

Board Meeting Minutes  
August 7, 2023

Present were:

Sarah Godlewski, Board Chair	Secretary of State
Josh Kaul, Commissioner	Attorney General
John Leiber, Commissioner	State Treasurer
Tom German, Executive Secretary	Board of Commissioners of Public Lands
Rich Sneider, Chief Investment Officer	Board of Commissioners of Public Lands
Denise Nechvatal, Controller	Board of Commissioners of Public Lands
Chuck Failing, IT Manager	Board of Commissioners of Public Lands
Thuy Nguyen, Office Manager	Board of Commissioners of Public Lands
Hannah Menchhoff, Communications Director	Secretary of State
Peter Barca, Secretary	Department of Revenue
Maria Guerra Lapacek, Deputy Secretary	Department of Revenue
Mary Gawryleski, Director, Equalization Bureau	Department of Revenue
Sara Regenauer, Director, Government Services Bureau	Department of Revenue

**ITEM 1. CALL TO ORDER**

Board Chair Godlewski called the meeting to order at 10:01 a.m.

**ITEM 2. Town of Sanborn Loan Application**

Board Chair Godlewski informed everyone that there was supplemental material emailed for today's meeting. The new information provided from the Town of Sanborn continues to show good faith and the town's efforts to keep property taxes low for the next few years.

In attendance at today's meeting are officials and staff from the Department of Revenue (DOR):

Secretary Peter Barca  
Deputy Secretary Maria Guerra Lapacek  
Director Mary Gawryleski  
Director Sara Regenauer

Secretary Barca reported that the tribe has agreed to pay half of the EMT services, which is a huge development. The tribe and the town have signed a Memorandum of Understanding (MOU). He spoke with Chairman Wiggins of the tribe this morning and the chairman shared that it is the tribe's intent to help pay for this service going forward. The town has also agreed to freeze their levy for future years. That brings down their levy significantly and makes the taxes much more affordable. This is another huge development. Both these things represent tremendous progress. The extra days were beneficial.

Deputy Secretary Guerra Lapacek has worked closely with the Town of Sanborn Chairman and Clerk. She shared that the town is committed to keeping their property tax levy level. They understand the consequences to their taxpayers. They are very sensitive to the fact that any increase in the town levy gets paid by only the town

taxpayers. Levies for the county, the school district and the tech colleges get spread out further among those taxing jurisdictions.

Board Chair Godlewski commented that the letter from the Town Clerk and Treasurer validate what Secretary Barca and Deputy Secretary Guerra Lapacek shared today. The average property tax bill will be about \$5300. This is a significant shift from what was discussed before.

Secretary Barca replied that earlier discussions indicated taxes to be more than \$7500. The money from the EMT agreement with the tribe, the levy freeze and a number of other factors make it much more affordable for taxpayers.

Deputy Secretary Guerra Lapacek shared that an important factor is that the town's shared revenue is increasing by about \$54,000 a year. That will also help to relieve the pressure on their taxpayers going forward. The town's shared revenue is expected to continue to increase over time. That increase also factors into the town's ability to maintain services at their levels and not have to increase their levy.

Board Chair Godlewski confirmed that the \$54,000 is on top of the town's \$90 something thousand a year for shared revenue.

Deputy Secretary Guerra Lapacek confirmed that is correct.

Secretary Barca added that the legislature agreed to 20% of sales tax being dedicated for property tax relief. That is part of the reason we are assured the town's shared revenue, and every community's, will increase every year going forward.

Board Chair Godlewski commented that this new information is exactly what we were looking for. She thanked the DOR staff for obtaining the information on such a short timeline.

Commissioner Kaul thanked DOR for the update. Currently, there is an agreement about the EMS services for one year. Is it the tribe's intent to provide support for future EMS services?

Secretary Barca replied, yes. He spoke with Chairman Wiggins this morning and he said that the goal they set is to try and provide that stability for their region and the citizens of the area.

Commissioner Kaul asked if DOR could walk through an accurate example of property taxes for a \$200,000 house for taxpayers in the Town of Sanborn. There are two anomalous years, the one where the court ruling came in but the equalized value is still very high, and the upcoming year where the value is offset. Taking out those two unusual years and comparing the year prior to the anomalous years, where can we anticipate property tax rates to be?

Deputy Secretary Guerra Lapacek explained that this is very similar to the calculations that were done in the past to try to estimate taxes. Again, this is an estimate. We are making a lot of assumptions. We stabilize the equalized value at \$23 million for the 2024 taxes and beyond, assuming there are no significant changes in the value of the of the taxable property in the town. At \$23 million and keeping the levy at a rounded \$156,000, for the average \$200,000 home, the estimate for the town's share of a property owner's tax bill drops to \$1700 which would bring their total tax bill to about \$5363. Again, this is locking that town levy at \$156,000.

Commissioner Kaul asked how that compares to what it was in 2021?

Deputy Secretary Guerra Lapacek replied that it is about \$700.00 more.

Commissioner Kaul asked if we were to have the loan spread out over 20 years what would the increase be on the tax bill be. A few hundred extra?

