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Thomas P. German, *Executive Secretary*

## AGENDA

August 15, 2023  
2:00 P.M.

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

### Routine Business:

1. Call to Order
- 2a. Approve Minutes - August 1, 2023 (Attached)
- 2b. Approve Minutes - August 7, 2023 (Attached)
- 3a. Approve Loans
- 3b. Black Hawk School District Loan Extension

### Old Business:

4. None

### New Business:

5. None

### Routine Business:

6. Chief Investment Officer's Report – Quarterly Investment Report
7. Executive Secretary's Report
8. Board Chair's Report
9. Future Agenda Items
10. Adjourn

### AUDIO ACCESS INFORMATION

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Conference Line Number: 608-571-2209

1<sup>st</sup> Tues of the month Conference ID Code: 335 125 302#

3<sup>rd</sup> Tues of the month Conference ID Code: 207 822 241#

Board Meeting Minutes  
August 1, 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
Thuy Nguyen, Office Manager	Board of Commissioners of Public Lands
Nathan Schwantes, Chief of Staff	Secretary of State
Hannah Menchhoff, Communications Director	Secretary of State
Peter Barca, 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 2:00 p.m.

**ITEM 2. APPROVE MINUTES**

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

**DISCUSSION:** None.

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

**ITEM 3a. APPROVE LOANS**

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

**DISCUSSION:** Mr. Sneider shared that loan #1 to the School District of Wausau is to finance referendum projects. The original referendum was passed in April of 2022 for about \$120 million. The school district borrowed approximately \$100 million last year through bonding. This loan funds the completion of about 20 school renovation projects. Loan #4 to the Town of Clover is for improving a campground that is located on the shores of Lake Superior in northern Bayfield County. Loan #10 to the Village of Suamico is for financing a wetland mitigation bank. Mitigation banking in Wisconsin is divided into 12 watersheds and the village is purchasing conservation easements on local wetlands that can be purchased for credits to offset wetland disruptions by developers in the Lake Michigan basin. The proceeds of those developers' purchases of the wetland mitigation credits goes to the village and to the underlying landowners. Loan #12 is to the Village of Elm Grove to finance property and easement acquisitions for the Underwood Creek Day Lighting Project. This is part of a larger project started in 2005 to alleviate downtown flooding. This part of the project opens up a creek that is currently under parking lots. The creek will be moved slightly as recommended by the DNR. Loan #14 to the City of Tomahawk is for a variety of capital projects, including roadwork for \$1.6 million. Other projects include improving the city hall roof, buying a backup generator for the city hall and the Police Department, purchasing of a squad car, taser and video equipment for the police, and a used dump truck. The

interest rate as of June 28, 2023 is 5.75%.

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

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$25,737,866.99** in State Trust Fund Loans to support **14** community projects in Wisconsin.

1. Wausau School District / Marathon County / Finance April 2022 Referendum Projects / \$19,810,000.00
2. Village of Albany / Green County / Finance roadwork / \$149,217.00
3. Town of Emmet / Marathon County / Finance roadwork / \$150,000.00
4. Town of Clover / Bayfield County / Finance ADA restrooms at campground / \$225,000.00
5. Town of Byron / Monroe County / Finance roadwork / \$350,000.00
6. Town of Gull Lake / Washburn County / Finance roadwork / \$150,000.00
7. Town of Ashippun / Dodge County / Finance roadwork / \$100,000.00
8. Town of Ashippun / Dodge County / Finance roadwork / \$100,000.00
9. Town of Marquette / Green Lake County / Finance roadwork / \$250,000.00
10. Village of Suamico / Brown County / Finance Oussuamigong Wetland Mitigation Bank / \$1,000,000.00
11. Village of Elm Grove / Waukesha County / Finance roadwork / \$1,000,000.00
12. Village of Elm Grove / Waukesha County / Finance property and easement acquisitions / \$178,150.00
13. Village of Whitelaw / Manitowoc County / Refinance road construction loan / \$175,499.99
14. City of Tomahawk / Lincoln County / Finance 2023 Capital Projects / \$2,100,000.00

### **ITEM 3. Town of Sanborn State Trust Fund Loan Application**

Board Chair Godlewski introduced the two main concerns about the loan application: 1.) issues about taxes, chargebacks, and valuations; and 2.) the credit worthiness of the community.

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

Secretary Peter Barca  
Director Mary Gawryleski  
Director Sara Regenauer

**DISCUSSION:** Secretary Barca commented DOR has worked closely with many different municipalities over the course of the last three to four years, during the pandemic, and during times of financial stress that many communities face. He has spoken with Chairman Salas of the Town of Sanborn and Chairman Wiggins of the tribal community. The letter that was sent to BCPL reflects increased communication and cooperation on the part of the tribe and the town. This is a big deal. Both have recognized they have to work much closer together to find solutions to save money on the part of taxpayers and be as efficient as possible. This collaboration required a lot of work on both parts.

The tribe and town are both pleading for approval of the loan because it is their best hope to have solvency long-term. The Department of Revenue is strongly requesting that the board grant this loan as well. Given the tight timeline they are in, this may be the last meeting and last opportunity to assure they can utilize the chargeback process and the equalization process. Those two things come together for the town and the taxpayers' benefit.

The Wisconsin Realtors Association (WRA) also sent a letter because they feel there are huge adverse effects for homeowners, taxpayers, and the town if the loan is not approved. The chargebacks can only happen if the town pays off the older refunds prior to this first round of chargebacks. It is a very tight timeline and soon they will be unable to recover those funds for the first chargeback process. Roughly 2/3 of what is owed is not the town's responsibility, it's the county, school district and tech colleges.

It is completely not the case that the property tax bill taxpayers received for the last tax period is the new standard and that future bills are going to be at that level going forward. The next tax bill will be lower. That's a one-

time anomaly due to the timing of the court settlement, which came after the equalized values were set. We project for 2025 that the bills will stabilize and will be somewhere in the middle of what they were in 2022 and the lower amount for 2023. The tax situation is not as dire as many people think.

