

Board Meeting Minutes
April 21, 2015

Present were:

Doug La Follette, Commissioner
Matt Adamczyk, Commissioner
Brad Schimel, Board Chair
Tom German, Deputy Secretary
Richard Sneider, Loan Analyst
Vicki Halverson, Office Manager
Denise Nechvatal, Accountant
Randy Bixby, Land Records Archivist
Six members of the public

Secretary of State
State Treasurer
Attorney General
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands
Board of Commissioners of Public Lands

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:02 PM and noted that all three Commissioners and staff were present.

ITEM 2. APPROVE MINUTES – APRIL 7, 2015

MOTION AND VOTE: Board Chair Schimel moved to approve the minutes; Commissioner La Follette seconded the motion. The motion passed 3-0.

ITEM 3. APPROVE LOANS

Board Chair Schimel asked staff if there was additional information the Board should consider before approving the loans. Deputy Secretary German replied that the loans had received legal review.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Green Lake Green Lake County Application #: 02015125 Purpose: Refinance 2007 CDA lease revenue bonds	City Rate: 3.75% Term: 20 years	General Obligation	\$1,000,000.00
2. Kewaunee Kewaunee County Application #: 02015123 Purpose: Refinance WRS prior service pension liability	City Rate: 3.75% Term: 20 years	General Obligation	\$481,887.00
3. Lebanon Dodge County Application #: 02015126 Purpose: Refinance BCPL loan #2010114	Town Rate: 3.00% Term: 5 years	General Obligation	\$168,599.57
4. Milford Jefferson County Application #: 02015120 Purpose: Purchase end loader	Town Rate: 3.00% Term: 3 years	General Obligation	\$50,000.00

5.	Nicolet UHS Milwaukee and Ozaukee Counties Application #: 02015127 Purpose: Replace pool dehumidification unit	School Rate: 3.25% Term: 10 years	General Obligation	\$1,000,000.00
6.	Plover Marathon County Application #: 02015121 Purpose: Construct new town hall and garage	Town Rate: 3.75% Term: 14 years	General Obligation	\$240,000.00
7.	Watertown Dodge and Jefferson Counties Application #: 02015124 Purpose: Purchase land	City Rate: 3.00% Term: 5 years	General Obligation	\$168,000.00
8.	Westfield Marquette County Application #: 02015122 Purpose: Finance TID streets project	Village Rate: 3.25% Term: 10 years	General Obligation	\$191,000.00
TOTAL				\$3,299,486.57

MOTION: Board Chair Schimel moved to approve the loans; Commissioner La Follette seconded the motion. The motion passed 3-0.

ITEM 4. DISCUSS QUARTERLY INVESTMENT REORT

Board Chair Schimel said the agenda item was for discussion purposes only and required no action. He asked staff to open the discussion. Richard Sneider, BCPL Loan Analyst, replied that the Board's investments in the first quarter of 2015 had outperformed the portfolio benchmark by almost \$2.5 million, the highest in the last four years. He said that both the loan and bond portfolios were yielding 4% and higher, which was excellent in the current environment.

Board Chair Schimel commended Mr. Sneider for his work.

ITEM 5. DISCUSS NORMAL SCHOOL FUND PERFORMANCE

(Item 10. Discuss Trust Lands is included in this discussion.)

Board Chair Schimel said the Normal School Fund income statements were included for discussion.

Commissioner Adamczyk started the conversation by comparing the Common School Fund assets to the Normal School Fund assets. He said that the Common School Fund was "mostly cash" with 5% of the Trust Lands while the Normal School Fund had less cash but held the majority of Trust Lands. He expressed his concern that the Normal School Fund expenses and staff costs have been exceeding the timber revenues generated by the Trust Lands connected to that fund.

Board Chair Schimel asked if it was possible to separate staff expenses related to the different funds and asked if there was overlap between the funds. Deputy Secretary German explained that some expenses were related to timber management, some expenses were related to real estate and some were considered overhead. He said that

the overhead expenses are not easily categorized so a rationale and methodology was developed for allocating them to the different Trust Funds. Those allocations were based on the relative size of the fund and the fund's land holdings.

Commissioner Adamczyk questioned whether the salary expenses were being divided appropriately between the funds. Board Chair Schimel asked if the agency was overstaffed, if the timber resources were underutilized or a combination of the two. Deputy Secretary German said it was important to keep in mind that the overhead expenses and timber management expenses were "different pieces to the puzzle."

Commissioner La Follette wondered if too much overhead was being allocated to the Normal School Fund. Deputy Secretary German replied that part of the equation was the fact that Wisconsin was farther along than most western states in terms of selling their Trust Lands. While BCPL had approximately 70,000 acres of Trust Lands remaining, other western state land commissions had millions of acres. A majority of BCPL's remaining Trust Lands was unproductive and managing them was a challenge. He said staff has been resolving this issue by realigning the Trust Lands.

Board Chair Schimel said the Steigerwaldt Land Services' presentation was scheduled for the May 5 board meeting and the Board may want to wait until then to make any decisions. Commissioner La Follette said the Board could ask Steigerwaldt the questions being deliberated.

Commissioner Adamczyk asked where the Normal School Fund earnings are distributed. Deputy Secretary German replied that the UW System was the beneficiary with the UW Madison and UW Extension each receiving \$100,000 for scholarships and UW Stevens Point receiving the remaining earnings.

