling or exchanging isolated unproductive parcels of land and investing the proceeds in consolidated blocks of productive, accessible timberland. However, as we’ve noted in the past, many parcels in our inventory are not easy to sell. The impediments to sale may vary greatly from one parcel to the next. Impediments include too much wetland on a property, lack of access, and limitations on use. There are also some statutory constraints including the mineral and water rights reservations set forth in Wis. Stats. Section 24.11(3). Our real estate specialist has worked on identifying the pertinent impediments and we are reviewing strategies and tactics to address those impediments.
- b. In addition, we are also looking at different ways of generating new income streams from these parcels such as selling carbon credits, maple syrup, or leasing for other developments such as solar farms, communication towers, etc. In essence, we are looking for novel approaches that have the potential to *convert* an unproductive parcel into a productive parcel (ie. generate revenue).

B. Complete a financial analysis on BCPL land holdings.

- a. The staff of the Lake Tomahawk office has developed the first draft of an Excel spreadsheet tool that identifies all BCPL School Trust Land Parcels, the timber base on such parcels and the timber revenue generating capacity on such parcels. This is a work in progress and staff is busy refining the tool and adding additional potential revenue components including maple syrup production, carbon credits, wetland mitigation

monies and outright sales to third parties. As noted earlier, completing a financial analysis on all 2,000 parcels of School Trust Lands is a big project. We are leveraging our GIS capabilities, forest inventory information, and in-house expertise to create an automated analysis tool that will provide us with an up-to-date snapshot of our land assets at any time. We have taken a significant step forward on this project and look forward to sharing the tool with the board when it is a bit more refined.

- b. While we prepare to migrate to DNR's WisFIRS software system for timber sale management, our forestry and IT staff are working on improving the quality of the data in our system so that we are able to better project future timber sales.
- c. Lake Tomahawk staff is also in the early stages of developing property access management plans along with maintenance schedules. Planning culvert replacements and roadwork ahead of time make it possible to prioritize and budget for those expenses. Early completion of access work significantly reduces sale set-up expenses, increases the asset value of our lands, and increases the amount that loggers are willing to bid for our timber sales.

As we head into the fall (and traditional cold and flu season), I remain thankful that we have made it through this difficult time (so far) without losing any staff members to the virus. I continue to appreciate all the hard work and sacrifice made by our staff during this time and congratulate them on the fruits of their efforts. We look forward to continuing to make progress on the goals and priorities of the Board.

Respectfully submitted,

Tom