In terms of the security of the loan, there are three other ways to secure this loan. First, funds received from the second chargeback will be dedicated to paying off a substantial amount of this loan. Second, both the governor and the legislature appropriated funds. The legislature designated those funds to only go to the county. That is likely why the governor vetoed it. However, the governor allocated money as well. In the coming months there may be funds that can go towards this purpose. Third, DOR can deduct money from shared revenue to meet obligations. The loan payment is only a third of the town's shared revenue. These three reasons put BCPL board members in a much stronger position to feel comfortable moving forward. Given the timeline, BCPL is the only hope at this juncture to help provide a pathway to solvency for the town. The situation is dire without these funds. These funds are needed in order to do the chargebacks and get the equalized value of the town in line, so tax bills go below the previous year's taxes.

Commissioner Kaul asked how the process works if the debt is paid in future years. If the town were to pay some of the money owed to the taxpayers next year, could they still get a chargeback for those future years from the other entities that owe portions of those taxes?

Secretary Barca replied, no. State law requires that unless the refunds for the earlier years of taxes are paid soon, they will not be able to recover the 2/3 of the chargebacks from the county, school district and tech colleges. They could in future years do chargebacks if the other \$400,000 for later year tax refund claims were paid out. The \$600,000 is the biggest amount and that is why your role is so vital. The town is carrying the burden for all the other local units of government even though they have the smallest share compared to the school district in the county.

Commissioner Kaul asked if they were to pay the \$600,000 in January of 2024, they would not be able get the chargebacks at the end of that fiscal year.

Secretary Barca replied, yes, that is correct. Older debts have to be paid back within a year of the court settlement. As a consequence, the refunds have to be paid in order to do the chargeback by this October.

Commissioner Kaul asked how is it that the town can get chargebacks on the other \$400,000 that will be paid later, even though it's the same debt.

Secretary Barca explained that if they pay the \$400,000 for later tax year refund claims, the town can do a second chargeback. The town has indicated that they intend to utilize funds from the second chargeback to pay down the BCPL loan.

Board Chair Godlewski commented that is why the August 15th date is so important. The town needs to borrow money to start this process to get the chargebacks to prevent them from owing additional interest which is compounded at 1% each month. If the town fails to pay for over a year, interest owed will be over \$100,000 versus the 5.25% interest rate on the loan. The annual projected BCPL loan payment is 1/3 of what interest owed would be for taxpayers if they do not receive refunds soon.

Secretary Barca replied, that's exactly right. It's a triple whammy if the loan is not approved: 1.) the recovery of the \$400,000 is in jeopardy; 2.) the interest owed goes up; and 3.) equalized value issues. The loan is needed so that assessed values can be equalized out. Then the tax bill for next year will actually be lower than we projected it was before the court decision to make up for that past inequity where they were over billed because the court decision came after equalized values were issued that year.

Commissioner Kaul asked is the chargeback process set up by statute? Is that why they've got the deadline? If a municipality is going to be owed money from other taxing authorities but they don't pay their debts because they're distressed, then they can't recover it for a period of time?

Secretary Barca explained that it is set up by statute and it is section 74.41 of the state statutes.

Commissioner Leiber asked about the chargeback process and where the money is coming from.

Secretary Barca explained that each taxing jurisdiction pays their proportionate share. Essentially, they're paying back taxpayers that the court said should not have been taxed in the first place. It's whoever benefitted from that. The tech college has the smallest share then the town, the county, and the school district with the highest share of close to 50%.

Commissioner Leiber asked when the other taxing jurisdictions become aware of the amount, so they can budget that in.

Secretary Barca responded, November. That is when they budget for it. By then they will have a pretty good sense of where they're at and that's why your role is so vital.

Commissioner Leiber asked about the second chargeback. Would that be on the next tax years bill after that?

Secretary Barca replied, after the taxes are paid back to the tribal members, the town can request the chargebacks the following period. It's expected to be next year.

Commissioner Leiber clarified that the town would have to wait on the most recent years taxes or the next year's budget and then that would be put on the tax roll in 2025.

Secretary Barca agreed. It would be the chargebacks for the next tranche of tax refund claims, which are the newer ones. That would be in the amount of roughly \$400,000.

Commissioner Leiber commented that it is not free money that's coming. It is coming from the county to the town. He asked if taxpayers in the town would have to pay for the money going to the town.

Secretary Barca explained that the amount is coming from each taxing jurisdiction paying their proportional amount.

Board Chair Godlewski reiterated that the chargeback process will not be available unless the town is able to borrow money under their current equalized value.

Secretary Barca shared that the town plans to submit the second half of chargebacks by October 1, 2024 to be put on the 2024 bill, which will be a year later.

Commissioner Leiber clarified that if this loan does not go through, they can still do a chargeback on the remaining amount next year, assuming they can pay that amount next year.

Secretary Barca explained that is true, but they'll be out the \$400,000 they could have collected on the earlier tax year refund claims. Their equalized value will not be adjusted in time resulting in tax bills that are going to be high next year. This is why WRA was so alarmed. As Board Chair Godlewski expressed, interest will climb as well. He believes this is a wise move and believes that the board is honoring its fiduciary responsibility for the three reasons he shared earlier.

Commissioner Kaul asked if the town were to get the loan, what years of payments are involved in the first group with the \$600,000 and what years in the second group.

Sara Regenauer replied that the years for the first group of payments are 2015 to 2018. Those years are outside of the prior five assessment years, so those fall under the statute that allows an additional one year from the court determination. The second wave of refunds and chargebacks would be 2019, 2020 and 2021. She believes the non-taxable properties were removed from the roll by 2022.

Commissioner Kaul summarized, the chargeback has to happen within either five years of when the taxes were owed or one year of a court decision.

Sara Regenauer further explained that 74.41 provides a limitation that chargebacks must be made for the five prior assessment years or one year from the court determination. Years 2015 through 2018 are outside of the five prior assessment years. However, they get that additional year to file chargebacks from the date of the court decision.

Executive Secretary German shared that it is a twofold test. Five years from the date of the assessment or one year from the date of the legal determination. We are approaching the one year anniversary of the 7th Circuit decision, which he believes to be August 15<sup>th</sup>. If things are not done now, the ability to chargeback for 2015, 2016, 2017 gets lost under the current statutes.

Commissioner Kaul asked why this situation came to BCPL so close to the one year deadline for the town. He shared that he is extremely sympathetic to the points that are being raised about the town. We have not received any further information since the last board meeting that make him confident that the town is going to be able to address an expected significant spike in property taxes. The town chair's letter suggested there was not going to be an increase, although it seems clear there is no planning going on for what is coming down the road to ensure the property tax issues are being addressed so residents can remain solvent. We are in a very difficult position. He would like the town to take some action as we are in an extremely limited time frame.

