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Thomas P. German, *Executive Secretary*

## AGENDA

October 20<sup>th</sup>, 2020  
2:00 P.M.

Board of Commissioners of Public Lands  
101 E. Wilson Street, 2<sup>nd</sup> Floor  
Madison, Wisconsin

### Routine Business:

1. Call to Order
2. Approve Minutes – October 6<sup>th</sup>, 2020 (Attachment)
3. Approve Loans (Attachment)

### 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

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Toll Free Number: **(888) 291-0079**  
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Board Meeting  
Minutes  
October 6<sup>th</sup>, 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 |
| Julie Benkoske, Chief of Staff            | State Treasurer                        |

**ITEM 1. CALL TO ORDER**

Board Chair Godlewski called the meeting to order at 2:02 p.m.

**ITEM 2. APPROVE MINUTES** – September 15, 2020.

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

**DISCUSSION:** None

**VOTE:** The motion passed 3-0.

**ITEM 3. APPROVE LOANS**

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

**DISCUSSION:** Mr. Sneider shared that all loans have been approved by the Attorney General’s office for public purpose. Mr. Sneider commented on the largest loans: Loan #1 is a TID land purchase for an economic development project and Loan #5 is for construction of a municipal parking lot in Sun Prairie. Both loans are considered loans for economic development. BCPL continues to be the go-to agency for financing of economic development projects throughout the state. BCPL has made over \$1.2 billion in loans over the last 10 years. Nearly 20% of those loans have been classified as economic development projects. There are many loans provided by BCPL that have an element of economic development, including the purchase of fire trucks or the purchase of construction equipment made by Pierce or Oshkosh Truck and many building construction and road projects. The State Trust Fund loan program is important to the economic vitality of the state.

Commissioner LaFollette asked about loan #1. What does TID stand for?

Mr. Sneider replied that it stands for tax incremental district.

Commissioner LaFollette inquired as to why loan #7 is not considered economic development if loan #1 is.

Mr. Sneider explained that the North Lake Management District is purchasing land for a new public boat launch on that lake. Depending on how you look at that loan it could potentially be included in the economic development loans, but it is a bit of a stretch.

Board Chair Godlewski thanked Mr. Sneider for his report. She added that this reiterates what was discussed at the last meeting as far as doing a review of the State Trust Fund Loan Program, including what loans were made, what percentage of the loans are for economic development. She added she is excited to see what kind of impact the State Trust Fund Loan Program has had in the state.

**VOTE:** The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$3,390,000.00** in State Trust Fund Loans to support **7** community projects in Wisconsin.

1. Village of Allouez / Brown County / Finance TID land purchase / \$1,375,000.00
2. Town of Goetz / Chippewa County / Finance roadwork / \$225,000.00
3. Town of Winchester / Vilas County / Finance the purchase of fire truck / \$100,000.00
4. Town of Ahnapee / Kewaunee County / Finance roadwork / \$100,000.00
5. City of Sun Prairie / Dane County / Finance construction of municipal parking lot / \$1,150,000.00
6. Village of Elmwood / Pierce County / Finance roadwork / \$100,000.00
7. North Lake Management District / Waukesha County / Finance land purchase / \$340,000.00

#### **ITEM 4. OLD BUSINESS - NONE**

#### **ITEM 5. NEW BUSINESS – Land Bank Transaction – Sale of BCPL property**

Executive Secretary German shared that the northern staff continually goes through BCPL's land inventory looking for parcels that are not central to BCPL's mission in producing money for its trust funds or are also lands that BCPL may be able to find a purchaser for. Virtually every parcel that BCPL owns has gone up for public auction at least once and sometimes two and three and four times over the history of the agency. Before the land is put up for auction, the agency makes sure there is a likelihood of success on the sale because it costs money to get the land appraised. In this current potential sale, the adjacent landowner has responded to the agency's inquiry as to whether he would be interested in purchasing. BCPL paid for the appraisal and the adjacent landowner is motivated to bid. The parcel is located adjacent to the county forest, but the county is not interested in acquiring it to expand the county forest. These parcels are not central to BCPL's mission of producing recurring revenue for the trust funds and therefore it is deemed that these parcels are suitable for sale.

Board Chair Godlewski asked if this land sits in the land banking authority.

Executive Secretary German replied that when the agency sells this particular property, the proceeds would be set aside in the "land bank" to be invested in other lands. The other lands that BCPL could acquire with that money have to either provide better public access to BCPL's trust lands, improve management efficiency or address forest fragmentation, in essence block better to produce a bigger contiguous block of land. In this situation, the land has been appraised at \$36,400. If someone were to bid at least \$36,400, that money would then be available to purchase other lands.

Commissioner LaFollette asked how much money is in that account now.

Executive Secretary German replied that currently it is about \$1.6 million.

Commissioner LaFollette commented that the board has not discussed that fund in a long time and perhaps it should be put on the next agenda. He then asked if BCPL been scouting around for land.

