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608 266-1370 INFORMATION
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Thomas P. German, *Executive Secretary*

AGENDA

May 4th, 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 – April 6, 2021 (Attachment)
3. Approve Loans

Old Business:

4. None

New Business:

5. Conservation Easement – Brazeau Mitigation Bank, Oconto County
6. Conservation Easement – Stone Property, Clark County
7. Quarterly Investment Report
8. Asset Allocation Resolution
9. Update on Goals and Priorities

Routine Business:

10. Chief Investment Officer's Report
11. Executive Secretary's Report
12. Board Chair's Report
13. Future Agenda Items
14. Adjourn

AUDIO ACCESS INFORMATION

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

Board Meeting
Minutes
April 6, 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 2:02 p.m.

ITEM 2. APPROVE MINUTES – March 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; Board Chair Godlewski seconded the motion.

DISCUSSION: Mr. Sneider highlighted three loans. Loan number five to the City of Racine is for renovation of a vacant department store downtown.

Commissioner LaFollette asked about the department store building being abandoned.

Mr. Sneider replied that he believed it had been vacant for about 40 years.

Mr. Sneider shared that the City of Onalaska’s loan is for extending the fiber network from City Hall to the Public Library which will increase the public’s access to high-speed internet in the downtown area. Loan number seven to the Town of Drammen is for an upgrade of the local utility infrastructure, ‘Fiber to the Home’ (FTTH). The town is investing a total of \$600,000 in a FTTH project. \$400,000 of the funding is from the State Trust Fund Loan Program and the town is also anticipating grants from the Public Service Commission. The town completed a survey of its residents for the project and the final survey vote was 185 yes, and 55 no.

Board Chair Godlewski commented on the survey results being largely yes and that she was pleased to see a loan for

Internet support in her home county.

Mr. Sneider replied that the project was voted on twice. It is hilly around Drammen so there is a need for landlines and fiber to everybody. Residents shared that a concern for the elderly was one of the reasons mentioned in voting for the project.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$6,479,341.00** in State Trust Fund Loans to support **7** community projects in Wisconsin.

1. Village of Shiocton / Outagamie County / Finance purchase of tractor / \$41,200.00
2. Village of Shiocton / Outagamie County / Finance purchase of plow truck / \$153,753.00
3. Town of Reedsburg / Sauk County / Finance purchase of snowplow chassis and equipment / \$106,000.00
4. Village of Brandon / Fond Du Lac County / Finance purchase of backhoe / \$25,000.00
5. City of Racine / Racine County / Finance development incentive / \$5,500,000.00
6. City of Onalaska / La Crosse County / Finance vehicle, equipment and fiber network / \$253,388.00
7. Town of Drammen / Eau Claire County / Finance telephone/broadband infrastructure / \$400,000.00

ITEM 4. OLD BUSINESS

None

NEW BUSINESS – PROPOSED LAND BANK TRANSACTIONS

ITEM 5. – P2101 purchase of 1652 acres from The Forestland Group

Executive Secretary German shared that State law requires BCPL to reinvest the proceeds from its School Trust Lands into other timberland and any lands BCPL purchases are supposed to improve public access, address forest fragmentation, or improve management efficiencies. The Forestland Group is in the process of selling off lands because their funds that own certain timberlands are reaching their maturity dates. BCPL looked for blocks of Forestland Group land that were adjacent to or near BCPL lands. The lands BCPL has identified have been appraised and we were able to negotiate a slight discount from Forestland Group off that appraised value.

ITEM 6. – E2101 Exchange of 240 acres for 206 acres from Northwoods Land Trust, Inc.

The second part of the transaction is an exchange. BCPL owns a block of land around Beaver Creek in Iron County. It is a beautiful parcel of land that has some great natural area qualities. Unfortunately, it does not have legal public access. Despite BCPL's efforts to secure that access, we were unsuccessful. The DNR has had a rule against acquiring property that does not have public access, but the Northwoods Land Trust felt strongly about preserving the property and asked if they could acquire it in exchange for part of The Forestland Group property that BCPL was looking at acquiring. In essence, they would buy a piece of The Forestland Group property and then exchange it for the Beaver Creek property. The appraisal that came in for the Beaver Creek property came in a little bit lower than we expected, and that was attributed to the lack of access. After some discussions with the Northwoods Land Trust, we agreed on a slightly higher valuation for the Beaver Creek property. This transaction makes sense for BCPL and makes sense for the Northwoods Land Trust and is acceptable to The Forestland Group. A win, win, win proposition

DISCUSSION: Commissioner LaFollette asked about how the incoming land to BCPL ended up surrounded by current trust land.

Executive Secretary German explained that when BCPL got its lands from the federal government there was never a

promise from the federal government that it would be in one single block. Lands granted through the Swamp Land Act had to be determined to be more than 50% swampy. One of the incoming parcels looks like it is mostly upland and the other piece somewhere in between, so those might have been sold by the federal government to somebody else long ago.

Commissioner LaFollette commented on the incoming land being surrounded by trust land that BCPL has owned for over 100 years.

Executive Secretary German replied that BCPL did acquire some other pieces to build that block up but that most of it came from the federal government. If you look very carefully at the original plat maps, you will see some straight lines that were drawn after the fact, not at the time that the maps were created. Swamps do not conform to squares and they do not conform to rectangles making it difficult to judge if a property was more or less than 50% swampland. So, it was decided that lines be drawn from where the swamps intersected section lines and these lines were then used as the point of reference for determining swamplands back then.

Commissioner LaFollette asked about the second map showing the land BCPL is purchasing, which appears to be separated from BCPL's current land.

Executive Secretary German acknowledged that a piece of the proposed acquisition lands were not adjacent but were located nearby. When BCPL started putting the deal together, The Forestland Group had suggested they sell us a certain piece of adjacent land and then they changed their mind. In replacement, the Forestland Group came up with those four 40s in the upper part of the map. This block is not contiguous with what we currently own, but it is nearby and easily managed together with the other lands BCPL has in the area.

Commissioner LaFollette and Executive Secretary German discussed the owners of the land surrounding the incoming lands to BCPL. Executive Secretary German commented that The Forestland Group is retaining some parcels in that area but BCPL is picking the properties that are best suited for our agency. Those surrounding lands are still privately owned but BCPL will have very good public access on both of the proposed acquisition properties.

Commissioner LaFollette asked about the exchange and how the six 40-acre parcels of school trust lands came to sit in the middle of private land.

Executive Secretary German explained that the 40-acre parcels BCPL is exchanging in the Beaver Creek Hemlocks were lands granted to BCPL by the federal government.

Commissioner LaFollette asked if BCPL has timbered those lands over the last 100 years.

Executive Secretary German replied he did not believe so.

Commissioner LaFollette thanked Executive Secretary German for the information and commended BCPL for its work.

Board Chair Godlewski commented on BCPL investing over \$1.8 million on these proposed transactions knowing the agency has only \$2 million currently left in the land bank to purchase land and buying about 1600 acres when BCPL has a little over 1700 acres of "cap room" to work with. She asked if this is a point of concern or anything to be worried about.

Executive Secretary German responded that instead of concern this is a point of encouragement. BCPL has been looking for opportunities for a while now and this is the best one that has come along. BCPL has been selling its parcels retail and it is better to be able to buy wholesale. It is correct that this transaction will use up most of the money in the Land Bank currently, and it will use up most of the land cap room we currently have. He shared his optimism that the budget will contain an allocation for the DNR to acquire some BCPL lands. BCPL is also looking at working with wetland mitigation groups that may be acquiring some BCPL wetlands to mitigate damages that have occurred. As a result of that, BCPL would be selling lower priced wetlands that would give the agency more cap space, but not necessarily more funding room. Board Chair Godlewski shared that she believes this is a very good opportunity for the BCPL and not only will it

increase public access, but our ability for timber sales. She expressed her gratitude for the great work. She asked the Board to make two separate approvals, one for the purchase and one for the exchange.

The Commissioners agreed.

MOTION ITEM #5 (purchase): Board Chair Godlewski moved to approve the land purchase as proposed in the board documents; Commissioner LaFollette seconded the motion.

VOTE: The motion passed 3-0.

MOTION ITEM #6 (exchange): Commissioner LaFollette moved to approve the land exchange as proposed in the board documents; Commissioner Kaul seconded the motion.

VOTE: The motion passed 3-0.

ITEM 7. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider pointed out that the interest rate paid by the State Investment Fund has dropped to less than 6 basis points. BCPL's portfolio continues to perform well with total unrealized gain now exceeding \$85 million, which provides BCPL with a great cushion should markets reverse course. He confirmed that he will provide the full packet of quarterly reports for discussion at the May 4th Board meeting.

