



Douglas La Follette, *Secretary of State*
Matt Adamczyk, *State Treasurer*
Brad D. Schimel, *Attorney General*

101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Jonathan Barry, *Executive Secretary*

AGENDA

April 17, 2018

2:00 P.M.

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

Routine Business:

- 1) Call to Order
- 2) Approve Minutes – April 3, 2018 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business:

- 4) Ratify Adjustments to Loan Program Interest Rates (Attachment)
- 5) Proposed Land Bank Sale via Sealed Bid (S1804 – Long Lake Creek, Iron County) (Attachments)
- 6) Joint Legislative Council Study Committee on BCPL and School Trust Funds

Routine Business:

- 7) Future Agenda Items
- 8) Executive Secretary's Report (Attachments)
 - Investment Transaction Report – April 13, 2018
- 9) Adjourn

AUDIO ACCESS INFORMATION

Toll Free Number: **(888) 291-0079**
Passcode: **6363690#**

**BOARD MEETING
APRIL 17, 2018**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the April 3, 2018, board meeting.

Board Meeting Minutes
April 3, 2018

Present via teleconference were:

Doug La Follette, Commissioner	Secretary of State
Matt Adamczyk, Commissioner	State Treasurer
Brad Schimel, Board Chair	Attorney General
Jonathan Barry, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Vicki Halverson, Office Manager	Board of Commissioners of Public Lands
Richard Sneider, Chief Investment Officer	Board of Commissioners of Public Lands
Dave Meany, Administrator, Div. of Legal Serv.	Department of Justice
Mark Bromley, Assistant Attorney General	Department of Justice
Mike Morris, Assistant Attorney General	Department of Justice
Ray Cross, President	University of Wisconsin System

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:02 p.m.

ITEM 2. APPROVE MINUTES – MARCH 20, 2018

MOTION: Board Chair Schimel moved to approve the minutes; Commissioner La Follette seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Manawa Waupaca County Application #: 02018122 Purpose: Finance TID #3 development and ancillary costs	City Rate: 4.25% Term: 20 years	General Obligation	\$347,000.00
2. Manawa Waupaca County Application #: 02018123 Purpose: Finance water tower painting	City Rate: 4.25% Term: 15 years	General Obligation	\$311,200.00
3. Neenah Winnebago County Application #: 02018125 Purpose: Finance sanitary sewer assessment	Town Rate: 3.75% Term: 5 years	General Obligation	\$144,240.00

4.	Raymond #14 Racine County Application #: 02018126 Purpose: Purchase land	School Rate: 4.00% Term: 10 years	General Obligation	\$350,000.00
5.	Raymond #14 Racine County Application #: 02018127 Purpose: Refinance BCPL loan #02005167	School Rate: 4.00% Term: 7 years	General Obligation	\$276,547.98
6.	Sparta Monroe County Application #: 02018121 Purpose: Purchase tractor and equipment	Town Rate: 3.25% Term: 2 years	General Obligation	\$101,498.00
7.	Stratford Marathon County Application #: 02018120 Purpose: Finance TID #4 infrastructure improvements	Village Rate: 4.25% Term: 18 years	General Obligation	\$1,403,500.00
8.	Two Rivers Manitowoc County Application #: 02018124 Purpose: Refinance general obligation debt	City Rate: 3.50% Term: 2 years	General Obligation	\$675,000.00
TOTAL				\$3,608,985.98

MOTION: Board Chair Schimel moved to approve the loans; Commissioner La Follette seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

ITEM 4. DISCUSSION AND POTENTIAL VOTE TO SELL NORMAL SCHOOL FUND AND UNIVERSITY FUND TRUST LANDS TO COMMON SCHOOL FUND AFTER AB804 IS SIGNED INTO LAW – SUBMITTED BY COMMISSIONER ADAMCZYK

Board Chair Schimel asked Commissioner Adamczyk to state his motion.

MOTION: Commissioner Adamczyk moved that if Governor Walker signs AB804 into law, the BCPL is then authorized to sell all Normal School Fund and University Fund land holdings (approximately 69,000 acres for Normal School Fund and 50 acres for the University Fund) to the Common School Fund for appraised value; Board Chair Schimel seconded the motion for purposes of discussion.

DISCUSSION: Commissioner La Follette asked about the status of AB804. Commissioner Adamczyk replied that it passed both houses of the Legislature and was awaiting Governor Walker's approval. He added that if the Common School Fund were given statutory authority to purchase the Trust Lands belonging to the Normal School Fund, those monies could then be used to fund the merit scholarship program at the University of Wisconsin.

Commissioner Adamczyk invited Ray Cross, University of Wisconsin System President, to speak. Mr. Cross thanked the Board for the opportunity. While the State and University have done a good job of providing needs-based financial aid for students, the University System is competing with institutions in the Big Ten and elsewhere that have extensive merit scholarship awards. For example, Oklahoma offers a “free ride,” including room and board, to students who are National Merit Scholars, whether the student is from Oklahoma or elsewhere. He added that Wisconsin graduates approximately 200 to 300 National Merit Scholars and it would be beneficial if more of those students remained in Wisconsin. While perhaps not a free ride, the legislation would provide funding to help offset tuition costs. He gave examples of other institutions offering merit scholarships. This legislation would help to retain some of Wisconsin’s merit scholars.

