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Thomas P. German, *Executive Secretary*

AGENDA

August 6, 2024

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 – July 16, 2024 (Attachment)
3. Approve Loans

Old Business:

4. None

New Business:

5. None

Routine Business:

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

AUDIO ACCESS INFORMATION

Conference Line Number: 608-571-2209
1st Tues of the month Conf ID Code: 207 822 241#
3rd Tues of the month Conf ID Code: 335 125 302#

Board Meeting Minutes
July 16, 2024

Present were:

Sarah Godlewski, Board Chair	Secretary of State
Josh Kaul, Commissioner	Attorney General
John Leiber, Commissioner	State Treasurer
Tom German, Executive Secretary	Board of Commissioners of Public Lands
Denise Nechvatal, Controller	Board of Commissioners of Public Lands
Chuck Failing, IT Manager	Board of Commissioners of Public Lands
Kevin Burns, Forestry Supervisor	Board of Commissioners of Public Lands

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:00 p.m.

ITEM 2. APPROVE MINUTES

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

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Executive Secretary German shared that we have a lot of loans for roadwork. We've got a couple of other public construction projects for a village building and a town hall building. We've got a technology upgrade for a school district. The only one that's a little bit different is that we have an economic development loan for Elkhart Lake. The village is borrowing money from us to finance a development incentive. Every loan today is a type of loan that we do regularly. Today we have 18 loans and we're seeing a lot more demand for the loan program recently. We will likely see an elevated number of loan applications coming to the board in the near future as well.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$8,224,580.00** in State Trust Fund Loans to support **18** community projects in Wisconsin.

1. Raymond #14 School District / Racine County / Finance tech upgrades / \$300,000.00
2. Town of Salem / Pierce County / Finance roadwork / \$200,000.00
3. Village of Spring Valley / Pierce and St Croix Counties / Finance reconstruction of Valley building / \$515,000.00
4. Village of Spring Valley / Pierce and St Croix Counties / Finance roadwork and adjacent path /

- \$780,000.00
5. Town of Canton / Buffalo County / Finance Town Hall Building / \$23,330.00
 6. Village of Clayton / Polk County / Finance roadwork / \$140,000.00
 7. Town of Dewey / Portage County / Finance purchase of truck chassis and equipment / \$247,250.00
 8. Town of Campbell / La Crosse County / Finance water main installation / \$290,000.00
 9. Town of Knowlton / Marathon County / Finance roadwork / \$350,000.00
 10. Town of Rantoul / Calumet County / Finance roadwork / \$400,000.00
 11. Village of Elkhart Lake / Sheboygan County / Finance Van Horn development incentive / \$1,000,000.00
 12. Village of Hales Corners / Milwaukee County / Finance purchase of fire engine / \$935,000.00
 13. Town of Weston / Marathon County / Finance roadwork / \$400,000.00
 14. Village of Francis Creek / Manitowoc County / Finance roadwork / \$285,000.00
 15. Town of Summit / Douglas County / Finance purchase of grader / \$234,000.00
 16. Village of Walworth / Walworth County / Finance roadwork / \$600,000.00
 17. Village of Walworth / Walworth County / Finance water main and lead service line replacement / \$625,000.00
 18. Village of Harrison / Calumet and Outagamie Counties / Finance TID land purchase / \$900,000.00

ITEM 4. OLD BUSINESS

None

ITEM 5. NEW BUSINESS – Proposed Land Management Certification Change

Meeting rules are suspended so that description can be given of the topic before voting.

DISCUSSION: Executive Secretary German explained that this particular item is being brought to the Board because we consider this a change in policy and the Board is the proper entity for making policy decisions for the Board of Commissioners of Public Lands.

For the first 100 some years of its' existence, BCPL only had timber sales that were salvage sales (e.g. due to events like infestation, fire, or if there was a blowdown). In the late 1940s the board started looking at harvesting timber when there was not a catastrophic event. After a lengthy board discussion, the board at that time decided they were going to start doing that. Another 70 years would go by before the board then addressed the issue of how we actually manage school trust lands.

In 2013, we started looking at having third party input into our land management practices and we looked at being certified through the Forest Stewardship Council's (FSC) program. The idea was to get some feedback from a third party in terms of determining whether our practices were sustainable, to ensure we would not hurt the long term viability of the forest. We also looked at being certified as a good housekeeping stamp of approval that could potentially open up additional markets for our timber.

After a decade, staff have determined that FSC certification did not result in opening up new markets for BCPL timber. However, the reason that our certification did not open new markets is because most of the *loggers* are now certified through FSC and mills are more than willing to take our timber as long as the loggers are certified.

The other subsequent issue was that the Forest Stewardship Council certification program changed as well. Instead of looking mostly at land management practices, FSC auditors started looking more at relationships

and they started going deeper into paperwork as opposed to actually reviewing land management. The increase in cost and the increase in staff resources that went into being certified under FSC resulted in BCPL and other public land managers to reconsider their decision to be FSC certified. We realized that many other public land managers throughout the Midwest made the decision to leave the FSC certification program.

BCPL staff still appreciated getting some third-party feedback and when we looked around, we realized that the American Forest Federation had a certification program that was designed to provide us the feedback that we were looking for in terms of our land management practices. The cost and resources that go into that certification were significantly lower and so, as a result, we are bringing a proposal to the board asking the board to allow us to leave the FSC certification program and pursue certification under the American Forest Federation program.

Board Chair Godlewski asked if the new certification program will provide more market opportunities or at the very least sustain current market opportunities.