ITEM 8. EXECUTIVE SECRETARY'S REPORT

None

ITEM 9. BOARD CHAIR'S REPORT

None

ITEM 10. FUTURE AGENDA ITEMS

None

ITEM 11. ADJOURN

Commissioner Kaul moved to adjourn the meeting; Commissioner LaFollette seconded the motion. The motion passed 3-0; the meeting adjourned at 2:27 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2021/2021-03-16-BoardMtgRecording.mp3>

**BOARD MEETING
MAY 4, 2021**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Whiting Portage County Application #: 02021119 Purpose: Finance road project and new truck	Village Rate: 2.50% Term: 5 years	General Obligation	\$200,000.00
2. Sparta Monroe County Application #: 02021120 Purpose: Finance purchase of plow truck	Town Rate: 2.50% Term: 2 years	General Obligation	\$89,500.00
3. Maiden Rock Pierce County Application #: 02021121 Purpose: Finance purchase of tractor and loader	Town Rate: 2.50% Term: 5 years	General Obligation	\$131,767.00
4. Rock Elm Pierce County Application #: 02021122 Purpose: Finance purchase of grader	Town Rate: 2.50% Term: 5 years	General Obligation	\$200,000.00
5. Baraboo Sauk County Application #: 02021123 Purpose: Finance Donahue Terrace Elevator Project	City Rate: 3.25% Term: 5 years	Housing Revenue	\$130,000.00
	TOTAL		<hr/> \$751,267.00

BOARD MEETING

APRIL 20, 2021

AGENDA ITEM 5

PROPOSED CONSERVATION EASEMENT ON SEVERED MINERAL ESTATE

- A. Since 1909, in accordance with state statutes, BCPL has reserved mineral rights and later water-power rights on the sale of School Trust Lands. BCPL has sold over 200,000 acres of land since then. As a result, BCPL has reserved and now holds more than 200,000 acres of “severed” mineral estate (the mineral rights are severed from the rights of the surface owner).
- B. There were a few modest attempts at exploring for minerals in the early 1990s on such severed mineral rights lands. However, BCPL records do not show that any minerals were ever mined or extracted from such lands or any mining leases were ever executed. As a result, these mineral rights reservations have generated no revenue for the respective trust funds.
- C. Conservation easements are often used for protecting natural resources and improving or maintaining air or water quality. In accordance with Wisconsin Law, BCPL may sell a conservation easement on its trust lands and on its severed mineral rights lands. In fact, conservation easements generally require that the holder of any mineral rights either join the surface owner in the agreement or waive such mineral rights.
- D. The surface owners of certain lands located in Oconto County better described on Exhibit A (the proposed conservation “Easement Area”) have operated a cranberry bog and now wish to return such lands to wetland status and they seek to enroll their land into a wetland mitigation banking program. This would require the surface owners to execute a conservation easement to encumber their surface lands and would also require the holder of any mineral estate to join in the conservation easement. BCPL has reserved mineral rights on certain lands lying within the Easement Area.
- E. BCPL staff are not aware of the presence of any minerals in the Easement Area. As part of our due diligence, BCPL staff together with the surface owners, reached out to experts at the Wisconsin Geological and Natural History Survey which is part of the UW-Madison, Division of Extension. Esther Stewart, the Precambrian Geologist provided her assessment of the likelihood of economically extractable minerals. She concluded that, “While no known mineral deposits underlie the property, the bedrock geology could potentially host an as-yet undiscovered deposit, however the likelihood of any economic mineral deposit underlying the property is very small.” A copy of her letter is attached hereto as Exhibit B. Based upon her assessment, and the fact that no mineral exploration company had previously contacted BCPL to acquire mining rights for the Easement Area, BCPL staff were comfortable proceeding with the viewpoint that economically recoverable minerals were not likely present in the Easement Area.

- F. While the likelihood of an economic mineral deposit may be very small, the rights held by BCPL still have some value. BCPL staff could not find any comparable valuations for such rights in the State of Wisconsin. So BCPL staff surveyed other Western States Land Commissions to determine whether any of those Land Commissions sold, waived, or encumbered their retained mineral rights in situations where there did not appear to be any valuable minerals present on such lands. The states that responded indicated that in such situations, they charged a fee ranging from \$50 to \$100 per acre to sell, waive or encumber their severed mineral estate.
- G. The surface owners in the present case are offering to pay BCPL the sum of One Hundred (\$100) per acre to grant the Wisconsin Department of Natural Resources a conservation easement on BCPL severed mineral estate within the Easement Area.
- H. BCPL staff believes that the sum of \$100 per acre is equal to or greater than the full value of the rights that BCPL has reserved to the lands within the Easement Area.
- I. BCPL staff further believes that granting a conservation easement in exchange for the sum of \$100 per acre allows BCPL to generate revenue from a trust asset that has not previously produced any revenue for the trust funds and at the same time improve and protect some wetlands in Northern Wisconsin.
- J. For the above reasons, BCPL staff recommends that the Board authorize the granting of a permanent conservation easement to the Wisconsin DNR on BCPL reserved mineral estate within the Easement Area on which BCPL for the sum of \$100 per acre encumbered by such easement and on such other terms and conditions as the BCPL Executive Secretary determines to be reasonable and necessary.

PROPOSED RESOLUTION

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the granting of a permanent Conservation Easement on BCPL's reserved rights on lands located within the Easement Area in accordance with Sections 24.39 and 700.40 of the Wisconsin Statutes for the sum of One Hundred Dollars (\$100) per acre and on such other terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

Exhibit A: Legal Description of Proposed Conservation Easement Area
Exhibit B: Letter from Wisconsin Geological Survey

EXHIBIT A

LEGAL DESCRIPTION OF PROPOSED CONSERVATION EASEMENT AREA

NEW METES AND BOUNDS DESCRIPTION - PARCEL A

BEGINNING AT THE WEST QUARTER CORNER OF SECTION 4; THENCE N01°29'52"E, 179.46' TO THE POINT OF BEGINNING'; THENCE N01°29'52"E, 1119.95'; THENCE S88°09'57"E, 1076.10'; THENCE S03°02'46"E, 246.81'; THENCE N89°26'57"E, 180.77'; THENCE S5°17'57"E, 543.30'; THENCE N87°22'13"W, 64.11'; THENCE S75°40'47"E BACK TO POINT OF BEGINNING

TOTAL AREA = 1,139,529.60 SQ/FT - 26.16 ACRES

NEW METES AND BOUNDS DESCRIPTION - PARCEL B

BEGINNING AT THE NORTH QUARTER CORNER OF SECTION 4; THENCE S45°12'06"W, 45.20'; THENCE N01°12'06"E, 1258.67'; THENCE S88°21'27"E, 1181.07'; THENCE S01°30'30"W, 372.58'; THENCE S28°56'00"E, 169.32'; THENCE S83°22'57"E, 51.03'; THENCE S01°29'52"W, 732.54"; THENCE N88°29'54"W, 1311.08' BACK TO POINT OF BEGINNING

TOTAL AREA = 1,587,326.40 SQ/FT - 36.44 ACRES

NEW METES AND BOUNDS DESCRIPTION - PARCEL C

BEGINNING AT THE CENTER QUARTER CORNER OF SECTION 4; THENCE N01°10'53"E, 1123.16' TO THE POINT OF BEGINNING; THENCE N01°19'45"E, 180.71'; THENCE S88°57'08"E, 522.75'; THENCE S01°44'00"W, 329.93'; THENCE N78°28'44"W, 222.73'; THENCE N69°03'48"W, 319.54' BACK TO POINT OF BEGINNING

TOTAL AREA = 138,956.40 SQ/FT - 3.19 ACRES

All located in Section 4 of Township 30 North, Range 18 East, Town of Bagley, Oconto County, Wisconsin, consisting of a total of 65.79 acres according to the land survey dated March 22, 2021 by Wetlands and Waterways, LLC for the Brazeau Mitigation Bank.



Wisconsin Geological and Natural History Survey

DIVISION OF EXTENSION
UNIVERSITY OF WISCONSIN-MADISON

July 9, 2020
Larry Konopacki
Stafford Rosenbaum LLP

Dear Mr. Konopacki,

On July 1, 2020, you contacted me requesting a mineral assessment on a property located in the northeast $\frac{1}{4}$ of the northwest $\frac{1}{4}$; the southwest $\frac{1}{4}$ of the northeast $\frac{1}{4}$; and; the southwest $\frac{1}{4}$ of the northwest $\frac{1}{4}$ of Section 4, Township 30 North, Range 18 East, Town of Bagley in Oconto County, Wisconsin (see figure 1).

I currently serve as Precambrian Geologist for the Wisconsin Geological and Natural History Survey, part of the University of Wisconsin-Madison, Division of Extension. It is in this professional capacity that I offer the following.

Surficial sediments

Examination of USGS 1:24,000-scale topographic maps, well construction reports, LiDAR (5 foot resolution), extrapolation from the Quaternary geology of northern Oconto County, Wisconsin (Attig and Ham, 1999) indicate the surficial sediment underlying the property is peat, muck or slope sediment that covers windblown, glacial, stream, or lake sediment (Figures 1 and 2). Peat is generally between 1 to 1.5 m thick and overlies sediments that were deposited in and next to ice-marginal lakes. Fine- to medium-grained windblown sand locally forms dunes that may exceed 10m in height. The surficial sediment was deposited between about 20,000 to 11,500 years before present during the last glaciation as a result of advancement and retreat of the Langelade and Green Bay Lobes of the Laurentide ice sheet. Quaternary deposits in Oconto County are complex and likely to vary significantly in character and thickness over short distances. Because of this local complexity, detailed site-specific investigations, including test drilling, are necessary to verify local conditions.

The surface topography of the area underlying and immediately surrounding the parcel of interest is low-lying and flat. Superimposed on this flat topography are curvilinear ridges that represent sand dunes. Wetlands are common in between the sand dunes (see figure 1). The property itself is mostly characterized by flat topography. A well-developed sand dune is present in the southwest $\frac{1}{4}$ of the northeast $\frac{1}{4}$ of section 4. Well construction reports indicate the water table is generally about 0 to 20 feet below the land surface, and wetlands are present over much of the property. Well construction reports from wells within and surrounding the property indicate depth to bedrock is between 50 to 135 feet. The nearest pits are about 10 miles from the property and located on gravel deposits. While it is possible that the clay or sand deposits on the property may be desirable resources, given the shallow water table and relatively small size of the sand deposits, it is unlikely that economic deposits of unconsolidated material underlie the property.