Secretary Barca replied that the court decision came down less than a year ago. Subsequent to that, the town met with their legislators and the administration met and we were hoping to come to some accord during the budget process. The governor put forward a budget provision that would have directly helped the Town of Sanborn, but the legislature decided to focus on helping the counties. It was July 1<sup>st</sup> that the town realized they were in a real jam. Their only solution was to borrow from BCPL, knowing that BCPL has loaned for these types of situations. It was not neglect on anybody's part. There was a good effort made by the governor and even the legislature. The tribe and town put together some new plans for ways to operate more efficiently. There has been good faith on everybody's part.

Commissioner Kaul asked for information on how the town is working to be more efficient. The concern he raised last meeting has not been addressed in the materials received and the tax rate this year is unusually high because of the anomalous circumstances and then taxes will be unusually low next year because of the unusual circumstances. Taking out those two anomalous years, it looks like there may be a substantial spike in property taxes, something in the order of 60 to 70%. That's a large spike which raises significant concerns about people's ability to pay their taxes, stay in their homes and the long-term viability of the town. Having a concrete plan in place seems vital to making a sound decision regarding loan approval.

Secretary Barca explained that this is not only the town's problem. The other taxing jurisdictions have a role. The town has always been frugal. The town's proportion of the tax bill is about 20%. The town is looking at a more efficient plan for road paving and being more efficient with emergency services. Discussions have been had about teaming up to save some funds. Also, can we come to some accord with the legislation of the governor? That would make a big difference too. Without the loan, they are going to suffer with increased interest rates by not having equalized value to bring down their taxes next year and even out the payments through chargebacks.

Commissioner Kaul asked why the equalized value would not go down next year without the loan?

Mary Gawryleski explained that the equalized value this year is quite low relative to where it was in the prior years because it was overstated last year due to the timing of the court decision. The 2022 equalized value included the value of all of the property that went exempt on the local tax rolls in 2022. In order to compensate the municipality for that overstated equalized value in 2022, we have a correction in this year's equalized value for the amount that was overstated. That amount is being deducted from this year's equalized value. It is a one-year compensation for the overstated value in 2022. That amount of the value will go back on to the town's equalized value next year. Going forward, the town's equalized value will represent the value of the actual property without any corrections included in it.

Commissioner Kaul asked if that happens irrespective if there is a loan or not.

Mary Gawryleski responded, yes.

Board Chair Godlewski shared that the town did not levy a tax for almost 8 years from 2007 to 2014. There were no town property tax levies for that period.

Secretary Barca replied, correct.

Board Chair Godlewski commented that if they do not get the loan, we will see a potential spike in property taxes in the following year. If they do get the loan, that will help maintain reasonable property tax payments. The data that was shown by DOR to the board last meeting was a scenario without the loan.

Secretary Barca explained that with no loan they will have to add on to their levy \$400,000 that they would have had in chargebacks, plus the interest. It will enormously adversely affect those property owners and they will be in a worse position. The town taxpayers will shoulder all of the tax refund claims versus other taxing jurisdictions shouldering their respective share of it. If we want to look out for the taxpayers of that region, this is how you can be most helpful.

Board Chair Godlewski shared that if we wait, the town will not qualify for the chargeback that is helping to secure this loan and insuring payment. That is one of the many mechanisms of security. The law currently allows for interest to accrue at 0.8% or almost 1% interest while the refunds remain unpaid. If we were to wait 12 months, interest would be a little under 12%. Until the refunds are made, the accrued interest is an additional burden on the taxpayers.

Secretary Barca replied that is right. That is why WRA wrote that very strong letter because they are very alarmed on behalf of those property owners and taxpayers.

Commissioner Kaul reiterated his concern. He understands from the perspective of the town and taxpayers why taking out this loan makes sense. The action that the legislature proposed that would have impacted their ability to take out a loan would have been counterproductive. He is glad it was an item partially vetoed. Approval of the loan needs to be made on the basis of what is in the best interest of our beneficiaries and the State Trust Fund Loan Program. We have a fiduciary responsibility. For our loan to be a good and sound decision, there needs to be a plan in place to ensure that the town is going to remain viable. The town did not have a levy for a period of time.

He would like to see a concrete plan. They need to work on a solution because we're being asked to act in the next two weeks. Having a pathway to long term viability for the town is critical. He would like to know what the property tax burden for a home valued at \$200,000 will be. The rough numbers go from \$4500 to \$7500 and that is not a sustainable tax increase for a lot of families. There will either be massive cuts in services or some other solution. He has not seen a plan that would make him feel comfortable with the loan. He would be happy to meet again before August 15th or by August 15th.

Secretary Barca commented that the Chief Investment Officer feels BCPL is meeting its fiduciary responsibility. This loan is part of the town's plan. This is how we can help them to reach financial sustainability. By not acting, you are piling debt on top of those homeowners. Their property tax bills are going to be significantly higher. The town has to pay that extra \$400,000 out of their property tax bill. Again, that's why you got the letter from the WRA. This is a big part of the plan that BCPL staff helped put together. Through holding back 1/3 of their share of revenue payments, DOR can make sure the loan is secure on that alone. This is all assuming the legislature and governor will not give any appropriation and there is a high probability they will.

Commissioner Kaul commented that another concern is the long-term plan to address the spike in property taxes. We are being asked to take on the risk without a long-term plan in place.

Secretary Barca shared that it is the town's intention to pay back 2/3 of the loan with the second chargeback. There's more than enough money that was already appropriated sitting in advance that the legislature could put forward and we could help pay it back directly through taking one third of their share of revenue. It couldn't be any more secure.

Commissioner Kaul asked about the shared revenue. That only applies if the town is getting shared revenue. If the town were to go under in three years, then there is no shared revenue stream. We would be without our insurance. Or if the legislature were not to appropriate revenue to them.

Secretary Barca commented that he cannot envision a scenario where the town would go completely under because there would be steps taken to ensure they would not go under. We have never had that before.

Commissioner Kaul shared that we are in uncharted territory on this.