ITEM 6. VOTE ON ADDITIONAL BOARD CHAIR DUTIES

- **APPROVE ALL BCPL EXPENDITURES OVER \$5,000**

Board Chair Schimel said Executive Secretary Nelson had distributed information relating to the agenda item. He said that most of the agency's expenses over \$5,000 appeared to be for payroll and fixed obligation costs, which the Board had no discretion over. Besides those expenses, he said there appeared to be very few over \$5,000 and he did not have a problem reviewing them going forward.

MOTION: Commissioner Adamczyk moved that the Board Chair must approve all BCPL purchases over \$5,000; Board Chair Schimel seconded the motion.

DISCUSSION: Commissioner La Follette said he was not comfortable with the policy and asked how the other Commissioners would be made aware of the Board Chair's decisions. Board Chair Schimel said a report detailing the expenses and his approval or denial of them could be added as a regular agenda item for board meetings.

REVISED MOTION: Board Chair Schimel moved that the Board Chair shall approve agency expenditures over \$5,000, other than payroll and fixed obligation expenses, and a report will be provided to the Board at their next meeting.

VOTE: The motion passed 3-0.

- **APPROVE ANY NEW HIRES AT BCPL**

Commissioner Adamczyk said that in November he had asked Executive Secretary Nelson to inform him when the agency's vacant IT position was filled but she had not done that. He said that since the agency was fully staffed at this time, it "doesn't matter." Commissioner La Follette explained that in the past the Commissioners had been informed by the Executive Secretary of staff vacancies and when the position was filled but they never approved the hire.

The Commissioners agreed that Board Chair Schimel would instruct the Executive Secretary to alert them of future staff openings, when the position would be filled, and by whom.

ITEM 7. DISCUSS AND VOTE ON WSLCA SUMMER CONFERENCE ATTENDANCE

Board Chair Schimel asked who attends the conferences and how many there are per year. Deputy Secretary German replied that there are typically two conferences per year, one in July and another in January, but only the July conference was being presented for the Board's consideration.

Board Chair Schimel said the materials that were included in the meeting packet were relevant to the Board's work; he asked who typically attended the summer conference. Commissioner La Follette said that he has attended as a representative of the Board and either the Executive Secretary or Deputy Secretary attends. He said that a member of the staff may attend if the conference agenda included topics that are relevant to their job duties.

Commissioner Adamczyk referenced a land ownership graph that was included in the Board's packet and noted that the BCPL had very little land compared to other western states who are members of the WSLCA. He said he did not have a problem allowing staff to attend but would not vote to approve anyone's attendance because no details on costs had been provided.

MOTION: Commissioner La Follette moved to authorize his attendance at the WSLCA summer conference. *(The motion failed for lack of a second.)*

Commissioner Adamczyk said he did not like the idea of using Trust Funds to pay the costs for Commissioner La Follette to attend the conference and that the Secretary of State's office should pay them. Commissioner La Follette said that was not possible and felt it was important that the Board continue its association with the organization.

Deputy Secretary German said that the Government Accounting Standards Board's proposed protocols on Trust Land accounting and asset allocation, issues that directly relate to BCPL, had been a topic of discussion at past meetings. He added that the deadline for the conference lodging rate was June 15 and that airfare tends to be more expensive the closer it is booked to the departure date.

Board Chair Schimel said the agenda item would be added to the May 5 board meeting and that he would talk to Executive Secretary Nelson to discuss the conference details and costs.

ITEM 8. DISCUSS STAFF COMMENTS TO PRESS

Commissioner Adamczyk said he wanted to discuss something Executive Secretary Nelson had said to the press but since she was not on the call, it could be added to a future meeting agenda. Board Chair Schimel agreed.

ITEM 9. DISCUSS NEW MILWAUKEE ARENA

Board Chair Schimel asked if staff had anything to report. Deputy Secretary German replied that he and Executive Secretary Nelson had met with Eric Schutt in the Governor's office and Milwaukee County Executive Chris Abele but there was nothing definitive to report at this time.

ITEM 10. DISCUSS TRUST LANDS

(See Item 5 for discussion.)

ITEM 11. FUTURE AGENDA ITEMS

Board Chair Schimel said that item seven (Discuss and Vote on WSLCA Summer Conference Attendance) and item eight (Discuss Staff Comments to Press) would be added to the May 5 agenda. He asked if there were other agenda topics for that meeting. *(Neither Commissioner Adamczyk nor Commissioner La Follette replied.)*

Commissioner Adamczyk expressed his concern about the teleconference costs for the board meeting calls and noted that there had been other people in addition to the Commissioners on past calls. Deputy Secretary German replied that the costs averaged around \$2. Board Chair Schimel said he would discuss the costs with Executive Secretary Nelson and share that information at the next meeting.

Brett Hulsey, a citizen who was in attendance, asked Board Chair Schimel if the Board could allow for public comment at the meetings. Board Chair Schimel apologized to Mr. Hulsey but said he could not recognize him since the agenda did not allow for public comment. Commissioner La Follette said historically, while it had not happened often, it had been allowed in the past. Board Chair Schimel understood Mr. Hulsey's request but the Board would have to consider it at a future meeting.

ITEM 12. EXECUTIVE SECRETARY'S REPORT

No discussion.

ITEM 13. ADJOURN

The Board adjourned at 3:00 PM.



Thomas P. German, Deputy Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim. Anyone wishing to listen to the recording may do so by contacting the Board of Commissioners of Public Lands, 101 E. Wilson Street, 2nd Floor, Madison, Wisconsin.