Bedrock

Data describing the bedrock geology of the area is limited. The bedrock geology has been mapped at 1:250,000-scale as Early Proterozoic mafic to felsic metavolcanic rocks that are interpreted to be present in areas of sparse

geologic data and nondefinitive magnetic and gravity data based on observation of sparse outcrops and drill-holes (Sims, 1990). On the USGS compilation bedrock geologic map (USGS OFR 2004-1355), this map unit is shown as the same unit that underlies known metallic mineral deposits, including the Crandon deposit (Figure 3). The property is located about seven miles south of the Mountain Shear Zone (Sims, 1989), and about one mile south of the Belongia Granite, a ca. 1470 Ma granite that is part of the Wolf River Batholith (Dewane and Van Schmus, 2007), and which intrudes the older Early Proterozoic mafic to felsic metavolcanic rocks and the Mountain Shear Zone.

Non-metallic mineral deposits

The closest bedrock quarries are located about 10 miles south of the property, and these are situated on much younger Paleozoic sedimentary rocks, which are not present in the area underlying the property. No bedrock quarries are present on Precambrian bedrock near (within about 40 miles) the property. The relatively thick surficial sediments and shallow water table are unfavorable for economic extraction of non-metallic mineral deposits, and the likelihood of commercial surface extraction of non-metallic bedrock on the property is remote.

Metallic mineral deposits

Pyrrhotite and associated pyrite, chalcopyrite, and sphalerite are reported in the area of the Mountain Shear Zone, about 10 miles north of the property (Mancuso, 1957; Sims, 1989). Magnetite-rich schists associated with the shear zone may have a tholeiitic basalt protolith, and elsewhere this mineral system (tholeiitic basalts hosted within faults or shear zones) is known to host gold deposits (Sims, 1989). The Reef Deposit is a known gold deposit located about 52 miles southwest of the property along a structure that parallels the Mountain Shear Zone on the east side of the Wolf River Batholith (USGS 2004). The Reef Deposit is hosted in mafic volcanic rocks that are thought to be in part correlative to the mafic and felsic metavolcanic rocks that underlie the property (USGS 2004; Sims, 1990). Several known volcanic massive sulfide deposits are underlain by a bedrock unit that is similar to the unit that is interpreted to underlie the property. In the 1980s American Copper and Nickel Co and UOP Mineral Science drilled and abandoned several mineral exploration holes in the area of the Mountain Shear Zone. Mineral exploration in the area has not demonstrated economic concentrations of gold, copper, or zinc. While no known mineral deposits underlie the property, the bedrock geology could potentially host an as-yet undiscovered deposit, however the likelihood of an economic mineral deposit underlying the property is very small.

Oil, gas, and fossil fuels

There are no known economic deposits of oil, gas, or fossil fuels in Wisconsin, and there is no chance that the crystalline bedrock that underlies the area could host oil, gas, or fossil fuels. Peat deposits are documented associated with the Quaternary, unconsolidated material (Attig and Ham, 1999).

Sincerely,



Esther Stewart
Precambrian Geologist
Wisconsin Geological and Natural History Survey

References:

- Attig, J.W. and N.R. Ham, 1999, Quaternary geology of northern Oconto County, Wisconsin. Wisconsin Geological and Natural History Survey Bulletin 97, 13 pp., 1 plate, 1:100,000-scale.
- Dewane, T.J. and W.R. Van Schmus, U-Pb geochronology of the Wolf River batholith, north-central Wisconsin: Evidence for successive magmatism between 1484 Ma and 1468 Ma. *Precambrian Research*, 157, 215-234.
- Mancuso, J.J., 1957, Geology and mineralization of the Mountain area, Wisconsin: Madison, University of Wisconsin, M.S. thesis, 32 p.

Sims, 1989, Geologic map of Proterozoic rocks near Mountain, Oconto County, Wisconsin. USGS Miscellaneous Investigations Series Map I-1903. 1 plate, 1:24,000-scale.

Sims, 1990, Geologic map of Precambrian rocks of Iron Mountain and Escanaba 1° x 2° quadrangles, northeastern Wisconsin and northwestern Michigan. USGS Miscellaneous Investigations Series Map I-2056, 1 plate, 1:250,000-scale.

USGS Open-File Report 2004-1355, Integrated geologic map databases for the United States; the upper Midwest states: Minnesota, Wisconsin, Illinois, and Indiana.

Surface topography underlying Oconto County parcel

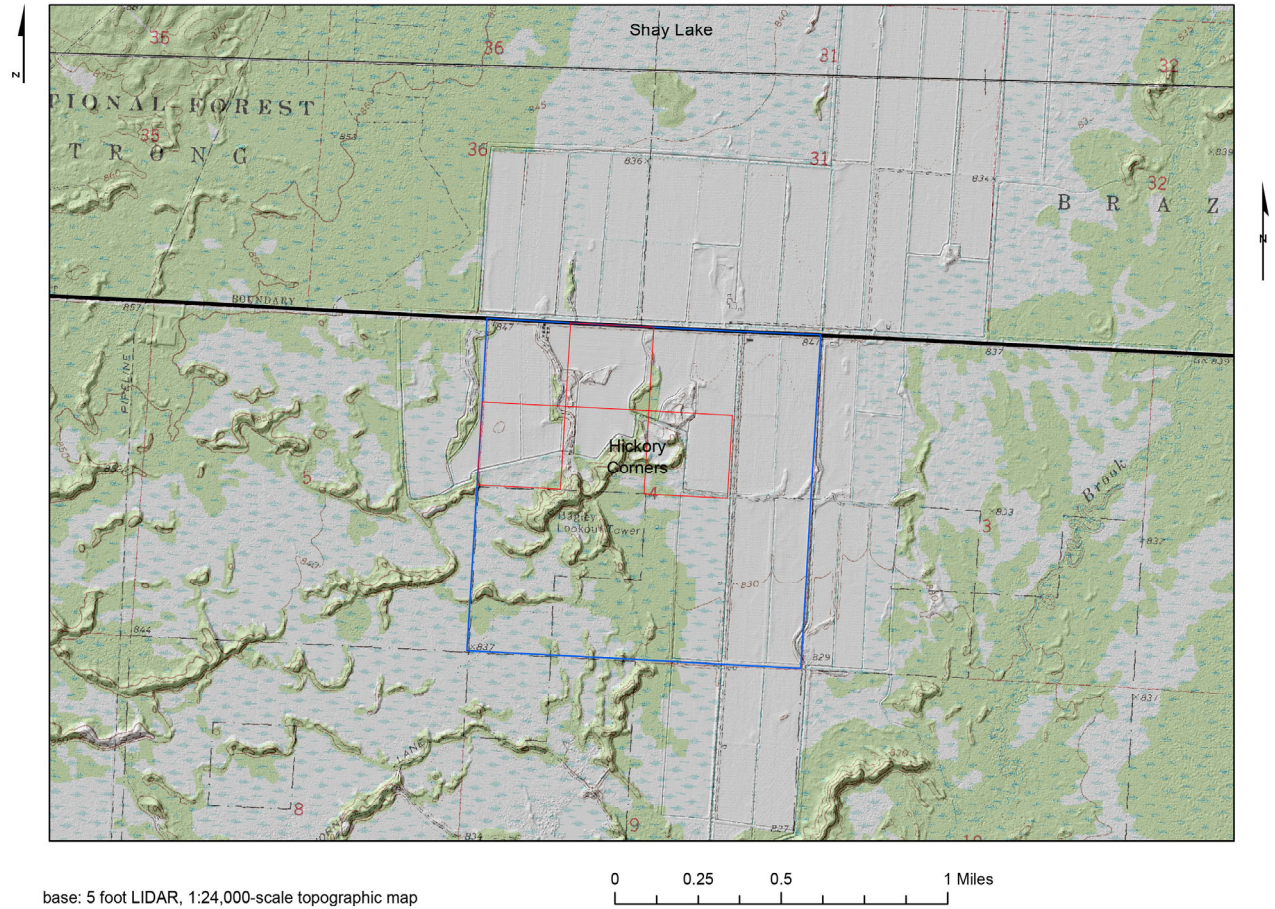


Figure 1. Map showing land surface topography and location of property to the township, range, section, and quarter-quarter section. Section 4 is outlined in blue and the quarter-quarter sections that define the parcel are shown in red.