Board Chair Godlewski shared that it is important to walk through how creditworthiness and the debt ratio is applied in determining when loans are presented to the board. This is not the first time in recent history that paying back taxes has been approved by a board. BCPL has never had a default in the century plus that it has been in existence. BCPL has done very similar loans. She asked Mr. Sneider to speak about some of the earlier concerns that were brought up.

Mr. Sneider shared that the investment committee voted last week on a motion to communicate with the board that the investment committee believes the loan meets and exceeds all minimum credit criteria and that the loan appears to be in the best interest of the town and the local taxpayers. The court ordered liability of approximately \$1,000,000 cannot be eliminated and must be paid. The liability is currently accruing interest at a rate of 0.8% compounded monthly. If this loan is not paid off, the interest expense alone not including any principal payments will soon reach \$100,000 per year. The proposed State Trust Fund Loan reduces future annual impact on taxpayers to less than \$30,000 per year. This 70% reduction in annual cost is accomplished by reducing the liability to the amount owed by the town itself and spreading repayment over 20 years at an interest rate of 5.25%. An amortization is included for your review.

The aggregate amount of real estate taxes paid by the Town of Sanborn in 2022 totaled \$860,000. The \$30,000 annual State Trust Fund Loan payment would equate to less than a 3.5% increase to that amount. He clarified for Commissioner Kaul that the numbers from the last board meeting showing tax increases were based on a loan not being made.

It is the belief of the investment committee this loan would have an extremely low credit risk to the Common School Fund. State shared revenue payments in 2023 to the Town of Sanborn at over \$96,000 exceed the annual loan payment by more than three times, and the most recent biennial state budget is expected to significantly increase most future shared revenue payments.

BCPL is required by statute to intercept shared revenue payments in the case of a default. A 3x margin for an automatic backstop to any loan payment is a very strong argument for a high credit rating. Another strong argument behind the town's credit is the reasonable level of the town's total outstanding general obligation debt. The town currently has outstanding debt of about \$140,000 and a general obligation debt capacity of about \$1.35 million. That is based on the 5% of the stabilized equalized value of \$27 million as provided by the DOR. Even at the full \$610,000 of the original State Trust Fund loan, which is prior to the pay down of any principal from chargebacks, the town's total debt at \$750,000 would remain well below 60% of the current debt capacity. This level of debt remains well within the norms established by the national credit rating agencies. Once the principal is paid down following the second chargeback process, total indebtedness falls to well under 40% of their debt capacity. It is the opinion of the investment committee that this loan would be a strong asset for the Common School Fund with a very low risk of default and an even lower risk of monetary loss.

Commissioner Kaul share that taking out the two anomalous years, with or without the loan, taxpayers are looking at a very substantial increase. He does not see how that could not be the case given that much of the property has become untaxable in the Town of Sanborn.

Mr. Sneider responded that the total taxes taking into account the loan would increase only slightly from the 2022 level. And correct, there are going to be fewer taxpayers. If we do nothing, interest alone is going to be \$100,000 a year.

Commissioner Kaul asked if the calculation of property taxes would be even higher if you add in the amount from the



loan.

Mr. Sneider replied that he does not understand that to be true.

Commissioner Kaul asked whether there is agreement that the property tax burden would go up 60% to 70% from 2021 to about 2025. We should have these basic facts as we are making our assessment about the risk of the loan.

Board Chair Godlewski asked Commissioner Kaul if we are able to get their shared revenue, they are well below their debt limit, and their current debt is only of \$100,000 how these things play into additional risk.

Commissioner Kaul replied, if the \$200,000 homeowner's tax burden annually is going up \$3000 a year from where it was prior to the court ruling, doesn't adding in the loan put people's houses at risk? Does it put the long-term viability of the town at risk? What we're being asked to do is put out a loan that pulls that risk into BCPL. We're a fiduciary and we must think about it through that lens. Knowing what the property tax increase people will be facing helps assess whether this is viable in the long term. He shared that he is also less confident about the shared revenue reimbursement because we can only intercept that to the extent that the legislature approves a certain amount of shared revenue. There are a lot of things that can happen with shared revenue down the road that are complicated.

Board Chair Godlewski clarified that the scenario Commissioner Kaul spoke about was without the loan. DOR has intercepted state aid before in many different situations. This is not an unusual responsibility.

Secretary Barca replied, that is correct. It is clear that by doing nothing you are putting the town and those taxpayers at a much higher risk than they would be without the loan. This is a low-risk provision. Shared revenue continues from year to year. The question is how big of an increase is it going to be. It's not as if there is not going to be shared revenue. It is actually in better shape now than it's ever been because 1/5 of our sales tax is automatically going to the benefit of every municipality in the state. They are no longer strictly dependent on the legislature's generosity in terms of increasing shared revenue. It seems to be a very safe investment and your role is so critical. You can either make them better off or worse off.

Commissioner Kaul asked why it is in the interest of the beneficiaries of BCPL to take on this risk. He would like to know about other circumstances where shared revenue was intercepted and how that compares to this situation. It was not a BCPL loan situation because that has never happened before.

Secretary Barca shared that it does happen periodically if somebody does not meet their levy limit requirements. Virtually every year, we intercept a certain percentage of community's shared revenue. This is not unusual at all. We are required to do that.

Commissioner Kaul asked if those were circumstances where there was concern about the viability financially of the town.

Secretary Barca explained that it is a different sensor, but the same methodology that DOR utilizes in this case.

Executive Secretary German shared that Commissioner Kaul raised an excellent point about agreeing on a set of facts. Note how the town's total levy had jumped to \$385,000 in the DOR projections for their 2023 assessment. DOR made an assumption that the town was going to chargeback the entire amount of the town's portion of the property taxes refunded as opposed to paying it off over time. On that projection you're packing in \$200,000 onto a relatively small tax levy which creates a significantly larger number as opposed to the \$30,000 of an annual loan payment. DOR's projection for 2023 taxes jumping to \$5851 was based on an assumption that was not accurate.

Commissioner Kaul shared that there seems to be a lack of clarity regarding next year's taxes and all the years after that. From our discussion, next year and in years going forward, the average taxpayer, unless there was a major change in the taxing rate was going to be paying something in the ballpark of \$7,500 for a \$200,000 house.

Executive Secretary German commented that he does not know the methodology that was used to come up with that

projection. That number included in the estimates was materially off.

