
Board Meeting Minutes
November 7, 2024

Present were:

Sarah Godlewski, Board Chair	Secretary of State
John Leiber, Commissioner	State Treasurer
Josh Kaul, Commissioner	Attorney General
Tom German, Executive Secretary	Board of Commissioners of Public Lands
Rich Sneider, Chief Investment Officer	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

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 11:00 a.m.

ITEM 2. APPROVE MINUTES

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

DISCUSSION: None

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Mr. Sneider shared that loan #3 to the Village of West Milwaukee is for a development incentive for a Palermo's Pizza. Palermo's is planning to build a 200,000 square foot pizza production facility in the village. This facility will create 50 new jobs.

Loan #17 is to the City of Beaver Dam. The city is refinancing prior service pension liabilities. Years ago, this was a very common loan purpose. But we haven't done many of these types of loans in recent years. When municipalities and school districts were moving their employees into the Wisconsin Retirement System (WRS) the municipalities and schools transferred their respective retirement plan assets to WRS. But some municipalities and school districts didn't have enough assets to transfer to cover the cost of the WRS pension benefits of their respective employees. In those cases, WRS levied an annual surcharge on the municipality or school district to pay off those "unfunded" pension liabilities over time. The amount of the surcharge was calculated using an interest rate equal to the WRS expected rate of return. However, BCPL is offering lower interest rates than what the WRS was charging so the City of Beaver Dam is refinancing their WRS liability with us.

Loan #20 to the City of Sun Prairie is to finance a development incentive for a four story building downtown that will have 91 market rate apartments and 11,000 square feet of commercial space.

Other loans include two loans for financing buildings, five for infrastructure projects, including roads. The loan to

the Town of Sturgeon Bay is to finance a fiber network project. Seven loans are for equipment including fire trucks. Three loans are for economic development and three are to refinance debt. Ten of the loan applications are replacing applications that were cancelled to take advantage of lower interest rates before Board approval. One application is being presented again as it was cancelled after the Board had approved it at a previous meeting.

Rates have been volatile lately so we reduced rates substantially on September 25th to follow reductions in market interest rates. This prompted a lot of these redone applications in the short term. Market rates have remained volatile but have trended higher recently so we raised our loan interest rates on October 23rd. New applications will be at slightly higher rates than we were offering in the midterm.

Board Chair Godlewski asked if the pension liability refinancing for the City of Beaver Dam was for the county or city. Mr. Sneider replied that it was for the city.

Executive Secretary German described a bit more of the backstory on the prior service pension liabilities.

VOTE: The motion to approve the loans passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$14,585,627.30** in State Trust Fund Loans to support **20** community projects in Wisconsin.

1. Town of Menomonie / Dunn County / Finance roadwork / \$900,000.00
2. Town of Menomonie / Dunn County / Finance bridge work / \$100,000.00
3. Village of West Milwaukee / Milwaukee County / Finance TID #5 creation, projects and incentive / \$3,000,000.00
4. Town of Leon / Waushara County / Finance purchase of fire truck / \$98,000.00
5. Town of Silver Cliff / Marinette County / Finance purchase of fire truck / \$400,000.00
6. City of Rhinelander / Oneida County / Finance TID #11 roads and liabilities / \$460,000.00
7. Village of Dresser / Polk County / Finance purchase of fire truck / \$170,800.00
8. City of Mosinee / Marathon County / Finance purchase of capital equipment / \$140,000.00
9. City of Fox Lake / Dodge County / Finance DPW equipment lease buyouts / \$350,000.00
10. Town of Wyocena / Columbia County / Refinance debt for ambulance district / \$150,000.00
11. Town of Shelby / La Crosse County / Finance road and sidewalk projects / \$1,000,000.00
12. Town of Agenda / Ashland County / Finance roadwork / \$200,000.00
13. Town of Conover / Vilas County / Finance purchase of truck chassis / \$350,000.00
14. Town of Sturgeon Bay / Door County / Finance broadband project / \$204,337.30
15. Town of Highland / Douglas County / Finance purchase of loader/backhoe / \$132,490.00
16. Town of Ellington / Outagamie County / Finance the purchase of fire department radios / \$120,000.00
17. City of Beaver Dam / Refinance prior service pension liability / \$2,620,000.00
18. Town of Draper / Sawyer County / Finance purchase of roadside mower/tractor / \$290,000.00
19. City of Sun Prairie / Dane County / Finance expansion of Sun Prairie Public Library / \$3,400,000.00
20. City of Sun Prairie / Dane County / Finance Lokre Development Incentive / \$500,000.00

ITEM 4. OLD BUSINESS

None

ITEM 5. NEW BUSINESS

None

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT – Quarterly Investment Report

Mr. Sneider reported that markets are being impacted by the results of the presidential election. Markets believe that the Trump administration policies will be good for business. There were impressive gains in the stock market and interest rates surged on Wednesday, after the election, as an increase in future inflation was priced in. The rate on the 30 year Treasury saw its largest increase in the past 4 1/2 years.