Quaternary geology and surface topography underlying Oconto County parcel

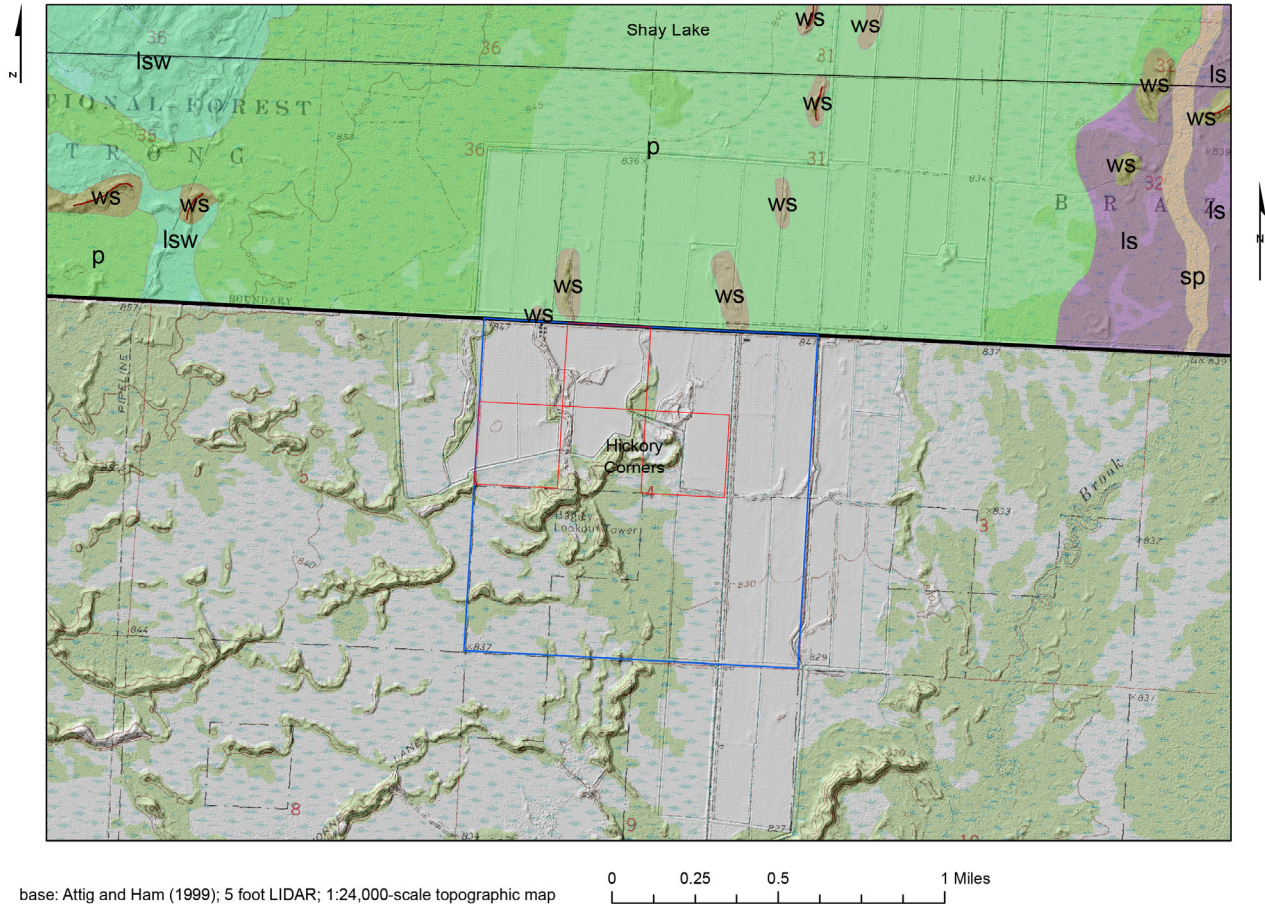


Figure 2. Map showing land surface topography (see Figure 1 for explanation) and available Quaternary geology (Attig and Ham, 1999). Note there is no modern map of surficial geology for the area underlying the property. Quaternary geology underlying the property is inferred based on the continuation of land surface morphology north into the area of the surficial geologic map. The low-lying, flat areas of the property are likely underlain by peat (map unit p) while the curvilinear ridges are underlain by sand dunes composed of wind-blown sand (ws). Refer to Attig and Ham (1999) for complete unit descriptions.

**BOARD MEETING
APRIL 20, 2021**

**AGENDA ITEM 6
PROPOSED CONSERVATION EASEMENT ON SEVERED MINERAL ESTATE**

- A. Since Since 1909, in accordance with state statutes, BCPL has reserved mineral rights and later water-power rights on the sale of School Trust Lands. BCPL has sold over 200,000 acres of land since then. As a result, BCPL has reserved and now holds more than 200,000 acres of “severed” mineral estate (the mineral rights are severed from the rights of the surface owner).
- B. There were a few modest attempts at exploring for minerals in the early 1990s on such severed mineral rights lands. However, BCPL records do not show that any minerals were ever mined or extracted from such lands or any mining leases were ever executed. As a result, these mineral rights reservations have generated no revenue for the respective trust funds.
- C. Conservation easements are often used for protecting natural resources and improving or maintaining air or water quality. In accordance with Wisconsin Law, BCPL may sell a conservation easement on its trust lands and on its severed mineral rights lands. In fact, conservation easements generally require that the holder of any mineral rights either join the surface owner in the agreement or waive such mineral rights.
- D. The surface owner of certain lands located in Clark County, better described on Exhibit A (the proposed conservation “Easement Area”), desires to donate a conservation easement to the North Central Conservancy Trust to protect the shoreline of Arbutus Lake and for other conservation objectives. This requires the surface owner to execute a conservation easement to encumber the surface lands and would also require the holder of any mineral estate to join in the conservation easement. BCPL has reserved mineral rights on certain lands lying within the Easement Area.
- E. BCPL staff are not aware of the presence of any minerals in the Easement Area. As part of our due diligence, BCPL staff together with the surface owners, reached out to experts at the Wisconsin Geological and Natural History Survey which is part of the UWMadison, Division of Extension. Esther Stewart, the Precambrian Geologist, provided her assessment of the likelihood of economically extractable minerals. She concluded that the likelihood of any economic mineral deposit underlying the property is so remote as to be negligible. A copy of her letter is attached hereto as Exhibit B. Based upon her assessment, and the fact that no mineral exploration company had previously contacted BCPL to acquire mining rights for the Easement Area, BCPL staff were comfortable proceeding with the viewpoint that economically recoverable minerals were not likely present in the Easement Area.

- F. While the likelihood of an economic mineral deposit may be very small, the rights held by BCPL still have some value. BCPL staff could not find any comparable valuations for such rights in the State of Wisconsin. Given the valuation difficulties, BCPL staff surveyed other Western States Land Commissions to determine whether any of those Land Commissions sold, waived, or encumbered their retained mineral rights in situations where there did not appear to be any valuable minerals present on such lands. The states that responded indicated that in such situations, they charged a fee ranging from \$50 to \$100 per acre to sell, waive or encumber their severed mineral estate.
- G. The surface owners in the present case are offering to pay BCPL the sum of One Hundred (\$100) per acre to grant the North Central Conservancy Trust a conservation easement on BCPL severed mineral estate within the Easement Area.
- H. BCPL staff believes that the sum of \$100 per acre is equal to or greater than the full value of the rights that BCPL has reserved to the lands within the Easement Area.
- I. BCPL staff further believes that granting a conservation easement in exchange for the sum of \$100 per acre allows BCPL to generate revenue from a trust asset that has not previously produced any revenue for the trust funds and at the same time help protect land that is deemed to have conservation value.
- J. For the above reasons, BCPL staff recommends that the Board authorize the granting of a permanent conservation easement to the North Central Conservancy Trust on the BCPL reserved mineral estate within the Easement Area for the sum of \$100 per acre encumbered by such easement and on such other terms and conditions as the BCPL Executive Secretary determines to be reasonable and necessary.

PROPOSED RESOLUTION

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the granting of a permanent Conservation Easement on BCPL's reserved rights on lands located within the Easement Area in accordance with Sections 24.39 and 700.40 of the Wisconsin Statutes for the sum of One Hundred Dollars (\$100) per acre and on such other terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

Exhibit A: Legal Description and Map of Proposed Conservation Easement Area

Exhibit B: Letter from Wisconsin Geological Survey

EXHIBIT A

LEGAL DESCRIPTION AND MAPS OF PROPOSED CONSERVATION EASEMENT AREA

A tract of land lying in part of the Southeast Quarter of the Northeast Quarter (SE/NE) of Section 36 in Township 23 North, Range 3 West, Town of Dewhurst, Clark County, Wisconsin, consisting of 18 acres, more or less.

BCPL sold the entire SE/NE to Clark County in 1937 (land patent # 46494). The SE/NE was subsequently divided; current records indicate there are four different parcels within the SE/NE, three are owned by Stone. (The map below is from the Clark County GIS and has not been updated to reflect a recent Certified Survey Map that created new lots within the SE/NE.) The intent is for BCPL to sell a conservation easement on its reserved mineral estate in that part of the SE/NE currently owned by Stone.





Wisconsin Geological and Natural History Survey

DIVISION OF EXTENSION
UNIVERSITY OF WISCONSIN-MADISON

November 4, 2020
Micah Zeitler
Board of Commissioners of Public Lands

Dear Mr. Zeitler,

On October 16, 2020, you contacted me requesting a mineral assessment on a property located in the southeast $\frac{1}{4}$ of the northeast $\frac{1}{4}$ of Section 36, Township 23 North, Range 3 West, Town of Dewhurst in Clark County, Wisconsin (see figure 1).

I currently serve as Precambrian Geologist for the Wisconsin Geological and Natural History Survey, part of the University of Wisconsin-Madison, Division of Extension. It is in this professional capacity that I offer the following.

Surficial sediments

The surficial sediments of southern Clark County are assigned to the Bakerville Member of the Copper Falls Formation (Attig et al., 2011), though this assignment is tentative given the most recent mapping of the area is over 100 years old (Weidman, 1907). In the area of the property, the Bakerville Member is described as thin (<5m) to absent and composed of cobbly, pebbly sandy loam (Syverson et al., 2011). Well construction reports indicate the surficial sediment underlying the property is composed of sand, gravel and clay less than 30 feet thick. Quaternary deposits in Clark County are complex and likely to vary significantly in character and thickness over short distances. Because of this local complexity, detailed site-specific investigations, including test drilling, are necessary to verify local conditions.