Commissioner Kaul commented that it is his understanding that residents were paying around \$4500 prior to these anomalous years and now they are going to be paying around \$7500. Unless there's a plan to address that, there's massive risk to the town because people can't afford to pay \$3000 extra in property taxes every year. When we talk about there being 15% taxable land, that very quickly could change and be reduced as people sell their homes. Having a plan for that long term is essential for us making a wise investment decision.

From the standpoint of our beneficiaries, he would like confidence that we are going to have a solution in place that can address that and to offset the amount of taxes. They either need to have a massive cut in services or some new source of revenue. He is looking for some progress on that.

Secretary Barca commented that when people sell their home, somebody else buys it. About 15 years ago, waterfront property in his home area, Kenosha, Racine almost doubled in value. Some people took out reverse mortgages to pay it. Some people sold it to wealthier people that could afford it. This is reservation land. People can move off the reservation. There are a lot of options available to people. That is how the free market works. You can either choose to help them right now and not make their situation worse, or you can choose to ignore the plight. As WRA has told us, you're putting them at risk. He agrees with the investment committee - it's not a risky loan for all the reasons that we mentioned.

Commissioner Kaul explained that the reason the home sales are at risk is properties may become nontaxable property and the tax base would shrink even further and so this problem could become a compounding problem over time.

Secretary Barca responded that when that happens, the apportionment changes, your equalized values change, it's spread out over other taxing jurisdictions. It would be nice if the legislature and governor could have come up with a solution to pay that \$1,000,000 out of the funds that the legislature has appropriated. That would make it perfect. Then there's zero risk. Both the legislature and the governor have appropriated funds they intend to be helpful in this process but even if they're not, they clearly have the capacity in this town to handle the loan payments at this juncture. We cannot project out 5, 10 years from now. Are you going to help them and make the situation better at this point or make it worse? Then it becomes a self-fulfilling prophecy.

Commissioner Leiber shared that it is not that we don't want to help the people of Sanborn or the town, but we must look out for the beneficiaries. We are trying to earn money to give to school libraries. It is not a matter of not wanting to help, it's a matter of how much risk we should take on. If we lose money, it is not us personally losing money, it's the schools. We would love to help. We all agree the people who are owed the money should get it. It's a matter of where that money should come from and what is the appropriate funding source.

Commissioner Kaul asked about the town's denied \$1,000,000 loan from a local bank. It says it was due to negative local publicity. Do we know anything about that or why the loan was denied?

Executive Secretary German and Mr. Sneider both responded they did not know the details of that decision.

Commissioner Leiber asked if there was a reason the town can't ask joint finance for the money that was appropriated to help out the counties. With the partial veto it seems to apply to towns. Wouldn't that be first step? If they can get a grant that seems to be much better than getting a loan. He is unsure of the process for this but that would be the best option.

Executive Secretary German commented that generally free money is better than borrowed money, but because it was in the budget, it has strings attached. The governor exercised a partial veto. He believes it's going to have to come back from the governor to joint finance to sort the terms of how those funds can be used. He does not believe the money that was put in the budget was enough to cover all of the liabilities associated with this situation. It was an estimate of what the counties' projected liability was.

Secretary Barca shared that they will go back to joint finance. However, joint finance does not meet on a dime's notice.

It takes them a while and especially the fact that there is a difference of opinion of how to proceed takes a little bit longer to sort out. He does not believe those budgeted funds will be available in the next two weeks. It's in your hands.

Commissioner Kaul asked about the town chair's letter mentioning an alternative which is to mortgage a grader and a truck and the sale of some parcels of land. Do we have any information about those options? Where are they in the process and or any further background on that? The town chairman mentioned those options in passing but he did not indicate they had moved forward on anything. They would not be able to do that fast enough to be able to generate the funds to be able to use the chargeback provisions. If they did it, it would be used to raise revenue to pay the claims, but then all the costs, at least for those first three years, would fall just on the taxpayers of Sanborn. There would be no chargeback throughout the county or the school district.

Commissioner Leiber shared that the timeline is critical for the chargebacks, but if the town does get the money from joint finance, they wouldn't need to do any chargebacks. The chargebacks are a way of getting money because they got \$600,000 and they need a million. If joint finance gives them the full amount or close to it, they do not need to worry about the deadline because they've got the money they need and they won't need to do the chargebacks.

Executive Secretary German replied that it all depends on how the grant is given and to whom it is given. It was tucked in the budget to protect the counties. It was anticipating that there may be chargebacks to the counties, and then the counties would be made whole, so the counties would have the money to pay those chargebacks. If the money goes to the town with a limitation that you may not chargeback, this is in lieu of being able to chargeback the county or the school district or whatever. If this happens, there would be no need to use the chargeback process because funds would be given in lieu of using that procedure. It is also possible that if the loan is granted and they're able to sort things out in joint finance and the governor's office, that portion of the budget could be used to pay back the loan instead of charging back the other units of government. Unfortunately, we do not know how that money is going to be allocated.

Mr. Sneider reiterated that the investment committee believes that this would be a strong asset for the Common School Fund with extremely low credit risk. Having that automatic backstop of three times the annual payment is a strong credit worthiness aspect of this transaction and their general obligation debt level has remained within the normal range that would be used by a credit agency. This is an important aspect also.

Commissioner Kaul shared that he endorses what Commissioner Leiber said. The debt needs to be paid back to the members whose property taxes were not in fact owed, based on the court decision. There needs to be a solution for the Town of Sanborn. The concern is the very significant spike in property taxes and the impact that it's going to have, in particular on the tax base and the long-term viability of the town's finances. He would be happy to come back and meet prior to the next meeting if there is a plan in place for the town or at least an outline of a plan where the town has accounted for what the increased taxes will be and figured out a way to address that, whether it's a viable legislative solution or identifying how they can cut back on the levy so that they can prevent people's taxes from skyrocketing. He shared that he has not yet seen any assurance of how that's going to be addressed and without that he does not feel that the risk level is where it should be. He would also like to know if we could find out why the bank rejected the loan. That could be informative to our discussion.

Board Chair Godlewski asked about tabling this loan. There has to be time to process the loan and get it in the hands of the community by the August 15<sup>th</sup> deadline. We are already cutting it very close. Is there any room to table this and have a vote before August 15<sup>th</sup> to ensure that if the board approves it the town can get the money by that deadline?