Executive Secretary German shared that the number would be approximately \$300.00 a year. He added that there was one more anomaly to the system that we haven't talked about much that raised the property taxes as well. The town bought a dump truck and intends to pay that loan off on an expedited basis. This also increases the property taxes. The debt service on the dump truck loan is significant. He believes the dump truck loan will be paid off next year. Communities take different approaches to paying off debt. Some finance dump trucks over 5 to 10 years. Sanborn decide to pay it off faster. If you have a small levy and you take out a sizeable loan for a dump truck, it is going to increase your property taxes then when it's paid off, the taxes will come back down again.

Deputy Secretary Guerra Lapacek confirmed that the levy for the dump truck began in 2022. The town's levy for 2022 was elevated. It was \$258,000. The \$258,000 resulted in the town's portion of the average tax bill being \$2800 which was significantly higher from the prior year number of only \$945.00. That levy increase in addition to the court case created somewhat of a snowball effect. The additional equipment payment of \$100,000 resulted in a threefold increase to the town's portion of the tax bill.

Commissioner Kaul commented that the tax years he is most interested in are the years 2021, 2022 and what the taxes looks like going forward. He believes this to be a good snapshot of what the impact will be on taxpayers in Sanborn. If we make the loan, taxes for a \$200,000 house will go up, not accounting for inflation. Once we've factored in inflation, it's lower than that in terms of the increase.

Secretary Barca agreed with Commissioner Kaul's analysis and shared that the other mitigating factor is that in another year and a half or two years, when the town pays off this dump truck, the tax burden will be reduced again, which is a another plus.

Commissioner Leiber asked for clarification of when the equalized value goes down to \$7,000,000.

Deputy Secretary Guerra Lapacek explained that that happens in tax year 2023. In tax year 2023 we overcorrect for the increase to the elevated equalized value that existed due to the timing of the court case. 2023's equalized value drops to \$7,000,000 as an overcorrection for 2022's elevated equalized value. Then we add back what was over corrected in 2024 and that is how we get the \$23 million going forward. That amount is more representative of the actual equalized value of the town.

Commissioner Leiber asked if we use those numbers, the town's share of school and county taxes go down for the next year and then back up to where they should be.

Deputy Secretary Guerra answered, that is correct.

Board Chair Godlewski confirmed that despite this unique flux in equalized value, the assessed value is going to stay the same. There is no data that points to changes to the assessed value of the town.

Secretary Barca replies, yes, that's correct.

Board Chair Godlewski stated that the town is well within their borrowing capacity, and their assessed value is not going to change because there is no data anyone sees that would impact that.

Secretary Barca agreed and shared that that is why BCPL's investment committee feels the loan was a very safe investment.

Board Chair Godlewski asked if there is anything that points to the Town of Sanborn being reckless in their borrowing or spending. We have heard about the dump truck, which the town intends to pay off soon. It appears they are being responsible. Is there anything else noteworthy to point out?

Secretary Barca shared that the town has been very frugal and conservative in their practices.

Deputy Secretary Guerra Lapacek agreed with Secretary Barca. In fact, the town did not have a levy until 2015. They managed to budget within the means of their shared revenue and other local funds. The town does not alarm us in any way based on their expenditures. It's a pretty typical town. They don't spend freely or unnecessarily. The dump truck they purchase is an all-purpose truck, it does snow removal and road work. It appears the town takes a conservative approach to their spending and tries to keep services at a good level for their residents.

Board Chair Godlewski recapped what was shared. The Town of Sanborn has a healthy assessed value which is not going to fluctuate in the foreseeable future. The town has been incredibly frugal with their spending and their borrowing. The town's shared revenue is increasing by \$54,000. This is in addition to the \$90,000 they already receive. The town's shared revenue is more than enough to make their \$30,000 per year payment on the \$610,000 BCPL loan.

Secretary Barca reiterated that DOR would only have to take a third of their shared revenue in order to meet their annual BCPL loan obligation if there was a default.

Board Chair Godlewski added that the town is working with the tribe to provide EMS services and freeze their levy for the next three to five years. She asked DOR and the investment committee if they see anything that would make this loan a risky for BCPL's portfolio.

Deputy Secretary Guerra Lapacek and Secretary Barca replied that they do not see anything risky about the loan.

Commissioner Kaul commented that part of the logic for the town structuring the loan the way they are is it relates to getting the chargebacks. He asked if DOR has any concerns about the loan approval being today and the ability of the town to do the chargeback process as anticipated. Is DOR confident that if we approve the loan today, the town could act quickly enough to get the chargebacks?

Secretary Barca responded that we have cut it as close as we can. He believes the board did meet in a timely enough fashion that DOR and the town can process the chargebacks. This loan is a very vital element for the town going forward. It will be their number one priority. It's all hands on deck to make sure that we do it. We are right at the fringe, but he believes they can make it and DOR is committed to helping them.