Examination of USGS 1:24,000-scale topographic maps, well construction reports, and LiDAR (1 meter resolution) indicate the land surface topography in the vicinity of the parcel is low-lying and gently slopes away from a ridge cored by Cambrian-aged sandstone bedrock just north of the property (Figure 1). The property is on the bank of Lake Arbutus, and wetlands are common. Well construction reports indicate the water table is generally about 0 to 15 feet below the land surface. Well construction reports from wells within and surrounding the property indicate depth to bedrock is between 10 to 35 feet. The nearest pits are about 10 miles northeast of the property on the Marshfield moraine where the Bakerville Member is thicker (about 10 meters) (Clayton, 1991; Attig et al., 2011; Syverson et al., 2011). Given the shallow water table and thin, laterally discontinuous distribution surficial material, the likelihood that economic deposits of unconsolidated material underlie the property is so remote as to be negligible.

Bedrock

Data describing the bedrock geology of the area is limited. The bedrock geology is exposed along the Black River and has been mapped at 1:100,000-scale as late Archean (ca. 2.8 Ga) gneiss intercalated with schist and lesser iron formation that is locally intruded by late Archean (ca. 2.5 Ga) granite gneiss and Paleoproterozoic (ca. 1.83 Ga) granite (Figure 2, Sims, 1990).

Wisconsin Geological and Natural History Survey

3817 Mineral Point Road Madison, WI 53705 608-262-1705

Board of Commissioners of Public Lands 11/4/2020 Bradbury, Director and State Geologist

WGNHS.org

Page 18 of 33

Non-metallic mineral deposits

Several bedrock quarries are located within about 10 to 20 miles northeast of the property and target Archean and Paleoproterozoic bedrock similar to the bedrock that underlies the property. However, the shallow water table and proximity to Lake Arbutus are unfavorable for economic extraction of non-metallic mineral deposits, and the likelihood of commercial surface extraction of non-metallic bedrock on the property is so remote as to be negligible.

Metallic mineral deposits

Magnetite taconite was extracted from the Seven Mile Mound deposit east of Black River Falls between 1968 and 1982 (Marsden, 1978, <https://dnr.wisconsin.gov/topic/Mines/FerrousProjects.html>). The Black River Falls district is located about 10 miles south of the property (Figure 2). The bedrock that hosts these iron deposits is folded and steeply dipping, and according to Marsden (1978) the combination of the geometry and oxidation of the host rock and thickness of overburden limit the extent of the mineable ore. Furthermore, in contrast to the bedrock underlying the Black River Falls district, the bedrock that underlies the property is interpreted to include only thin intercalations of iron formation (Sims, 1990). In the 1980s Noranda Exploration drilled and abandoned several mineral exploration holes in the area in between the property and the Black River Falls district. Mineral exploration in the area has not demonstrated economic concentrations of iron ore. Given the shallow water table, proximity to Lake Arbutus, and presence of gneiss and schist, rocks that do not host iron ore, exposed along the Black River near the property (Sims, 1990), the likelihood that economic deposits of iron ore underlie the property is so remote as to be negligible.

Oil, gas, and fossil fuels

There are no known economic deposits of oil, gas, or fossil fuels in Wisconsin, and there is no chance that the crystalline bedrock that underlies the area could host oil, gas, or fossil fuels.

Sincerely,



Esther Stewart
Precambrian Geologist
Wisconsin Geological and Natural History Survey

References:

- Attig, J.W., Bricknell, M., Carson, E.C., Clayton, L., Johnson, M.D., Mickelson, D.M., and Syverson, K.M., 2011. Glaciation of Wisconsin, Wisconsin Geological and Natural History Survey Educational Series 36, 4th edition, 4pp.
- Clayton, L., 1991. Pleistocene geology of Wood County, Wisconsin, Wisconsin Geological and Natural History Survey Information Circular 68, 18 pp., 2 plates.
- Marsden, R.W., 1978, January. Iron ore reserves of Wisconsin: a minerals availability systems report. In Proceedings of the 39th Annual Mining Symposium, University of Minnesota, Minneapolis, MN (pp. 24-27).
- Sims, 1990, Geologic map of Proterozoic rocks of Neillsville-Stevens Point area, central Wisconsin. USGS Miscellaneous Investigations Series Map I-1926. 1 plate, 1:100,000-scale.
- Syverson, K.M., Clayton, L., Attig, J.W. and Mickelson, D.M., 2011. Lexicon of Pleistocene stratigraphic units of Wisconsin, Wisconsin Geological and Natural History Survey Technical Report, 1.
- Weidman, 1907. The Geology of North Central Wisconsin, Wisconsin Geological and Natural History Survey Bulletin 16, 4, 697 pp., 16 plates.

Surface topography underlying Clark County parcel

base: 1 meter- (Clark County) and 5 foot- (Jackson County) resolution lidar overlain by USGS 1:24k topographic map

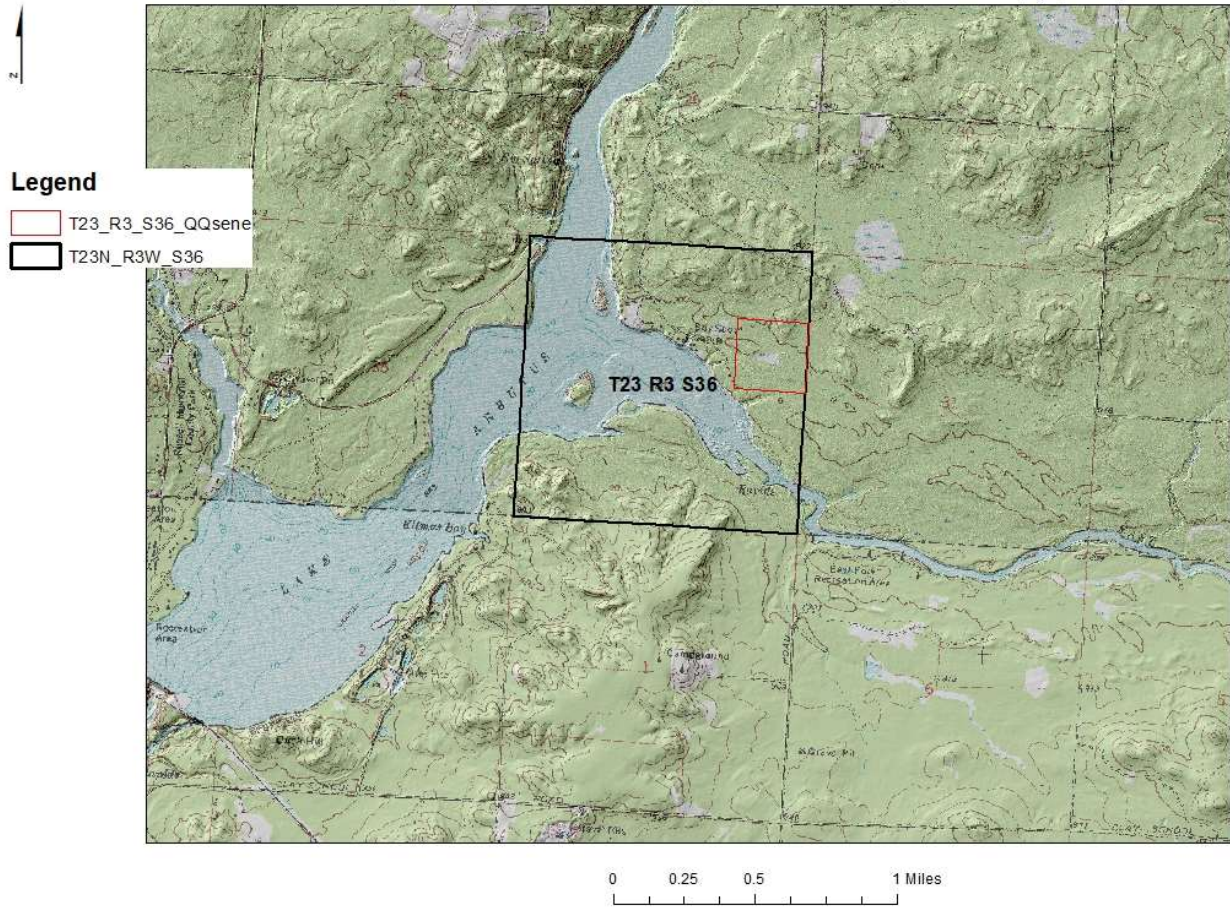


Figure 1. Map showing land surface topography and location of property to the township, range, section, and quarter-quarter section. Section 36 is outlined in black and the quarter-quarter section that defines the parcel is shown in red.

Surface topography underlying Clark County parcel

base: Sims, 1990. Geologic map of Proterozoic rocks of Neillsville-Stevens Point area, central Wisconsin. USGS MIS Map I-1926. 1:100,000-scale.

