

Board Meeting
Minutes
July 20th, 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 2:03 p.m.

ITEM 2. APPROVE MINUTES – July 6, 2021

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; Commissioner Kaul seconded the motion.

DISCUSSION: Mr. Sneider commented that these are bread and butter loans, except for two refinances of existing Trust Fund Loans. For refinances of existing loans, BCPL require borrowers to take out another loan equal to 25% of the amount that they are going to refinance. This helps to stabilize the income stream for distribution to our beneficiaries because the new loan provides additional income for the loan program.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$907,785.60** in State Trust Fund Loans to support **7** community projects in Wisconsin.

1. Village of Kellnersville / Manitowoc County / Televiser sewer system and rebuild pump at well / \$20,000.00
2. Village of Kellnersville / Manitowoc County / Refinance BCPL Loan #02019031 / \$54,753.31
3. Town of Newark / Rock County / Finance roadwork / \$200,000.00
4. Town of Weston / Marathon County / Finance roadwork / \$200,000.00
5. Town of Eisenstein / Price County / Finance purchase of fire truck / \$91,015.45
6. Town of Garfield / Jackson County / Finance the purchase of truck with snow package / \$124,321.71

7. Town of Garfield / Jackson County / Refinance BCPL Loan 2014115 / \$217,695.13

ITEM 4. OLD BUSINESS

None

ITEMS 5 NEW BUSINESS – Update on co-op acquisition of idle paper mills

Executive Secretary German shared that Representative Krug’s office reached out to talk about other possibilities, but there is no update since the Governor’s veto of the legislation. There are no firm plans now to introduce new legislation. There is the possibility of private equity entities acquiring the mill in Wisconsin Rapids but nothing definite and BCPL has not been asked by anyone for financing help. Executive Secretary German will continue to stay in contact with the different parties involved, but there does not appear be movement on either mill location now.

Board Chair Godlewski commented at the last board meeting there was speculation that the governor was going to veto the bill that night or the next day and he did. She thanked Executive Secretary German for the update.

ITEMS 5 NEW BUSINESS – Proposed sale of eight tracts of School Trust Lands in Price County

PROPOSAL: Board of Commissioners of Public Lands currently holds title to certain tracts of land located in Price County described below totaling approximately 520 acres. BCPL staff recommends that the Board authorize the sale of the properties at public sale pursuant to the sealed bid process set forth in Wisconsin Statutes Chapter 24.

BCPL File#	Tract Name	Town	Township	Range	Section	QQ	Acres (GLO)	Minimum Price
S2101	Carpenter Creek	Harmony	36	1W	5 8	SE/SW NE/NW NW/NW	120	\$78,900
S2102	County J	Harmony	36	1W	17	NE/SE	40	\$20,000
S2103	Worsech Road	Harmony	36	1W	20	NW/NE SW/NE NE/NW	120	\$78,800
S2104	Soo Line	Prentice	36	2E	36	NE/NW SW/NW	80	\$40,000
S2105	Timber Road	Catawba	35	1W	27	SW/SW	40	\$12,950
S1206	County O	Catawba	35	1W	26	SW/NW	40	\$13,100
S2107	Catawba Fire Lane	Catawba	34	1W	11	NW/NW	40	\$24,600
S2108	County YY	Spirit	34	3E	20	NW/SE	40	\$20,350

RESOLUTION: Be it resolved that the Board of Commissioners of Public Lands authorizes the sale of the tracts of land described above pursuant to a sealed bid process. The minimum acceptable bid for each tract shall be the appraised value as determined by the independent appraiser as set forth above. Such sale shall be conducted in accordance with Chapter

24 of the Wisconsin Statutes on such 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 transactions.

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

DISCUSSION: Executive Secretary German shared that a large amount of the School Trust Lands that we still hold (including these parcels) were granted to BCPL through the Swamp Land Act of 1850. As with other School Trust Lands in Price County, they tend to be low lying swamplands with limited or no access. BCPL reached out to neighboring landowners to get a sense of who might be interested in acquiring these lands, and these particular parcels showed some promise. As with any potential sale, BCPL has invested in appraisals and these were all done at one time, saving on costs. These lands are not generating revenue for the School Trust Funds, and no other government entities are interested in acquiring them. Further, we have not found any special natural area quality of plants or animals on the properties that would suggest that the lands be held for a conservation buyer. We are asking the board for approval to offer these eight tracts of land for sale to the public via the sealed bid process.

Board Chair Godlewski commented that under the land bank authority, BCPL could sell these 520 acres at approximately \$288,000, and then in turn, BCPL could use the land bank authority to potentially acquire other lands to further expand public access, improve management efficiency or increase sustainable timber sales.

Executive Secretary German commented that is correct. With each new sale of School Trust Lands, BCPL is replenishing the land bank.

VOTE: The motion passed 3-0.

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider shared two items. The BCPL Investment Committee received the third-party due diligence report on the Prudential Senior Loan Opportunities Fund, which was very positive. BCPL expects this fund to return 9 to 11%, which is considered excellent for the level of risk. This return will be interest income that is fully distributable to beneficiaries. Some highlights from the due diligence report include that PGIM is the 8th largest asset manager in the world with \$1.5 trillion of assets under management and one of the most active investors in private debt. Prudential has been a conservative and astute investor in private debt, driven in part by the firm's history as an investment manager for the insurance company's general account. PGIM private capital has remained consistent with its underwriting standards as demonstrated by its one basis point annual net loss ratio. Furthermore, the firm has exhibited success avoiding losses as evidenced by its 101% recovery rate and 6% internal rate of return on defaulted loans. Prudential's insurance account is contributing about 50% of the expected \$3 billion fund, which is a strong vote of confidence by the parent company. The investment committee had previously voted on a potential commitment of \$30 to \$50 million, subject to the due diligence report. Following a review of that report, the investment committee voted to make the commitment at the \$50 million level, which will be funded over the next three years as opportunities are sourced and executed by PGIM. Documentation for the investment should be finalized within the next 30 days.

Second, the Investment Committee also approved a liquidity strategy to maintain a 2% target for the cash reserve of the Common School Fund which is approximately \$25 million today. The idea is to stay invested to the fullest extent possible in productive assets that produce positive returns for beneficiaries. Cash is currently yielding close to 0%. However, we still need to maintain sufficient funds for the Trust Fund Loan program and other potential investments. The policy puts into place mechanisms should the level of cash be projected to fall below that target.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared that BCPL is looking forward to a meeting tomorrow with a group that manages a local workforce housing fund in south-central Wisconsin. This will be their second fund in the area to provide an additional layer of financing for workforce housing development. Current and potential investors in this are local banks, businesses, and even some nonprofit entities. BCPL has discussed and been looking for an opportunity like this for some time and we're looking very forward to learning more. Thank you to our Board Chair for helping facilitate the meeting.

Next, Executive Secretary German shared that he is planning to be on vacation next week. Currently, it's all systems go for visiting Finland to see his daughter, but there is still uncertainty about whether entry into European countries will stay open because of the rise in the delta variant of COVID. He has not seen his daughter in over a year and a half, and he is looking very forward to it. He will not return until August 6th, so he asks the board to reschedule the quarterly update on the goals and priorities until the later Board in August, so he has more time to prepare those materials.

Board Chair Godlewski confirms that reporting on the goals and priorities for the later August meeting is not a problem.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski asked the Commissioners to be prepared for a longer meeting on August 17th. She asked Thuy to remind the Commissioners and their staff to extend that meeting time.

ITEM 9. FUTURE AGENDA ITEMS

None

ITEM 10. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 2-0; the meeting adjourned at 2:18 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

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