



Douglas La Follette, *Secretary of State*
Kurt Schuller, *State Treasurer*
J.B. Van Hollen, *Attorney General*
Tia Nelson, *Executive Secretary*

125 S. Webster Street
Room 200
PO Box 8943
Madison, WI 53708-8943

608.266.1370 INFORMATION
608.266.0034 LOANS
608.267.2787 FAX
bcpl.wisconsin.gov

Managing Wisconsin's trust assets for public education.

AGENDA

February 7, 2012

2:00 P.M.

Board of Commissioners of Public Lands
125 S. Webster Street, Room 200
Madison, Wisconsin

1. Call to Order
2. Approve Minutes – January 3, 2012
3. Approve Loans
4. Executive Secretary's Report – Recent Bond Sales
5. Adjourn

**BOARD MEETING
FEBRUARY 7, 2012**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the January 3, 2012, board meeting.

Board Meeting Minutes
January 3, 2012

ITEM 1. CALL TO ORDER

Board Chair La Follette called the meeting of the Board of Commissioners of Public Lands to order at 2:00 p.m.

Present were:

Doug La Follette, Board Chair
Kurt Schuller, Commissioner
J.B. Van Hollen, Commissioner
Tia Nelson, Executive Secretary
Tom German, Deputy Secretary
Richard Sneider, Loan Analyst

Secretary of State
State Treasurer
Attorney General
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
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ITEM 2. APPROVE MINUTES – December 20, 2011

MOTION: Commissioner Van Hollen moved to approve the minutes; Commissioner Schuller seconded the motion. The motion passed 3-0.

ITEM 3. APPROVE LOANS

Executive Secretary Nelson said the loans had received legal review.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Amount</u>
1. Dousman Waukesha County Application #: 02012067 Purpose: Finance road work and park entrance	Village Rate: 5.00% Term: 20 years	\$400,000.00
2. Greenville Outagamie County Application #: 02012068 Purpose: Finance road construction	Town Rate: 3.75% Term: 6 years	\$1,000,000.00
TOTAL		\$1,400,000.00

MOTION: Commissioner Van Hollen moved to approve the loans; Commissioner Schuller seconded the motion. The motion passed 3-0.

ITEM 4. PROPOSED COMMISSIONERS' ORDER (E1103)

MOTION: Commissioner Van Hollen moved to approve the Commissioners' Order; Commissioner Schuller seconded the motion.

DISCUSSION: Board Chair La Follette asked if the fire pit and shed left on BCPL's property would be removed. Deputy Secretary German replied yes.

VOTE: The motion passed 3-0.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves a Commissioners' Order authorizing the conveyance of title to the Disputed Area to Reiter in exchange for an access easement across the Reiter Property, on such other terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

ITEM 5. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Nelson reported that staff is working on the bond purchase document that was discussed at the December 20, 2011, meeting and that it would be sent to the Board by the end of the week.

She also reported that she would be meeting with Representative Tom Tiffany to discuss the Van Vliet Hemlocks land sale to the DNR.

ITEM 6. ADJOURN

MOTION: Commissioner Van Hollen moved to adjourn the meeting; Commissioner Schuller seconded the motion. The motion passed 3-0.



Tia Nelson, Executive Secretary

These minutes have been prepared from a tape recording of the meeting. The summaries have not been transcribed verbatim. Anyone wishing to listen to the tape may do so at the Board of Commissioners of Public Lands, 125 S. Webster Street, Suite 200, Madison, Wisconsin.

**BOARD MEETING
FEBRUARY 7, 2012**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Amount</u>
1. Dover Buffalo County Application #: 02012075 Purpose: Purchase tractor and loader	Town Rate: 3.25% Term: 5 years	\$49,000.00
2. Washington Green County Application #: 02012070 Purpose: Purchase truck and equipment	Town Rate: 3.25% Term: 5 years	\$20,000.00
	TOTAL	<hr/> \$69,000.00

**BOARD MEETING
FEBRUARY 7, 2012****AGENDA ITEM 4
EXECUTIVE SECRETARY'S REPORT – RECENT BOND SALES**

Executive Summary - BCPL staff took advantage of a market opportunity to sell select bonds in a successful effort to increase Trust Fund earnings.

Analysis – The current bond investment strategy of BCPL is to purchase taxable bonds with longer term maturities, short to medium call dates¹, and high coupon rates². This strategy has not changed, but during the past year we did purchase a limited number of shorter term and tax-exempt bonds because these bonds were offered at excellent prices and acceptable yields³. Although these bonds had earlier call dates and maturities than the majority of our bond purchases, we were convinced that these bonds were good values and the purchases helped to diversify our portfolio.

Since January 23, 2012, the municipal bond market has seen strong demand with few new bond offerings or reofferings. The yield on the 10 year U.S. Treasury dropped from near 2.10% to 1.79%, with significant declines also seen in shorter term interest rates and bond yields. The spread between municipal bond rates and treasury rates has also declined, creating almost a ‘perfect storm’ opportunity for low short-term interest rates in the municipal bond market. While this situation gives buyers little opportunity to acquire higher yield investments at this time, it also creates significant opportunities for sellers of shorter term securities. We saw this market as an opportunity to sell our shorter term bonds at a significant profit, and we chose to sell some of our bonds that had shorter call or maturity dates, along with certain tax exempt bonds.

During the week of January 30, BCPL sold bonds with par values⁴ totaling \$7,160,000 and we realized a profit of slightly more than \$525,000 on those sales. The annualized return on bonds that were sold averaged over 14.3%, while the average expected yield on our entire bond portfolio is approximately 4.64%. Because the bonds sold were among our lowest yielding bonds, we believe that we will be able to reinvest the funds from those sales at higher yields in the near future.

¹ Call date is the first date a bond can be paid off before maturity. If the municipality that issued the bond believes there is a benefit to refinancing the debt, the bond may be paid off on the call date, usually at par value. A short call date means that the bond may be paid off within the next few years.

² Coupon rate is the interest rate stated on a bond when issued. The coupon (or interest payment) is typically paid semiannually. For example, a \$1,000,000 bond with a 5% coupon rate will make two interest payments each year in the amount of \$25,000 each.

³ Yield is a calculated rate of return to the bond investor, and depends on the price paid for a bond and the date the bond is purchased. Only when the buyer pays the exact par value for a bond will the yield equal the coupon rate. In the example above, if the investor pays \$1,000,000 for that bond the yield will be 5%. If the investor pays less than par value, the yield will be more than 5% because the future income stream does not depend on the price paid for the bond. For example, if we paid \$900,000 for the above bond, we would still receive \$25,000 every 6 months and \$1,000,000 at the call or maturity date, and our yield would be much greater than the 5% coupon rate. Yields are generally calculated to the call date and maturity date of the bond.

⁴ Par value is the face value of a bond, and is the amount borrowed by the issuer and paid to the owner of the bond at the call date or maturity date.