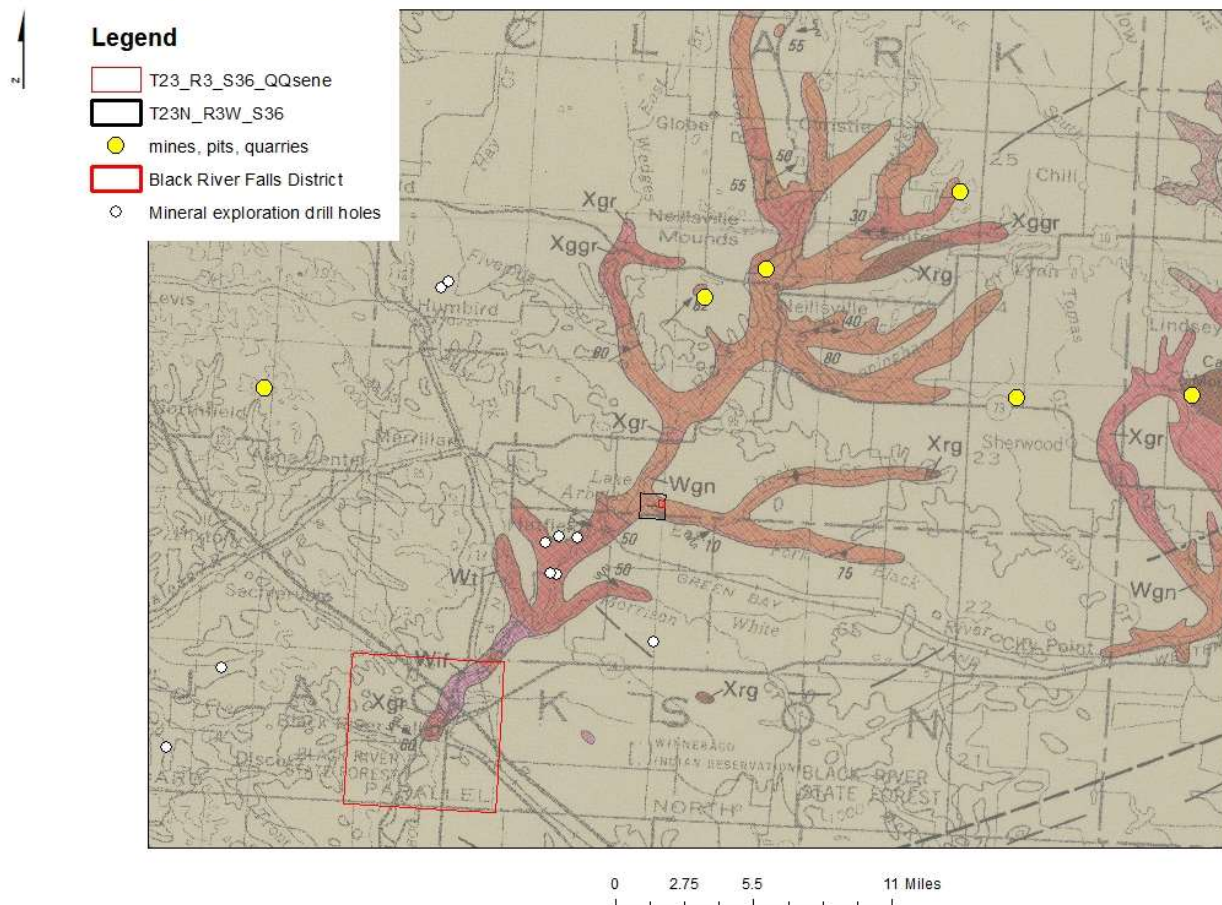


Figure 2. Map showing bedrock geology (Sims, 1990), mineral exploration drill holes (white circles), mines, pits, and quarries (yellow) and Black River Falls district (outlined to the township in red). Township 23N Range 3 west is outlined in black, section 36 is outlined in red. The bedrock map unit that underlies the property is labeled Wgm (late Archean gneiss, migmatite, and amphibolite). Refer to Sims (1990) for descriptions of other bedrock units.

Common School Fund
Portfolio Report
 March 31, 2021

Asset Class	Current Market Value	Cost	Unrealized Gain/Loss	% Gain/Loss	Yield at Cost	Projected Annual Income ¹
Fixed Income						
Public Debt						
State/State Agency/Municipal Bonds	184,640,099	175,460,985	9,179,114	5.2%	4.1%	7,207,483
U.S. Treasury/Agency Bonds	-	-	-			-
U.S. Treasury Inflation Protected Securities	-	-	-			-
Corporate Bonds	212,674,889	208,475,353	4,199,536	2.0%	5.0%	10,351,109
Private Debt						
BCPL State Trust Fund Loans ²	270,802,596	270,462,596	n/a	n/a	3.7%	9,963,745
Other Private Debt	39,541,165	37,535,054	2,006,111	5.3%	10.7%	4,026,553
Total Fixed Income	707,658,749	691,933,988	15,384,761	2.3%	4.6%	31,548,890
Equities and Alternatives						
Public Equities						
Domestic Equities ³	247,877,203	212,935,959	34,941,244	16.4%	4.0%	8,537,387
Global Equities	142,986,016	116,946,551	26,039,465	22.3%	2.8%	3,280,437
Alternatives						
Private Real Estate	60,540,199	57,803,111	2,737,088	4.7%	6.4%	3,682,295
Real Assets/Infrastructure	-	-	-			-
Private Equity/Venture Capital ⁴	17,445,340	15,407,713	2,037,627	13.2%	0.0%	-
Total Equities and Alternatives	468,848,758	403,093,334	65,755,424	16.3%	3.8%	15,500,119
Cash						
ADM	80,000,000	80,000,000			0.3%	371,269
State Investment Fund ⁵	31,236,589	31,236,589			0.1%	18,742
Total Cash	111,236,589	111,236,589			0.2%	390,011
TOTAL PORTFOLIO	1,287,744,096	1,206,263,911	81,140,185	6.8%	3.9%	47,439,019

Notes:

¹ Projected annual income is the expected income should the portfolio remain as-is over the next 12 months. These projections should not be interpreted as the expected BCPL distribution to beneficiaries, which is calculated using the moving average of net earnings over the past five fiscal years.

² 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 3/15/21, and is subject to change.

³ Domestic equities currently include \$102 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 preferreds (5.2% yield at cost) within domestic equities (3.0% yield at cost) also has the effect of increasing the yield on the full asset class from 3.0% to 4.0%. Staff is working to provide a separate category within the asset allocation for preferred stock investments in future reporting.

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 March 2021 SIF Pool Earnings Workbook.

Common School Fund
Asset Allocation Report
 March 31, 2021

Asset Class	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	184,640,099	14.3%		184,640,099	14.3%	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	212,674,889	16.5%		212,674,889	16.5%	10.0%	0% to 30%
Private Debt							
BCPL State Trust Fund Loans	270,802,596	21.0%		270,802,596	21.0%	30.0%	20% to 50%
Other Private Debt	39,541,165	3.1%	29,883,836	69,425,001	5.4%	10.0%	0% to 20%
Total Fixed Income	707,658,749	55.0%	29,883,836	737,542,585	57.3%	55.0%	
Equities and Alternatives							
Public Equities							
Domestic Equities	247,877,203	19.2%		247,877,203	19.2%	7.5%	5% to 20%
Global Equities	142,986,016	11.1%		142,986,016	11.1%	7.5%	5% to 20%
Alternatives							
Private Real Estate	60,540,199	4.7%	113,106,524	173,646,723	13.5%	20.0%	5% to 25%
Real Assets/Infrastructure		0.0%		-	0.0%	5.0%	0% to 10%
Private Equity/Venture Capital	17,445,340	1.4%	20,280,494	37,725,834	2.9%	5.0%	0% to 10%
Total Equities and Alternatives	468,848,758	36.4%	133,387,018	602,235,776	46.8%	45.0%	
Cash							
ADM	80,000,000	6.2%					
State Investment Fund	31,236,589	2.4%					
Total Cash	111,236,589	8.6%				0.0%	0% to 10%
TOTAL PORTFOLIO	1,287,744,096		163,270,854	1,339,778,361	104.0%	100.0%	

	Unfunded Commitments as of 3/31/21	
	Fund Total	Asset Class Total
Private Debt		
Blackstone Credit Secured Lending Fund	\$ 3,000,000	
Brookfield Infrastructure Debt Fund II	\$ 26,883,836	\$ 29,883,836
Private Real Estate		
Blackstone Strategic Partners Real Estate VII	\$ 23,106,524	
BlackRock Core Property Fund	\$ 20,000,000	
Invesco US Income Fund	\$ 40,000,000	
Brookfield Preferred Real Estate Partners	\$ 30,000,000	\$ 113,106,524
Private Equity/Venture Capital		
4490 Venture II	\$ 7,650,000	
Venture Investors Health Fund VI	\$ 8,370,000	
Baird Venture Partners V	\$ 4,260,494	\$ 20,280,494

See Notes provided on the attached Portfolio Report for additional information

Common School Fund Allocation Progress Report

March 31, 2021

Asset Class	Market Value	Market Value	Change from Prior Quarter		Market Value	Change from Prior Year	
	3/31/2021	12/31/2020	Market Value	%	3/31/2020	Market Value	%
Fixed Income							
Public Debt							
State/State Agency/Municipal Bonds	184,640,099	189,327,758	(4,687,659)	-2.5%	201,226,973	(16,586,874)	-8.2%
U.S. Treasury/Agency Bonds	-	-	-	0.0%	15,118,580	(15,118,580)	-100.0%
U.S. Treasury Inflation Protected Securities	-	-	-	0.0%	-	-	0.0%
Corporate Bonds	212,674,889	123,233,692	89,441,197	72.6%	86,990,175	125,684,714	144.5%
Private Debt							
BCPL State Trust Fund Loans	270,802,596	388,688,303	(117,885,707)	-30.3%	378,339,898	(107,537,302)	-28.4%
Other Private Debt	39,554,986	39,562,245	(7,259)	0.0%	27,686,573	11,868,413	42.9%
Total Fixed Income	707,672,570	740,811,998	(33,139,428)	-4.5%	709,362,199	(1,689,629)	-0.2%
Equities and Alternatives							
Public Equities							
Domestic Equities	247,877,203	167,492,071	80,385,132	48.0%	62,426,966	185,450,237	297.1%
Global Equities	142,986,016	116,081,639	26,904,377	23.2%	63,142,703	79,843,313	126.4%
Alternatives							
Private Real Estate	60,540,199	57,734,916	2,805,283	4.9%	39,793,337	20,746,862	52.1%
Real Assets/Infrastructure	-	-	-	0.0%	-	-	0.0%
Private Equity/Venture Capital	17,445,340	14,870,519	2,574,821	17.3%	10,971,225	6,474,115	59.0%
Total Equities and Alternatives	468,848,758	356,179,145	112,669,613	31.6%	176,334,231	292,514,527	165.9%
Cash							
ADM	80,000,000	100,000,000	(20,000,000)	-20.0%	-	80,000,000	n/a
State Investment Fund	31,236,589	70,961,200	(39,724,611)	-56.0%	330,984,794	(299,748,204)	-90.6%
Total Cash	111,236,589	170,961,200	(59,724,611)	-34.9%	330,984,794	(219,748,204)	-66.4%
TOTAL PORTFOLIO	1,287,757,917	1,267,952,343	19,805,574	1.6%	1,216,681,223	71,076,694	5.8%
			Prior 3 month CPI	-1.3%		Prior 12 month CPI	0.9%
			10 yr Avg Q CPI	0.7%		10 yr Avg Yr CPI	2.6%