Executive Secretary German shared that he is optimistic that somehow, someday it is possible, but our margin is shrinking rapidly in terms of being able to do this. The last date there would be any hope would be a board meeting this Friday or Monday because the town needs to not only refund the money but then submit the chargebacks by August 15<sup>th</sup>.

Commissioner Kaul commented that the chargeback date was October. August 15<sup>th</sup> was because of the equalized value.

Executive Secretary German explained that there are two timelines on the chargeback. The general chargeback

deadline is October 1<sup>st</sup>. When you're talking about the chargeback statute, it also has to get submitted within five years of the assessment or one year of the date of legal determination. He believes that the 7th Circuit judgment was last August 15<sup>th</sup>. So, August 15<sup>th</sup> starts the time running for the property taxes for 2015, 2016 and 2017 in order to get those taxes refunded and the chargeback submitted. We are down to a very, very, very short timeline.

With respect to the comment that the bank rejected them, most of the banks that do municipal lending will lend for a term of somewhere between three and seven years. The town was looking for a loan of up to 20 years. That is a very unusual loan for any bank in the state to make. Municipal loans tend to run on shorter terms. Executive Secretary German is not aware of any banks that are giving 20 year fixed rate loans to municipalities. It may be determinative because of credit, but it may have been because they were looking for a payback period that the bank could not honor.

Mr. Sneider added that the town may have asked for \$1,000,000 which is a good portion of their general obligation capacity rather than the \$610,000 that we're looking at.

Board Chair Godlewski summarized the two options. We can call the question and vote on the loan based on the information that has been shared today or we could make a motion to reconvene to vote on this loan application at a later date. August 14<sup>th</sup> would have to be the absolute last date that we could vote on this loan. If we postpone the vote to no later than August 7<sup>th</sup>, we should be fine to meet the August 15<sup>th</sup> deadline.

Executive Secretary German shared that it may be possible, but not necessarily fine. If the loan is approved, we still have to fund it. We have to get the loan documentation signed by the community. The money has to be delivered to the community. The community's got to cut the repayments and has to submit the chargeback paperwork to DOR. That is the area we have the least amount of knowledge about. How many person hours it takes to actually do that? That is why he is uncomfortable saying it is safe waiting until then.

Board Chair Godlewski shared that we could make a motion that we table this vote. We need to put a date on the calendar that meets the August 15<sup>th</sup> deadline. The motion would have to be to meet no later than August 7<sup>th</sup>.

We either vote today on the loan application or we vote to have a vote no later than August 7<sup>th</sup>. She shared she does not want to wait to vote until August 7<sup>th</sup> but will support it because she believes this is upholding our fiduciary responsibility. This loan meets all of its requirements, it meets the statutory requirements for creditworthiness. We have done our due diligence. She worries that by continuing to postpone a decision, we are setting a very bad precedent that no board has set before us as far as being critical of these very unique areas of creditworthiness.

The program has been successful for over 100 years and has been an integral part of our portfolio providing for our beneficiaries, public school books and technology, etc.,. These types of public purpose loans have been done before so she worries we are treating this differently and setting a precedent that concerns her about the future of the fund and the future of where and how we are investing these assets. These are policies that have worked and have produced record-breaking distributions for our public schools, while providing communities across the state with resources that they need to ensure their communities will thrive. She agrees to vote for a motion to table until no later than August 7<sup>th</sup>, but she is very worried about the direction in which this board is going when looking at these loans.

Commissioner Leiber expressed that he believes it is important we vote on these things because the board is not meant to be a rubber stamp for decisions that come through the mechanism. We are elected officials. We're supposed to exercise our judgment and we should be looking at each these loans carefully. We ask questions every time the loans come up. We are not required to vote yes. It is an important part of this board to look at everything, exercise judgment and vote accordingly. He does not believe the board has to follow through and vote yes just because it meets criteria that has been established. We need to look at every single loan individually and that's what we're doing here. This is exactly what the board should be doing.

Commissioner Kaul commented that the two things he is most interested in are the change in the tax burden from prior to the court decision to after the anomalous years have sorted out. He would like to know if the 60% to 70% increase is wrong. Understanding the baseline we're working from is critical to assessing the risk.

Is there a concrete plan in place? Whether it's the town's partners, the tribal government or the counties and school district or the legislature, a concrete plan in place to ensure that there's not going to be that astronomical spike in property taxes and that the town will be able to continue functioning. This information would provide him with the confidence that the town will remain financially able to reimburse the loan in full. But he also does not want to delay the decision if the processes become unrealistic or cannot happen.

Executive Secretary German replied that he appreciates the commissioner's clarification. It would be helpful if we laid out more than 2021, 2022 and 2023. If more years were laid out, we could understand what those trend lines look like. That would be helpful because the aberration of the years 2022 year and 2023 tend to distort everything else. He will reach out to DOR and see if they can come up with clarifying materials on that.

Commissioner Kaul shared that he would like to know what the town's plan is to address property tax increases so he can be confident the town is not putting itself in a position where there's going to be lots of turnover and the tax base shrinks further. That would be helpful to assessing the loan.

Commissioner Leiber agreed that the information Commissioner Kaul is looking for would be helpful. If anything new happens in the interim that would be important to bring up and include in our discussion as well.

Board Chair Godlewski listed the information needed for the next meeting: the amortization schedule and the town's plan.

Commissioner Kaul clarified he is not looking for the schedule about repayments from the loans. He would like the information on the tax burden that folks are facing and either the kinds of cuts they would have to make so the taxes are more consistent going forward and more consistent with what they had been prior, and what the option is for raising additional revenue so they're not having this big spike in property taxes.

Commissioner Leiber shared that he would like to see that too and commented that the concern isn't how much the taxes go up for individuals in and of itself but how that reflects on their ability to pay in the future and if that's driving people to sell their house and that becomes nontaxable. What's the future of their ability to pay back the loan?

Board Chair Godlewski asked for the motion to be made. She does not believe there is a need for a closed discussion.

Commissioner Kaul asked the BCPL staff if the board is setting up something that's unrealistic. He wants to make sure that it's worth the follow up effort.

Executive Secretary German shared that he believes it's worth it to get more questions answered in terms of the timeline. The person who would have the greatest say on whether it is possible would be the Clerk for the Town of Sanborn. He's not on the call today.