The impact of all this on the BCPL should be nominal. The values of our fixed income investments will be hit in the short term, but income generated by our private debt investments, including the State Trust Fund Loan Program will likely improve. Greater economic growth should help increase revenues throughout our equities, real estate and infrastructure investments, but higher rates will also have an impact on the earnings of the underlying companies, some industries more than others. Our portfolio is diversified and designed to be resilient to changes in market conditions. We will be able to produce distributions to our trust fund beneficiaries that continue to grow above the long term rate of inflation.

In looking at how our projected income over the next 12 months compares to the prior quarter and the prior year, our projected income over the next 12 months is now at \$70.5 million. This is an increase of 2% above the same projection following Q2. Commercial real estate appears to have bottomed out after dropping 20% or more over the last two years.

As for the Allocation Report, we are underweight in our real estate allocation due to the mentioned drop in values and the turnaround suggests that this might be a reasonable time to add commitments to that sector. The investment committee is considering a commitment to a real estate fund focused on retail properties. We had purposely underweighted retail in the past to avoid the impact from consumer shifts to online sellers, but fundamentals in the grocery anchored sub sector now appear to be improving. The fund under consideration is offered by a current manager that we hold in high regard. The Investment Committee is also considering recommendations to the Board regarding changes to our target allocations. We need to review our allocation policy on a regular basis because the risk and return expectations across asset classes changes over time. We will keep the Board apprised as to our progress in this regard.

Over the past few years, quarterly reports have been provided in this current format. Has it met the needs of the Board? Is there additional information, change in format or frequency of reporting that would help you or your constituents? Please let Mr. Sneider know if there is something you would like to see in future reports so he can incorporate those ideas.

Board Chair Godlewski shared two things she believes to be important: 1.) continuing to let us know how growth of our funds compares to inflation and how the portfolio continues to be resilient; and 2.) it is important to have information that we can share about the Wisconsin companies and businesses we have supported through our investments in the venture capital funds we have selected.

Mr. Sneider appreciated the feedback. He will report on inflation comparison once a year and provide news about venture capital companies when he can. All Board members thanked him for his report.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German reported on the loan applications that came before the Board today and where we are this biennium. We are a third of the way through the current biennium. We have made loans to municipalities, school districts, etc. in 57 different Wisconsin counties out of 72 total counties. This means we have made loans to more than 75% of the counties in Wisconsin just in this biennium. This tells you a little bit more about the footprint of this program which covers the whole state. We make an effort to ensure we are serving the entire state. We look at where we're making loans and where we haven't for a while. We make an extra effort to connect with those communities that have not borrowed from us recently. For a small agency with limited resources and a small staff,

the fact that we are able to lend to communities throughout the state and deliver the interest on those loans to schools throughout the state is a success story.

A couple weeks ago, he made a trip up to City of Superior where BCPL has two very old submerged land leases which are coming to the end of their original terms. We are in the process of evaluating the request for new leases. The DNR is also looking at it from a regulatory basis. We will be bringing those proposed leases to the Board sometime in the next couple of months.

On a completely different note, the Combined Giving Campaign finished up for the State of Wisconsin and hats off to our staff here at BCPL. We had wonderful participation. It goes unsung, but we have dedicated civil servants here who also give back to their communities and to charities. Every year BCPL wins awards for participation at a level of commitment to the Combined Giving Program.

ITEM 8. BOARD CHAIR'S REPORT

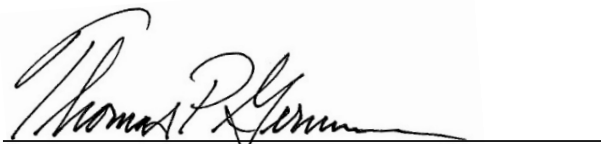
Board Chair Godlewski reported two things for the commissioners. The investment committee is meeting next Thursday. One item for discussion is the distribution for the upcoming Common School Fund for 2025-2026. She will keep the Board posted on what that distribution will be. Mr. Sneider has shared with us earlier that the fund is doing very well. The investment committee would be reviewing the performance of the Fund and how the size of the smoothing account may impact the distribution. She also advised the Board that the Common School Fund distribution amount will be announced publicly this fall and more details will be provided at the next Board meeting.

ITEM 9. FUTURE AGENDA ITEMS

None

ITEM 10. ADJOURN

Commissioner Kaul moved to adjourn the meeting; Commissioner Leiber seconded the motion. The motion passed 3-0; the meeting adjourned at 11:19 a.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/2024/2024-11-07/BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2024/2024-11-07/BoardMtgRecording.mp3)