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 December 1 through March 1, while the annual estimate uses data from March 1, 2020 to March 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

**BOARD MEETING
MAY 4, 2021**

**AGENDA ITEM 8
DOMESTIC EQUITY ASSET ALLOCATION**

The investment policy of the Common School Fund currently includes a target allocation range for domestic equities of 5% to 20% of total financial assets. Recent increases in the market value of domestic equities, including both common and preferred stocks, has caused the percentage of assets invested in domestic equities to increase to a level slightly above this upper limit.

A major contributor to this issue is the inclusion of preferred stocks in the domestic equities asset class. Preferred stocks are a hybrid asset with attributes similar to both bonds and common stock, and should be listed separately from domestic equities within the asset allocation model. Staff will recommend a separate allocation for preferred stock in an upcoming review of the target asset allocations for the Common School Fund portfolio.

To allow the current portfolio to remain within the approved target range policy, the BCPL Investment Committee voted 4-0 to recommend that the Board approve the following resolution to adjust the upper limit of the domestic equity allocation to account for changes in market conditions.

THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves increasing the upper limit of the target range of the Common School Fund allocation to the domestic equities asset class from 20% to 30% of total financial assets within the Investment Policy Statement.



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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 1ST QUARTER 2021 REPORT TO THE BOARD
DATE: APRIL 29, 2021

The first quarter of calendar year 2021 (the third quarter of the fiscal year) has been completed.

There have been some good highlights already this year. BCPL announced a record annual distribution for the Common School Fund for public school libraries. We are on track to have a record distribution from the Normal School Fund as well. We are progressing with the diversification of our portfolio of trust assets. Our equity investments have done so well that we have asked the board today to increase the upper end of the asset allocation range as stock prices have pushed the value of these assets higher.

We continue to face some unusual challenges as some external stakeholders make material changes in the way they do business. As a result, we have spent a much larger amount of time working with the State Controller's Office, the Department of Revenue and other entities in order to make sure that we keep operations running smoothly. While these changes add to the challenges associated with the pandemic, 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. BCPL worked with Stephanie Marquis and Julie Benkoske to develop a report template that can be used this year and in years to come to communicate BCPL's performance to stakeholders. The template uses graphics to help tell the story of BCPL's performance. A sample of such report is attached here along with a one-page description of BCPL's budget request. This priority item should be considered completed and this item removed from the list.

B. Establish a Due Diligence Protocol For Investments

- a. BCPL not only developed a protocol for its private fund investments, staff members have also developed the strategies for implementing the protocol. With support and guidance from DOA, BCPL was able to execute an outside legal counsel contract with Reinhart Boerner to provide legal assistance on due diligence, subscription agreements and side letters. BCPL was also able to establish a working relationship with Marquette Associates to provide due diligence on venture capital funds and managers. This item should be considered completed and this item should be removed from the list.

C. Establish a Wisconsin Impact Advisor Group

- a. While staff have given this item a great amount of thought, we have not been able to identify a path forward on this item. BCPL is always looking for opportunities to invest in Wisconsin. However, at present time there is a limited universe of suitable, local private investments for our trust fund portfolios. The persons most knowledgeable of local investment opportunities may be conflicted with business interests, thereby affecting independent advice to BCPL. We suggest eliminating this item as a current goal.

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 made significant progress on executing our asset allocation. As noted on Rich's report, all asset categories will soon be within the target allocation range. Specifically, we are currently working with Reinhart on the subscription documents and side letter for the Blackrock real estate fund and we anticipate funding in the near future. The Invesco and Brookfield real estate funds will follow shortly thereafter, increasing our investment in real estate into the target range. However, asset allocation will always be a work in progress. In response to changing market conditions, the Investment Committee will periodically make recommendations to the board fine-tuning portfolio allocations.

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 due to COVID. It is anticipated that such a session will not be scheduled until late summer when new pandemic protocols are expected to be instituted for in person group meetings. This item should be deferred until later.

B. Update BCPL Budget & Personnel Staffing Plan

- a. BCPL has a big mission and a small payroll. To manage \$1.2 billion in financial assets, 77,000 acres of school trust lands and an archive of original land documents is a huge task. To do it with 9.5 FTEs is even harder. While we have some amazingly talented people on our staff, it is not possible to have all the necessary skill sets within those 9.5 positions. So, we've gotten creative.
 - i. So, as I noted in one of my earlier reports, we were able to reconfigure an existing archivist FTE position moving some of the duties to our Real Estate Specialist and creating a new 0.8 Accountant FTE that we are recruiting for.
 - ii. We used an LTE to rewrite the code for the agency's legacy software, providing stability for years to come at a fraction of the cost that DET or an outside vendor would charge.
 - iii. We have also used LTEs to provide some land management services for our Lake Tomahawk office.
 - iv. We have contracted with outside vendors to provide appraisal and surveying services.
 - v. We have contracts in place with Reinhart Boerner to provide legal assistance on due diligence, subscription agreements and side letters.
 - vi. We were also able to establish a working relationship with Marquette Associates to provide due diligence on venture capital funds and managers.
 - vii. We have contracted with an outside vendor to provide professional consulting services regarding communications and outreach.
 - viii. We have contracted with an outside vendor to provide professional consulting regarding strategic planning and communications.
 - ix. Taken together, the above relationships have helped BCPL move forward on its core mission and the goals and priorities set by the board.

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

- a. We have engaged Stephanie Marquis to assist us with this goal. We are in the early stages of this work and we expect to have a communications and outreach plan for the agency developed by the end of the second quarter of calendar 2021.

D. Create a Government Relations Approach

- a. As this is a budget year, staff not only developed a budget request that provides adequate funding for agency operations, we also identified opportunities to strengthen our agency. We identified potential grant opportunities and then articulated the need for a gifts and grants appropriation which was included in the governor's budget request. We also identified additional opportunities for DNR to use stewardship funding to acquire certain BCPL parcels. 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. (See attached). Despite the pandemic challenges, we also did a better job of reaching out to other governmental entities this year, including tribes in order to improve lines of communications. This item should be considered completed and deleted.

Lands

Priorities:

A. Create an approach that reduces unproductive lands

- a. 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, there are many parcels in our inventory that are not easy to sell because of access or lowland features. While many parcels have swamp or access issues, each parcel has its own set of issues that may make divestment of that parcel difficult. While we continue to work on developing divestment strategies for these parcels, we are now looking at these "hard to sell" parcels in a different light. Instead of just looking at how to sell each parcel, we are looking at different ways of generating an income stream from such parcels such as selling carbon credits or maple syrup on low potential hardwood sites. In essence, we are also looking for approaches that may *convert* an unproductive parcel into a productive parcel.

B. Complete a financial analysis on BCPL land holdings.

- a. Completing a financial analysis on all 2,000 parcels of school trust lands is a big project. The first step is defining the scope of such analysis. There are a number of properties where a financial analysis makes sense. Looking at net revenue streams and then discounting back to the present is how investment assets are commonly evaluated. However, the vast majority of our school trust land holdings were acquired by federal grant. They were not purchased by BCPL. They remain in our inventory because nobody bid on them when they were offered for sale. Up to this point, such parcels have been unproductive. An analysis of revenue to date would show zero in such cases. However, even those properties likely have some intrinsic value and the question then arises as to how to perform such a financial analysis of a portfolio of difficult to analyze properties. We are still in the process of defining a scope for such an analysis.