**MOTION:** Commissioner Kaul moved to table a vote on the loan until no later than August 7<sup>th</sup> of this year; Commissioner Leiber seconded the motion.

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

#### **ITEM 4. OLD BUSINESS**

None

#### **ITEM 5. NEW BUSINESS**

None

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

None

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

None

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

None

**ITEM 9. FUTURE AGENDA ITEMS**

None

**ITEM 10. ADJOURN**

Commissioner Kaul moved to adjourn the meeting; Commissioner Leiber seconded the motion. The motion passed 3-0; the meeting adjourned at 3:49 p.m.

A handwritten signature in black ink, appearing to read "Thomas P. German", is 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/2023/2023-08-01/BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2023/2023-08-01/BoardMtgRecording.mp3)

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.



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/Shared%20Documents/Board%20Meeting%20Docs/2023/2023-08-07/BoardMeetingRecording.mp3)

**BOARD MEETING  
AUGUST 15, 2023**

**AGENDA ITEM 3a  
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Pewaukee Waukesha County Application #: 02024022 Purpose: Finance road and well projects	Village Rate: 5.50% Term: 10 years	General Obligation	\$670,688.00
2. Conover Vilas County Application #: 02024023 Purpose: Finance roadwork	Town Rate: 5.50% Term: 2 years	General Obligation	\$485,000.00
3. Whiting Portage County Application #: 02024024 Purpose: Finance Street and Sidewalk Projects	Village Rate: 5.50% Term: 5 years	General Obligation	\$155,000.00
4. Antigo Langlade County Application #: 02024025 Purpose: Finance purchase of fire truck	Town Rate: 5.50% Term: 5 years	General Obligation	\$250,000.00
5. Pelican Oneida County Application #: 02024026 Purpose: Finance purchase of plow truck	Town Rate: 5.75% Term: 4 years	General Obligation	\$200,000.00
6. Knowlton Marathon County Application #: 02024027 Purpose: Finance purchase of grader	Town Rate: 5.75% Term: 10 years	General Obligation	\$250,000.00
7. Fremont Clark County Application #: 02024028 Purpose: Finance construction of Fire Hall and Community Center	Town Rate: 5.50% Term: 20 years	General Obligation	\$571,896.00
	<b>TOTAL</b>		<b>\$2,582,584.00</b>

**BOARD MEETING  
AUGUST 15, 2023**

**AGENDA ITEM 3B  
PROPOSED LOAN EXTENSION FOR BLACK HAWK SCHOOL DISTRICT**

- A. The Board regularly makes new loans to local governments throughout the state. The Board also has the authority to extend existing State Trust Fund Loans pursuant to Wis. Stats. Section 24.73 as long as:
- The loan is not currently in default; and
  - The extension of the loan will not go beyond 20 years from the time of original loan disbursement.
- B. BCPL has used its authority to extend loans pursuant to such statute upon request on terms that are acceptable to both the borrower and BCPL.
- C. Such extensions do not require a referendum or vote of electors which is consistent with Wisconsin Statute Section 67.15 which allows municipalities to refinance any existing obligation without elector approval.
- D. The Black Hawk School District has requested to extend their existing School Trust Fund number 02023075.01 with an existing principal balance of \$850,000 out for a term of up to twenty years at the interest rate of 5.25% which was in effect for 20-year loans at the time the School District requested such extension from BCPL.
- E. Black Hawk School District's loan is not in default at this time and the requested extension will not extend beyond 20 years from the time of original loan disbursement.
- F. BCPL staff have discussed the extension request with DOJ attorneys who have confirmed the authority of the Board to grant extensions under Wis. Stats. 24.73 and further confirmed that the extension request does not require a DOJ review for "regularity" pursuant to Wis. Stats. Section 165.015 as this is not an application for a new loan.
- G. BCPL staff has reviewed the request for loan extension and found the request to be appropriate and permissible under the statutes and as interest rates are relatively flat across the timeline for loans, staff recommends board approval of such extension request as staff believes these terms to be agreeable to both parties.

**PROPOSED RESOLUTION**

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Commissioners of Public Lands authorizes the extension of Black Hawk School District's State Trust Fund Loan Number 02023075.01 for a period of up to twenty years from March 15 prior to the funding of such loan and on such other terms and conditions as the Executive Secretary determines to be reasonable and necessary in accordance with Wis. Stats Section 24.73. The Executive Secretary is further authorized to take any and all actions reasonably necessary to accomplish this extension.

**Common School Fund  
Portfolio Report  
June 30, 2023**

Asset Class	Current Market Value	Cost	Unrealized Gain/Loss	% Gain/Loss	Yield at Cost	Projected Annual Income
<b>Fixed Income</b>						
Public Debt						
State/State Agency/Municipal Bonds	77,365,183	82,298,404	(4,933,221)	-6.0%	4.1%	3,345,895
U.S. Treasury/Agency Bonds	89,790,445	94,896,000	(5,105,555)	-5.4%	4.8%	4,530,000
U.S. Treasury Inflation Protected Securities	-	-	-			-
Corporate Bonds	108,340,826	127,761,954	(19,421,128)	-15.2%	5.2%	6,686,710
Private Debt						
BCPL State Trust Fund Loans <sup>1</sup>	\$232,082,268	232,082,268	n/a	n/a	3.7%	9,502,678
Other Private Debt <sup>2</sup>	132,373,510	136,083,515	(3,710,005)	-2.7%	10.1%	13,708,678
<b>Total Fixed Income</b>	<b>639,952,232</b>	<b>673,122,141</b>	<b>(33,169,909)</b>	<b>-4.9%</b>	<b>5.6%</b>	<b>37,773,961</b>
<b>Equities and Alternatives</b>						
Public Equities						
Preferred Stocks	79,086,663	98,363,707	(19,277,044)	-19.6%	5.1%	4,995,413
Domestic Equities	139,516,513	119,415,359	20,101,154	16.8%	4.9%	5,842,249
Global Equities	100,537,392	101,209,888	(672,496)	-0.7%	2.9%	2,979,389
Alternatives						
Private Real Estate	232,286,683	207,597,788	24,688,895	11.9%	4.7%	9,695,584
Real Assets/Infrastructure	2,316,535	2,316,535	-	0.0%	6.5%	150,575
Private Equity/Venture Capital <sup>2</sup>	39,187,583	33,589,501	5,598,082	16.7%	0.0%	-
<b>Total Equities and Alternatives</b>	<b>592,931,369</b>	<b>562,492,778</b>	<b>30,438,591</b>	<b>5.4%</b>	<b>4.2%</b>	<b>23,663,210</b>
<b>Cash</b>						
State Investment Fund <sup>3</sup>	95,348,842	95,348,842			5.1%	4,852,760
Total Cash	95,348,842	95,348,842			5.1%	4,852,760
<b>TOTAL CSF PORTFOLIO</b>	<b>1,328,232,443</b>	<b>1,330,963,761</b>	<b>(2,731,318)</b>	<b>-0.2%</b>	<b>5.0%</b>	<b>66,289,931</b>

**Notes:**

<sup>1</sup> 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 as of 6/30/23 that are due 3/15/24, and is subject to change.

