

Board Meeting
Minutes
February 15, 2022

Present were:

| | |
|---|--|
| Sarah Godlewski, Board Chair | State Treasurer |
| Doug LaFollette, Commissioner | Secretary of State |
| Josh Kaul, Commissioner | Attorney General |
| Tom German, Executive Secretary | Board of Commissioners of Public Lands |
| Richard Sneider, Chief Investment Officer | Board of Commissioners of Public Lands |
| Denise Nechvatal, Senior Accountant | Board of Commissioners of Public Lands |
| Mike Krueger, IT Manager | Board of Commissioners of Public Lands |
| Thuy Nguyen, Office Manager | Board of Commissioners of Public Lands |
| Emma Stutzman, 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 – February 1, 2022

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

DISCUSSION: None

VOTE: The motion passed 2-0.

ITEM 3. APPROVE LOANS

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

DISCUSSION: Mr. Sneider shared that Loan #1 to the Town of Lake Tomahawk, where BCPL's northern office is located, is for buying a fire truck. Loan #2 to the Village of Lannon, in the northeast corner of Waukesha County, is to fund a multifamily project targeted towards workforce housing with both a development incentive and infrastructure costs. This development will allow rents to be about 80% of what nearby community's rents are. This project is targeted towards employees of Quad Graphics, Milwaukee Tool, and the community hospital. Loans #4 and #5 are to the Town of Conover. In addition to these two loans, the Town of Conover will be refinancing three additional loans in the near future. For refinance loans, BCPL requires borrowers to take out a new loan equal to at least 25% of the amount being refinanced. This practice reduces the number of refinances and helps to sustain our earnings for distribution to our beneficiaries.

VOTE: The motion passed 3-0

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$2,264,000.00** in State Trust Fund Loans to support **5** community projects in Wisconsin.

1. Town of Lake Tomahawk / Oneida County / Finance purchase of fire truck / \$564,000.00
2. Village of Lannon / Waukesha County / Finance TID #1 projects / \$1,215,000.00
3. Town of Remington / Wood County / Finance purchase of fire department brush truck / \$26,000.00
4. Town of Conover / Vilas County / Finance purchase of fire truck / \$275,000.00
5. Town of Conover / Vilas County / Finance purchase of loader / \$184,000.00

ITEM 4. OLD BUSINESS

None

ITEMS 5. NEW BUSINESS

None

ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider shared that he was invited to join a panel on project financing at the Governor's Conference on Economic Development last Thursday. The presentation went well and there were some newer officials in the audience that learned about the State Trust Fund Loan Program. Municipal staff has quite a bit of turnover so continuing education is a key component in marketing the loan program.

Market interest rates have continued to go up over the past few weeks and the 10 year Treasury recently surpassed 2% for the first time in 2 1/2 years. In response, the BCPL Investment Committee approved raising Trust Fund loan interest rates to reflect current market conditions. New rates as of Feb 9th are as follows:

| | |
|---------------|-------|
| 2 Years | 3.00% |
| 3 – 5 Years | 3.25% |
| 6 – 10 Years | 3.50% |
| 11 – 20 Years | 4.00% |

With this increase BCPL will be entering a two month period where the board will be asked to approve loans that have a different interest rate depending on when the loan application was requested. The loan interest rate is locked for 60 days when we receive the loan application request.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared that the Wisconsin Educational Media and Technology Association (WEMTA) Conference is coming up on March 8th. It is scheduled as an in person event but it may be live streamed as well. Executive Secretary German asked WEMTA if the Commissioners could provide a short video with remarks. WEMTA said they would get back to him within a week about that.

Executive Secretary German announced that the normal school fund is heading toward a record distribution of \$1.07 million to the UW. He and the State Treasurer are working on developing legislation that would provide some forgivable loans or scholarships for aspiring teachers. It does not seem likely that such legislation will go anywhere this session. He shared that the UW will be working on providing its students and our citizens with more transparency on the fact that BCPL funds those UW scholarships which are paid for with the Normal School Fund earnings.