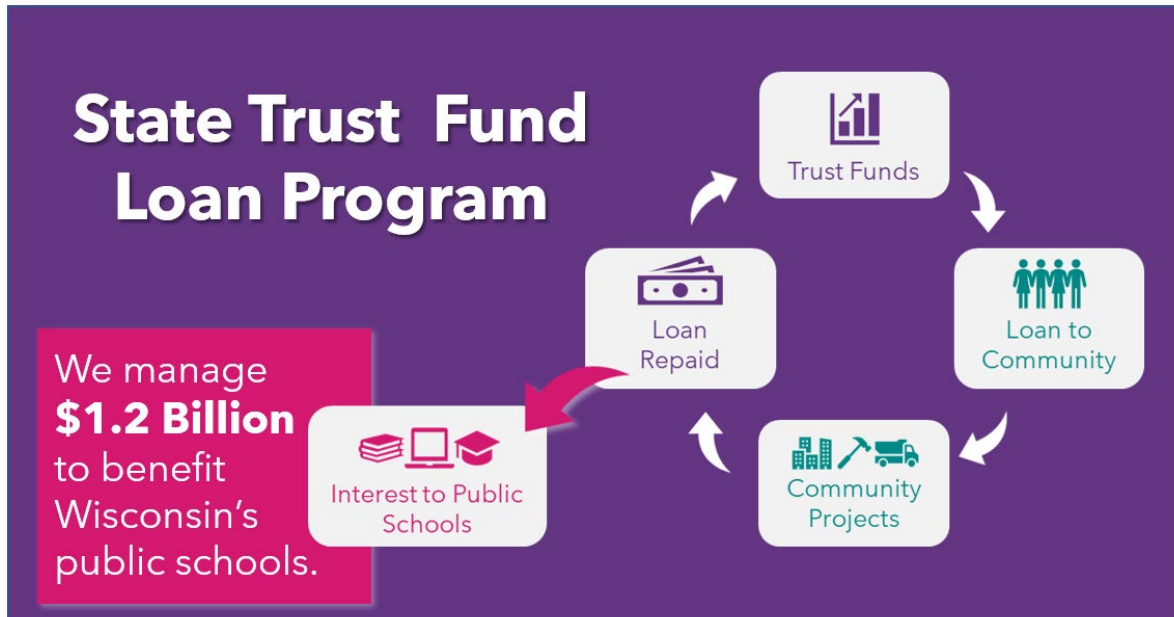
- b. While we don't have a certified appraiser employee, our staff are familiar with the concept of highest and best use. The question becomes what is the highest and best use for each parcel? As noted above, there may be other ways of generating revenue from a parcel other than selling timber or the land itself. This component of the scoping process is large in and of itself.
- c. Our Lake Tomahawk staff are working on refining our timber harvest schedule for optimizing long-term predictable revenue and using that analysis when identifying land acquisition targets.
- d. Without losing sight of the revenue side of the ledger, we are also looking at developing better tools for improving our land management efficiency thereby improving the cost efficiency of land management.
 - i. We are in the early stages of migrating to DNR's WisFIRS software system for timber sale management. This software should give us a better ability to more easily manage timber sales. Up until recently, much of this work had been manual. Kevin and Mike Krueger deserve credit for developing some tools which automated some of the process. WisFIRS should be an additional step in the right direction.
 - ii. Lake Tomahawk staff are also in the early stages of developing property access management plans along with maintenance schedules. Planning culvert replacements and road work ahead of time make it easier to budget for those expenses (and improve prospects for timber sales).

As we emerge from the pandemic, it's important to be thankful that we have made it through this difficult time (so far) without losing any staff members to the virus. I appreciate all the hard work and sacrifice made by our staff during this time. As I noted at the beginning of my report, this time has brought with it challenges on top of the pandemic. We look forward to the warmer weather. Most of our staff have now been vaccinated we look forward to finishing off the fiscal year and continuing to make progress on the goals and priorities of the Board.

Respectfully submitted,

Tom

FY2020-2021 Accomplishments



Note: All data is from July 1, 2019, to December 31, 2020.

\$165.1M
 in municipal loans for
 critical community projects
 & economic development.

- Because of BCPL's simple application process, competitive fixed interest rates, payment flexibility, and \$0 fees, the agency:
 - Disbursed 322 loans totaling \$165.1M for crucial community and economic development projects throughout the State.
- State Trust Fund loans allow Wisconsin communities to benefit from changing economic conditions:
 - BCPL processed 226 Trust Fund Loan prepayments totaling \$125M following a sharp reduction in market interest rates in 2020 → a 52% spike compared to an average year.
 - BCPL invested these prepayments into its diversified portfolio.

\$556.7M
 in **new portfolio
 investments** - prudent
 investing equals fund
 reliability.

- Produced a robust stream of distributable earnings during a tumultuous COVID market due to the expanded investment authority granted by the legislature.
 - BCPL diversified into corporate bonds, preferred equities, and private real estate for the first time in the agency's history.
 - Continued to invest in venture capital, private debt, and public and global equities to capitalize on market opportunities.
- Without changes to the asset allocation model, beneficiaries would've suffered a painful reduction in BCPL income. The only investment options would've been bonds paying 1% for the next 10 years, or the State Investment Fund which pays even less at 0.1% per year.

\$43.5M

Every dollar from our investment earnings goes to public schools.



- BCPL made a special additional distribution of \$5.25M in 2020 to help public school libraries purchase books, software, and technology in support of student learning during the COVID pandemic.
 - This was possible because of the expanded investment authority, which has significantly reduced market volatility risk to beneficiaries while increasing annual distributions.
- The Common School Fund should earn more than \$40M this fiscal year.
 - Fixed income investments provide very little income these days. If BCPL managed the Fund as mandated by statute until just a few years ago, distributable earnings would now be \$15-\$20M lower each year.

\$649,950

Contracts for nine tracts of timber sales totaling 1,069 acres.



- Exchanged 146 acres of waterfront property in Burnett, Polk and Washburn counties for 228 acres of productive timberland in Iron County.
- Market conditions negatively impacted timber sales in northern Wisconsin, leading to the closing of the VERSO mill.
- Created a GIS data library, and launched a drone to make land examination and analysis more efficient.
- Developed and tested a strategy to migrate to DNR's Wisconsin Field Inventory and Reporting System (WISFIRS) timber sale management software to better coordinate land management efforts.

92🕒

Staff hours provided to DHS to support the State's COVID-19 geographic information management response efforts.

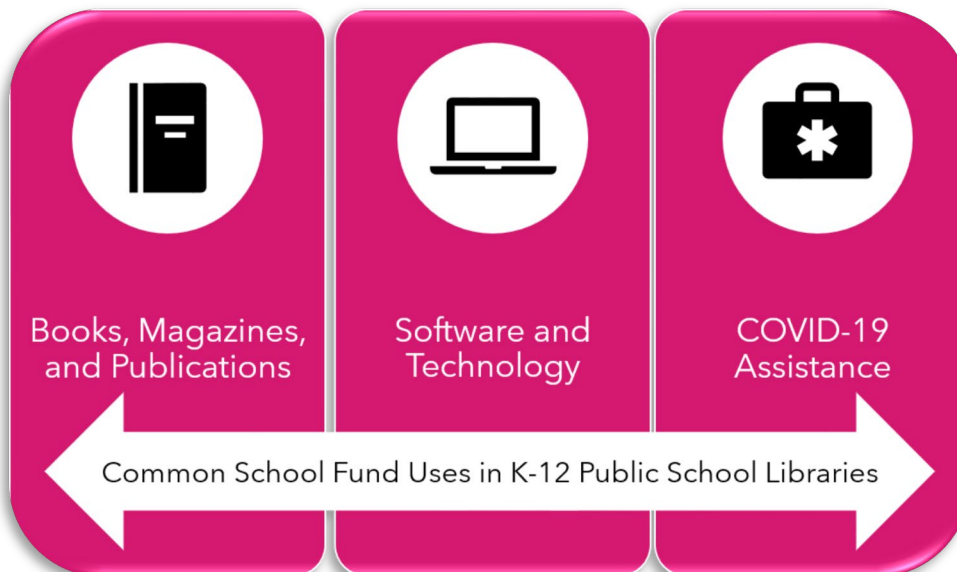
2

Number of completed submerged land leases: City of Sturgeon Bay and Dairyland Power.



\$900K

Funding to UW for scholarships and programs



BCPL's 2021-2023 Biennial Budget Request

Budget Request

↓ 0.3%

Decrease in adjusted base from last biennium.

Ø Change

Certain federal flood pass-through aid appropriation. BCPL passes through all federal dollars to affected counties with \$0 expenses.



No New FTEs

Continuing with 9.5 full-time staff to process loans, disbursements, and more without interruption to our customers.

Highlights

- BCPL's Budget Request is a cost to continue request. Additional trust management expenses for due diligence professional services and land management costs can be handled within the requested budget appropriation.
- The agency was recruiting for two vacant positions at the time of budget development last fall. The budget request funds these positions at the expected replacement salary and fringe rates.
- A new Gifts and Grants appropriation is requested to allow the agency to accept and spend grant money for specific purposes only. Example: a foundation grant for mapping interior roads on BCPL school trust lands to provide hunters with easier access to hunting spots.
- In accordance with Wis. Stats s. 24.62(3), a new program revenue appropriation is requested to fund Payment In Lieu of Taxes (PILT) obligations to local governments for land that BCPL purchases for the school trust land program. PILT payments provide budget protection for the local taxing jurisdiction. For example, if the prior owner paid \$1,000 in local property taxes, BCPL makes an annual \$1,000 payment to the municipality.
 - BACKGROUND: The majority of school trust lands were sold over 100 years ago, leaving splintered acres across northern Wisconsin. BCPL is consolidating these scattered acres to create larger parcels overall, making them more accessible for outdoor activities and sustainable timber harvesting. [Note, BCPL cannot buy more land than it sells, so the agency will not increase the total number of acres it owns during this consolidation process.] BCPL deposits the proceeds from timber harvesting into the School Trust Fund, increasing the amount of financial support the agency can provide to Wisconsin's public schools and its libraries.
 - The increased program revenue appropriation request in the second year of the biennium corresponds to anticipated increase in PILT expenses during the consolidation process.
- The Wisconsin Department of Natural Resources (DNR) budget request includes a provision to use Stewardship Authority to acquire BCPL lands. BCPL supports this request.
 - BACKGROUND: In 2006, the legislature unanimously approved Stewardship Authority for the DNR to purchase 10,000+ acres of BCPL's trust lands. BCPL could then use those proceeds to create more productive, accessible, consolidated tracts of timberland for public recreation. This allocation was terminated before the DNR was able to acquire all the acres, so BCPL's budget request recreates the Stewardship Authority to allow the DNR to acquire the remaining school trust lands the legislature intended.