Executive Secretary German replied that he does not believe the change will affect any market opportunities for BCPL. Most loggers in the area where our lands are located are certified under FSC. Public land management certification will probably be in a state of flux for the next five or ten years. Secretary German believes that continuing to be certified through a recognized program may give us more opportunities in the future or may give us the opportunity to move into other possible markets.

Board Chair Godlewski asked if BCPL will be affected by changes made in the EU as far as land management practices.

Executive Secretary German explained that some of the changes the EU is pursuing are actually so stringent that they would put those markets off limits to many landowners. You are supposed to be able to track where that log came from down to less than an acre area. You are supposed to be able to track where it came from all the way through to the market. BCPL has developed a fairly extensive geographic information system in terms of tracking where our trees are and where our land timber sales are. We are actually in a better position to take advantage of those European markets but it's still difficult to see how those rules are going to be implemented in the U.S. because many U.S. exporters are a bit shy to get into that market as a result of it not being really clear in terms of how those regulations are going to play out. BCPL is decently situated because we know where our timber is coming from, and we can project where it's going to be able to comply with those European standards.

Board Chair Godlewski asked Executive Secretary German to remind the board what our general timber portfolio looks like, as far as acres public lands and what typically timber revenue was for the last two years.

Executive Secretary German explained that when BCPL obtained land bank authority, the limit was put on BCPL that we could not own more land than we started with. That magic number was 77,845 acres. We're down a little bit from that right now. We have about 75,000 acres and so we have capacity to buy several thousand acres and we have money in the land bank to buy land. More than half of those lands are wetlands that are not heavily forested and therefore not very productive from a timber revenue standpoint which is why we have continued to look at the possibility of selling carbon credits on some of those lands. The timber revenue we generate actually comes off a minority portion of our land portfolio. During the last biennium we had roughly \$1 million a year in timber revenue each year, so \$2,000,000 for the biennium. Before he got to BCPL, the average was about \$200,000 a year. We have experienced a five-fold increase over that time. This last year fiscal year just closed on June 30th. We had a little bit more than half a million in timber revenue, which is a significant decrease from the previous two years. This decrease can be attributed to a winter that was not a winter. As mentioned before, we have a significant amount of land that's kind of wet. On a significant part of our timberland base, it's winter only logging. If you try to go in there during other times of

the year with heavy machinery, it's not going to work. This was a very difficult year, not just for BCPL, but virtually every timberland owner that relies on timber revenue. Loggers could not get into the forest until very late and logging ended very early. Throughout northern Wisconsin, it was a very terrible year for timber revenue.

Our revenue was about \$525,000. The silver lining out of this is a lower revenue year like this now would have been a great year several years ago. Our standards and expectations have gone up significantly. Because some timber sale harvesting was deferred until this year, we are anticipating a significantly stronger year this fiscal year.

Board Chair Godlewski asked if any of our sales were affected by some of these mill closures that we've seen over the last few years.

Executive Secretary German replied that our whole program was affected by the mill closures that happened the last several years. Virtually every timber sale has a component of soft wood or pulp wood and hardwood. With the closures of the last couple years, the market for pulpwood in much of northern Wisconsin has gone away. The Wisconsin Rapids mill was a huge mill that took timber in from a huge area. That mill's closing left a lot of trees with no market to go to. A hardwood sale still has a significant amount of pulp wood that would be harvested but now there is nowhere to go with it. Some loggers don't know what to do with this because there is now not much of a market for the pulp wood. Things were affected by those mill closures, and the effect is much larger than just a timber sale here or a timber sale there. It is affecting virtually every timber sale, not just in our areas, but in a significant radius around those two mills.

Commissioner Leiber asked how much the fees for FSC went up.

Executive Secretary German replied that they did not give us a firm quote for this coming year, but the outline of what they were describing would have more than doubled the cost with that amount being north of \$20,000. The time and resources from our staff to go through all that was getting to the point where the costs were outweighing the benefits. The auditing was not done by FSC itself, but instead they have a network of auditors that audit for them. Those independent auditors are auditing according to the FSC standards. We put out a request for proposals or invitations to bid in the past and every time we did this, the price kept going up.

MOTION: Board Chair Godlewski moved to approve the proposed land management certification change as written in the resolution; Commissioner Leiber seconded the motion.

VOTE: The motion passed 3-0.

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

None

ITEM 7. EXECUTIVE SECRETARY'S REPORT

None

ITEM 8. BOARD CHAIR'S REPORT

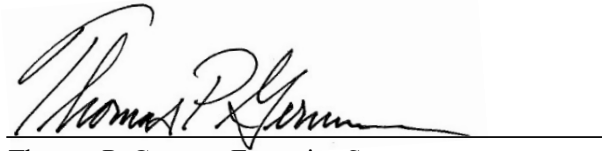
None

ITEM 9. FUTURE AGENDA ITEMS

None

ITEM 10. ADJOURN

Commissioner Kaul moved to adjourn the meeting; Board Chair Godlewski seconded the motion. The motion passed 3-0; the meeting adjourned at 2:24 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/bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2024/2024-07-16 BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2024/2024-07-16%20BoardMtgRecording.mp3)

**BOARD MEETING
AUGUST 6, 2024**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Milford Jefferson County Application #: 02025009 Purpose: Finance roadwork and fire truck	Town Rate: 6.00% Term: 5 years	General Obligation	\$270,000.00
2. Whiting Portage County Application #: 02025010 Purpose: Finance roadwork and bridge rehabilitation	Village Rate: 6.00% Term: 20 years	General Obligation	\$626,500.00
3. Embarrass Waupaca County Application #: 02025011 Purpose: Finance engineering and design work	Village Rate: 6.00% Term: 2 years	General Obligation	\$150,000.00
	TOTAL		<hr/> \$1,046,500.00