Executive Secretary German shared that Jason Stephens, the CEO of Thompson Investments, has joined the BCPL investment committee as an advisor. Jason is an experienced and successful portfolio manager and a great person. It's great to have him associated with BCPL.

Finally, BCPL has put together a request for proposals for purchasing carbon credits on its trust lands. As previously noted, we are continuing our progress and diversifying our streams of revenue from our School Trust Lands. For the last 50 years, the only source of School Trust Land revenue has been from timber. Before that, BCPL did not conduct regular timber harvests. BCPL only had salvage harvests that were the result of fire, wind, or infestations. Since we began harvesting, we have done so in a sustainable manner, giving our School Trust Land forests a very different look than any other forests in the state. BCPL does not cut white cedar because it does not regenerate. We do not cut hemlock because the value is low and regeneration is also difficult. Selling carbon credits will allow us to harvest some timber, but also get paid for not harvesting those trees we choose not to cut or those trees that are economically difficult to harvest. We look

forward to receiving proposals in the near future. The carbon credit issue will be brought to the board for consideration sometime in the next couple months.

Commissioner LaFollette asked about the price for the carbon credits.

Executive Secretary German explained that BCPL has not received any proposals yet, but it is his understanding that the proposals will include a price range. Review of the proposals will be the point at which we decide whether to go forward with it or not.

Board Chair Godlewski asked Executive Secretary German to share more about the carbon credit proposals and program at a future board meeting.

Executive Secretary German agreed and commented that there were many uncertainties as to how the proposals will be structured. Under programs like this, it is required that the seller of the carbon credits continues to work on its forests to demonstrate that they are, in essence preserving carbon. Any proposal that BCPL would consider would require escrowing some of the money to pay for some of those future activities as well.

Commissioner LaFollette asked how the credits are sold, per acre or per tree and if BCPL is able to continue to cut trees from those parcels and still be eligible for the credits.

Executive Secretary German replied that he would answer with more detail at a future meeting but explained that generally it tends to be by the acre but another factor is the number of trees on the acre. For example, the number of credits for a plot of land that is not heavily forested would be less than one that has a lot more trees. BCPL can still cut trees while selling carbon credits. The program allows the flexibility to sell some of the land during the period of the contract as well.

ITEM 8. BOARD CHAIR'S REPORT

Board Chair Godlewski reported that she and staff have been working with WEMTA and DPI regarding the rollout of the largest distribution in the fund's history. A few schools will be featured along with what these schools have used the money for. She hopes to highlight the value of the Common School Fund. Emma Stutzman has been working on the roll out and Board Chair Godlewski will continue to keep everyone updated.

Board Chair Godlewski reiterated the importance of the Normal School Fund distribution. She shared that last year BCPL's distribution provided over 100 UW students with scholarships. She pointed out two important things: (a) informing students of where the scholarship money came from; and (b) the Merit Scholarship program is due to sunset in mid fiscal 2023. She shared her concern that if nothing is done the money may just sit in the Normal School Fund instead of helping students in need which is the intent of the fund. The Normal School Fund has been performing very well, and our income will likely continue to increase so setting up a rural teacher loan forgiveness program is needed. At this time, many rural schools are struggling to find enough teachers and some of the reasons are high student debt and the inability to work in these communities because they pay less than other districts. She hopes to move forward on this legislation but it might not be for this legislative session. She hopes to have it set up for success when the legislature decides to come back to approve it the future.

Commissioner LaFollette asked what would happen if the current scholarship program were to end.

Board Chair Godlewski replied that it is her understanding that the money would sit in the Normal School Fund unused. She added that the Normal School Fund supports many programs, from the Stevens Point program to the UW Extension. These other programs are not set to sunset but the Merit Scholarship program is set to sunset in early 2023. Funds for Merit Scholarship program, if not renewed, would just sit in the Normal School Fund.

ITEM 9. FUTURE AGENDA ITEMS

Further discussion about carbon credits

ITEM 10. ADJOURN

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 2:19 p.m.

A handwritten signature in black ink, appearing to read "Thomas P. German", written over a horizontal line.

Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2022/2022-02-15 BoardMtgRecording.mp3>