Executive Secretary German explained that BCPL has been scouting around for land. What BCPL has been trying to do is make sure that it is picky about the land it is picking up. The land must do the things the agency is looking for. There is land available up north but sometimes it is not suitable. The available land may not be close to what BCPL already has, it may not be suitable for growing timber, or the asking price may be too high. When BCPL purchases land, sometimes the land that it purchases has already been on the market for a while and the price has come down.

Board Chair Godlewski asked about land banking. Do the 80 acres also count toward purchasing 80 acres? She understands that BCPL only has authority to purchase so much land to meet those objectives discussed earlier.

Executive Secretary German commented that the statutory limitation that BCPL cannot own more land than it started with. When BCPL started land banking in 2006, BCPL had 77,845 acres. So, when these 80 acres are sold, it gives BCPL more room to buy more acres of land. The acreage cap is not much of a concern. Much of BCPL land is isolated and sometimes land locked, as a result, we receive a lower price per acre. Purchasing productive and accessible timber land comes at a higher cost per acre. As land banking goes forward, BCPL will end up with fewer acres because BCPL is selling generally less expensive land and buying generally more expensive land.

**MOTION:** Commissioner LaFollette moved to approve the resolution; Board Chair Godlewski seconded the motion.

**DISCUSSION:** Commissioner LaFollette asked for clarification about the interested buyer. Is his land adjacent? It is indicated in the materials provided that the land for sale has no access. Does the interested neighbor have a way to access the land already?

Executive Secretary German replied that the interested buyer is an adjacent landowner and does have a way to legally access the land.

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

## **ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT**

Mr. Sneider shared that he has provided a summary along with details of BCPL's investment portfolio. It is his intent to provide this type of detail on a quarterly basis moving forward. He is also working on a format to provide a quarterly summary of amounts invested in each asset class relative to the asset allocation approved by the board and the investment policy. That report should be available by the next meeting. At the most recent investment committee meeting, the investment committee voted to commit \$30 million to a fund called the Brookfield Infrastructure Debt Fund II which is a fund that lends money to infrastructure projects. It is a relatively safe asset class and should provide reasonable returns. Annual returns are expected to be about 7%.

## **ITEM 7. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary German shared that Micah Zeitler, BCPL's real estate specialist, has continued to make progress on real estate transactions. While movement on the bigger transactions move slowly, BCPL is starting to see progress on the smaller transactions. In addition to the transaction on the agenda today, BCPL is moving to close on the sale of a small parcel of land in Douglas County that has been previously approved by the board. The purchaser has been ready to close for some time and BCPL needs signatures from the commissioners. Executive Secretary German would greatly

appreciate it if a time could be scheduled to meet with the commissioners individually to obtain the signatures on the land patent so the transaction can be completed. He promises he will take all reasonable precautions while obtaining and notarizing your signature. He asked how the commissioners would like to schedule that time.

Commissioner LaFollette responded that Executive Secretary German can give him a call and he can let him know what to do.

Board Chair Godlewski asked about the timeline of signing the patent.

Executive Secretary German commented that the buyers have been ready to go for a while and that it needs to be done soon.

Commissioner Kaul commented that Executive Secretary German can schedule a time with the Commissioner Kaul's office.

#### **ITEM 8. BOARD CHAIR'S REPORT**

None

#### **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 2:19 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2020/2020-10-06 BoardMtgRecording.mp3>

**BOARD MEETING  
OCTOBER 20, 2020**

**AGENDA ITEM 3  
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Cumberland Barron County Application #: 02021064 Purpose: Finance land purchase	City Rate: 3.00% Term: 10 years	General Obligation	\$125,000.00
2. Oregon Dane County Application #: 02021065 Purpose: Finance roadwork and plow truck	Town Rate: 2.50% Term: 4 years	General Obligation	\$250,000.00
	<b>TOTAL</b>		<hr/> <b>\$375,000.00</b>