Commissioner Leiber ask if it's a possibility more land could be taken off the tax roll. Current taxable land could become nontaxable by a simple purchase. That wasn't mentioned in any of these assessments. Do we know any of these calculations? This is a real possibility since we already saw some of this happen due to the court decision. Does that affect how you see the risk of this loan? What if half the remaining land is taken off the tax roll, doesn't that affect their ability to pay it back?

Secretary Barca shared that the Town of Russell is in a similar situation, but they are not in as tight a place. The former Secretary of DOR and the Secretary of the Department of Administration feel very positive that tribal members will not engage in efforts to remove more properties off the tax roll. There is always the possibility that one of the properties could sell. There are no guarantees but with all of the efforts that have been made and efforts that are proposed, we still feel it's very safe for us at this point.

Deputy Secretary Guerra Lapacek added that if the assessed value of the town drops, so does the equalized

value, so their apportionment will get adjusted for all the other taxing jurisdictions. A decrease in value will lower their liability to each of the other taxing jurisdictions. The town's levy will then have to get spread out over the smaller number of properties. However, there is an equalizing effect that happens with the equalized value so that becomes a little bit of a wash.

Commissioner Leiber commented that is except for the debt service. The town cannot put that debt on other residents of the county. It has to stay with the Town of Sanborn taxpayers.

Deputy Secretary Guerra Lapacek replied, correct. The town's portion does get spread out over the smaller number of taxpaying properties but because of the drop in equalized value, their apportionment of the other levies will drop.

Commissioner Kaul shared that he and Commissioner Leiber were looking at the risk associated with the loan through the same lens, specifically concerns about the increase in property taxes. Putting aside the anomalous years, he feared the loan would create a situation where people would be priced out of their homes and would need to sell, which could lead to a dwindling tax base as properties become nontaxable as they are sold. Now, with the EMS shared services cost, the increased shared revenue, and the change in expected property tax rates the risk is now materially lower which is meaningful. Once inflation is accounted for, it is not a huge jump. To me the risk profile with these updates is quite different and much lower than first perceived. Of course, that can change if the tax base shrinks and houses are sold.

Commissioner Leiber shared that he is encouraged by the direction this is going. He would be more comfortable if there was a 20 year commitment from the tribe. It has been his belief that the tribe needed to have some part in this. No long term solution should exclude the tribe's involvement. He has spoken with the town Chairman as well and is glad to see the town and tribe working together. But the agreements are more cooperation without any sort of formal agreement.

Executive Secretary German shared that the chargebacks to pay down the loan more quickly decrease the risk of this loan faster than an evenly amortized loan. The risk drops for us on the front end even if there were changes in the community. If the loan balance is \$350,000, \$360,000 after a couple years, that is much lower in terms of their borrowing capacity.

He shares the concerns written in the letter by WRA. What is the impact on the people in the community? What happens if nothing gets done? The interest keeps accruing. Things get riskier for the community and for the homeowners and the taxpayers if nothing is done. If the loan is approved, that does not stop the legislature and the governor from coming to another agreement to deal with how the chargebacks and loan is dealt with. The loan is already putting the community on a path of financial stability.

He clarified to Commissioner Kaul the use of the chargebacks. The first charge back would be used to pay off the rest of the remaining property tax refund claims. The second round of chargebacks would be used to reduce the outstanding balance of our loan.

Board Chair Godlewski reiterated the urgency of the timing and that a decision needs to be made today. She asked for a motion to be made on the loan application for the Town of Sanborn.

**MOTION:** Commissioner Kaul moved to approve the loan application for the Town of Sanborn; Board Chair Godlewski seconded the motion.

**DISCUSSION:** Commissioner Kaul added that for the reasons we've been discussing today he views the situation as having materially changed since we were looking at it previously. He is very encouraged by the commitment to have shared costs between the town and the tribe and also the tribal government's commitment

to sharing costs for services going forward. The changed circumstances significantly decrease the risk of the loan. Considering all the factors, it is in our beneficiaries' interest to extend this loan.

Commissioner Leiber shared that he appreciates all the work that has been done on this loan and does feel it has been moving in the right direction. He is thankful the town and the tribe have taken our concerns into consideration. He believes everyone has done a great job on this, whether it's close enough for him or not, his vote does not reflect how he values everything that has gone into this.

Board Chair Godlewski commented that she echoes the commissioners' comments. She appreciates everybody working diligently, overtime and over the weekend to continue to demonstrate that this loan not only meets the statutory requirements but the financial requirements and that it is a good asset to our portfolio. The loan stops what could be a big financial catastrophe for a community. She thanked everybody for their work.

**VOTE:** The motion passed 2-1 (Ayes–Board Chair Godlewski and Commissioner Kaul; Nay–Commissioner Leiber).

### **ITEM 3. ADJOURN**

Board Chair Godlewski moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 3:41 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/bcpl.wisconsin.gov Shared Documents/Board Meeting Docs/2023/2023-08-07 BoardMeetingRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov%20Shared%20Documents/Board%20Meeting%20Docs/2023/2023-08-07%20BoardMeetingRecording.mp3)