<sup>2</sup> Private equity/venture capital investments are valued at the sum of manager-provided market values (at the end of the prior quarter) and capital calls made during the current quarter. Market valuations are updated as information is received.

<sup>3</sup> State Investment Fund yield is from June 2023 SIF Pool Earnings Workbook. Total cash is a preliminary number subject to change.

**Common School Fund**  
**Asset Allocation Report**  
June 30, 2023

Asset Class	Current Portfolio		Potential Portfolio			Target	
	Current Market Value	Current Allocation	Expected Commitments	Market Value + Commitments	Potential Allocation	Target Allocation	Target Range
<b>Fixed Income</b>							
<b>Public Debt</b>							
State/State Agency/Municipal Bonds	77,365,183	5.8%		77,365,183	5.8%	5.0%	0% to 20%
U.S. Treasury/Agency Bonds	89,790,445	6.7%		89,790,445	6.7%	0.0%	0% to 20%
U.S. Treasury Inflation Protected Securities	-	0.0%		-	0.0%	0.0%	0% to 10%
Corporate Bonds	108,340,826	8.1%		108,340,826	8.1%	5.0%	0% to 20%
<b>Private Debt</b>							
BCPL State Trust Fund Loans	232,082,268	17.4%		232,082,268	17.4%	25.0%	10% to 30%
Other Private Debt	132,373,510	9.9%	17,505,177	149,878,687	11.2%	15.0%	10% to 30%
<b>Total Fixed Income</b>	<b>639,952,232</b>	<b>47.9%</b>	<b>17,505,177</b>	<b>657,457,409</b>	<b>49.3%</b>	<b>50.0%</b>	
<b>Equities and Alternatives</b>							
<b>Public Equities</b>							
Preferred Stocks	79,086,663	5.9%		79,086,663	5.9%	5.0%	0% to 10%
Domestic Equities	139,516,513	10.5%		139,516,513	10.5%	7.5%	5% to 20%
Global Equities	100,537,392	7.5%		100,537,392	7.5%	7.5%	5% to 20%
<b>Alternatives</b>							
Private Real Estate	238,877,978	17.9%	2,951,899	241,829,877	18.1%	20.0%	10% to 30%
Infrastructure	2,316,535	0.2%	42,683,465	45,000,000	3.4%	4.0%	0% to 10%
Private Equity/Venture Capital	39,187,583	2.9%	38,576,269	77,763,852	5.8%	4.0%	0% to 10%
<b>Total Equities and Alternatives</b>	<b>599,522,664</b>	<b>44.9%</b>	<b>84,211,632</b>	<b>683,734,296</b>	<b>51.2%</b>	<b>48.0%</b>	
<b>Cash</b>							
State Investment Fund	95,348,842	7.1%					
<b>Total Cash</b>	<b>95,348,842</b>	<b>7.1%</b>				<b>2.0%</b>	<b>0% to 10%</b>
<b>TOTAL CSF PORTFOLIO</b>		<b>1,334,823,738</b>	<b>100.0%</b>	<b>101,716,809</b>			

		Unfunded Commitments as of 6/30/2023		
		Total	Unfunded	Expected <sup>1</sup>
<b>PRIVATE DEBT</b>	Brookfield Infrastructure Debt Fund II	\$ 30,000,000	\$ 2,469,162	\$ 2,469,162
	PGIM Senior Loan Opportunities Fund I	50,000,000	15,036,014	15,036,014
<b>PRIVATE REAL ESTATE</b>	Nuveen US Cities Industrial	20,000,000	-	-
	Nuveen US Cities Workforce	15,000,000	2,951,899	2,951,899
<b>INFRASTRUCTURE</b>	BlackRock Global Infrastructure Fund IV	25,000,000	22,683,465	22,683,465
	KKR Diversified Core Infrastructure Fund	20,000,000	20,000,000	20,000,000
<b>VENTURE CAPITAL</b>	<i>4490 Venture II</i>	15,000,000	1,650,000	150,000
	<i>Venture Investors Health Fund VI</i>	15,000,000	4,320,000	2,820,000
	<i>Baird Venture Partners V</i>	7,500,000	1,398,294	648,294
	NVNG Fund I	10,000,000	7,952,050	5,952,050
	Idea Fund of LaCrosse II	5,000,000	4,624,500	3,005,925
	Baird Venture Partners VI	20,000,000	20,000,000	13,000,000
	Venture Investors Health Fund 7	20,000,000	20,000,000	13,000,000

See Notes provided on the attached Portfolio Report for additional information

<sup>1</sup> Expected call percentages for prior vintage Venture Capital funds (shown in italics) has been increased to 90% due to market conditions that may lengthen average holding periods for their underlying investments and require additional capital investment prior to potential exits.



# CSF Principal Growth Vs CPI

June 2023

		Annual Growth Rate
Common School Fund	1 yr Principal Growth	2.6%
	10 yr Avg Annual Principal Growth	4.0%
	40 yr Avg Annual Principal Growth	6.2%
CPI - Educational Books and Supplies	1 yr CPI	-2.7%
	10 yr Avg Annual CPI	1.6%
	40 yr Avg Annual CPI	5.0%
CPI - Urban Consumer All Items	1 yr CPI	3.1%
	10 yr Avg Annual CPI	2.7%
	40 yr Avg Annual CPI	2.8%

Notes: CSF data is from fiscal year end on 6/30, while CPI data is measured annually from 6/1.  
 CPI data from Economic Research Division of Federal Reserve Bank of St. Louis at <https://fred.stlouisfed.org/>