**Common School Fund**  
**Portfolio Report**  
September 30, 2020

Asset Class	Cost	Current Market Value	Unrealized Gain/Loss	% Gain/Loss	Yield at Cost	Projected Annual Income
<b>Fixed Income</b>						
Public Debt						
State/State Agency/Municipal Bonds	\$ 176,948,401	\$ 189,130,274	\$ 12,181,873	6.9%	4.18%	\$ 7,400,419
U.S. Treasury/Agency Bonds	\$ 9,977,500	\$ 10,017,940	\$ 40,440	0.4%	3.40%	\$ 343,000
U.S. Treasury Inflation Protected Securities	\$ -	\$ -	\$ -			
Corporate Bonds	\$ 117,584,034	\$ 119,985,773	\$ 2,401,739	2.0%	5.00%	\$ 5,891,705
Private Debt						
BCPL State Trust Fund Loans <sup>1</sup>	\$ 367,321,415	\$ 367,321,415	\$ -	0.0%	3.61%	\$ 13,442,437
Other Private Debt	\$ 34,584,097	\$ 35,907,338	\$ 1,323,241	3.8%	7.56%	\$ 2,614,097
<b>Equities and Alternatives</b>						
Public Equities						
Domestic Equities <sup>2</sup>	\$ 131,787,010	\$ 143,507,858	\$ 11,720,848	8.9%	3.70%	\$ 4,894,033
Global Equities	\$ 86,899,488	\$ 91,455,754	\$ 4,556,266	5.2%	3.50%	\$ 3,057,595
Alternatives						
Private Real Estate	\$ 42,878,875	\$ 41,781,378	\$ (1,097,497)	-2.6%	5.50%	\$ 2,212,309
Real Assets/Infrastructure	\$ -	\$ -	\$ -			\$ -
Private Equity/Venture Capital <sup>3</sup>	\$ 14,509,843	\$ 13,217,474	\$ (1,292,369)	-8.9%	0.00%	\$ -
<b>Cash</b>						
ADM	\$ 100,000,000	\$ 100,000,000	\$ -	0.0%	0.73%	\$ 729,000
State Investment Fund <sup>4</sup>	\$ 118,481,290	\$ 118,481,290	\$ -	0.0%	0.13%	\$ 152,548
Total Cash	\$ 218,481,290	\$ 218,481,290	\$ -	0.0%	0.40%	\$ 881,548
<b>TOTAL PORTFOLIO</b>	\$ 1,200,971,953	\$ 1,230,806,494	\$ 29,834,541	2.5%	3.39%	\$ 40,737,143

**Notes:**

<sup>1</sup> Investment bankers indicate that STFL assets are worth more than cost. However, these assets are held at cost because no independent appraisal has been conducted. STFL assets have always been held to maturity. Annual income includes STFL interest payments due 3/15/21 and is subject to change.

<sup>2</sup> Domestic equities currently includes \$53.7 million in preferred stock ETFs, adding to the allocation for domestic public equities and increasing Yield at Cost.

<sup>3</sup> 4490 Ventures II had realized losses of \$1,143,968 in 2019, reducing both the investment basis and unrealized losses by that amount. Private equity/venture capital is valued at market value per sponsor as of the end of the prior quarter plus new investments made during the current quarter.

<sup>4</sup> State investment Fund rate from September 2020 SIF Pool Earnings Workbook.

**Common School Fund  
Asset Allocation Report  
September 30, 2020**

Asset Class	Current Market Value	Current Allocation	Unfunded Commitments	Market Value + Commitments	Potential Allocation	Target Allocation	Target Range
<b>Fixed Income</b>		<b>58.7%</b>			<b>61.8%</b>	<b>55.0%</b>	
Public Debt							
State/State Agency/Municipal Bonds	\$ 189,130,274	15.4%		\$ 189,130,274	15.4%	5.0%	0% to 30%
U.S. Treasury/Agency Bonds	\$ 10,017,940	0.8%		\$ 10,017,940	0.8%	0.0%	0% to 30%
U.S. Treasury Inflation Protected Securities		0.0%		\$ -		0.0%	0% to 10%
Corporate Bonds	\$ 119,985,773	9.7%		\$ 119,985,773	9.7%	10.0%	0% to 30%
Private Debt							
BCPL State Trust Fund Loans <sup>1</sup>	\$ 367,321,415	29.8%	\$ 37,800,000	\$ 367,321,415	29.8%	30.0%	20% to 50%
Other Private Debt	\$ 35,907,338	2.9%		\$ 73,707,338	6.0%	10.0%	0% to 20%
<b>Equities and Alternatives</b>		<b>23.6%</b>			<b>35.1%</b>	<b>45.0%</b>	
Public Equities							
Domestic Equities <sup>2</sup>	\$ 143,507,858	11.7%		\$ 143,507,858	11.7%	7.5%	5% to 20%
Global Equities	\$ 91,455,754	7.4%		\$ 91,455,754	7.4%	7.5%	5% to 20%
Alternatives							
Private Real Estate	\$ 41,781,378	3.4%	\$ 117,285,596	\$ 159,066,974	12.9%	20.0%	5% to 25%
Real Assets/Infrastructure		0.0%		\$ -	0.0%	5.0%	0% to 10%
Private Equity/Venture Capital <sup>3</sup>	\$ 13,217,474	1.1%	\$ 21,996,494	\$ 37,500,000	3.0%	5.0%	0% to 10%
<b>Cash</b>		<b>17.8%</b>			<b>3.2%</b>	<b>0.0%</b>	
ADM	\$ 100,000,000	8.1%					
State Investment Fund <sup>4</sup>	\$ 118,481,290	9.6%					
Total Cash	\$ 218,481,290	17.8%					
<b>TOTAL PORTFOLIO</b>	\$ 1,230,806,494		\$ 177,082,090	\$ 1,191,693,326			

**Current and potential allocations shown in red are outside of the approved target range.**

**Notes:**

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