Commissioner La Follette asked if funding is currently available for all of Wisconsin’s Merit Scholars. Mr. Cross explained that funds are available through private resources, but funding is minimal in comparison to states that supplement the scholarship with state funds.

Commissioner Adamczyk asked what amount of state financing is available to Merit Scholars. Mr. Cross replied that the state only offers needs-based financial aid; private funds are available for merit scholarships but no state funds.

Board Chair Schimel said attorneys at the Department of Justice have performed preliminary examinations of the law and the Board’s trustee responsibilities. The Board has equal fiduciary duties to both Trust Funds, which means actions cannot be taken that benefit one trust fund at the expense of the other. He said that while there is value in creating merit scholarships, the Board has trustee responsibilities and they cannot create policies that conflict with their fiduciary duties.

MOTION: Board Chair Schimel moved to table the agenda item until further research can be completed, and the Board knows more about their legal responsibilities as trustees; Commissioner La Follette seconded the motion.

DISCUSSION: Mr. Cross asked if his understanding of the issue was correct in that the Board cannot treat the Funds differently or unequally. Board Chair Schimel replied that the Board has an equal responsibility to protect the assets of all the Trust Funds. Mr. Cross inquired if the Trust Funds had been treated unequally in the past based on the amount of land that was granted to each Trust Fund and the lands remaining in each Fund. Board Chair Schimel replied that the nature of the land granted to the state by the federal government resulted in the Normal School Fund (NSF) receiving a large portion of swamp lands, which were less valuable and remain in the fund today. The Common School Fund (CSF) received land that was of better quality and the majority of those lands have been sold.

Commissioner Adamczyk agreed that the Board has a duty to treat the funds equally but asked whether selling NSF lands to the CSF would not be a “good buy” for the CSF. He referred to a “hedge on inflation” and that the Board must think not only of today’s beneficiaries but future beneficiaries. Board Chair Schimel replied that the hedge on the fluctuations in the market refers to the NSF lands that have timber value. That is not the majority of the land that remains in the NSF.

VOTE: Board Chair Schimel and Commissioner La Follette voted aye to table the matter; Commissioner Adamczyk voted no.

Board Chair Schimel allowed Commissioner Adamczyk to ask a final question after the vote was taken because the Commissioners are not allowed to discuss matters outside a publicly noticed meeting.

Commissioner Adamczyk recalled a meeting with Executive Secretary Barry had indicated that the CSF would benefit from purchasing the productive NSF lands. He asked if that was still his belief. Executive Secretary Barry replied that it would be helpful to have the legal analysis by the attorneys at the Department of Justice before discussing the issue further. While there may be opportunities to exchange land between the funds, selling land between the funds could cause one or the other fund to be disadvantaged.

ITEM 5. FUTURE AGENDA ITEMS

None.

ITEM 6. EXECUTIVE SECRETARY'S REPORT

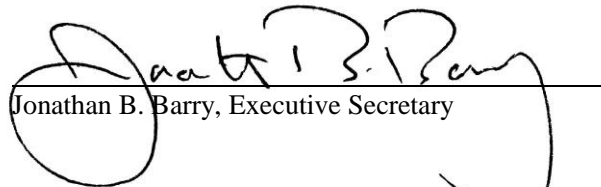
He referred the Board to the materials provided in the board packet.

Board Chair Schimel added that this year's Common School Fund check presentation at the Wisconsin Educational Media & Technology Association's conference was a great success. The public school librarians were very grateful for the \$35.7 million. Commissioner La Follette was also presented with a special award for his 40 years of service on the Board and commitment to the Common School Fund. Board Chair Schimel said the staff has done a tremendous job investing the Trust Funds despite some challenges in the market.

Executive Secretary Barry concluded by informing the Board that staff are projecting earnings for 2019 will likely exceed the 2018 distribution. He commended Deputy Secretary German and Richard Sneider, the agency's Chief Investment Officer.

ITEM 7. ADJOURN

The meeting adjourned at approximately 2:29 p.m.



Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim. Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2018-04-03_BCPL-BoardMtgRecording.mp3.

**BOARD MEETING
APRIL 17, 2018**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Arkdale Lake District Adams County Application #: 02018134 Purpose: Finance dam failure analysis and dam repair	Lake District Rate: 4.00% Term: 20 years	General Obligation	\$75,000.00
2. Ashland Ashland County Application #: 02018131 Purpose: Finance TID #10 development agreement	City Rate: 4.00% Term: 10 years	General Obligation	\$550,000.00
3. Buchanan Outagamie County Application #: 02018135 Purpose: Purchase capital equipment and vehicles	Town Rate: 3.75% Term: 10 years	General Obligation	\$485,000.00
4. Cedarburg Ozaukee County Application #: 02018128 Purpose: Construct sports complex	Town Rate: 3.50% Term: 5 years	General Obligation	\$1,600,000.00
5. Eastman Crawford County Application #: 02018129 Purpose: Finance roadwork and water main improvements	Village Rate: 4.25% Term: 20 years	General Obligation	\$305,000.00
6. Maple Douglas County Application #: 02018130 Purpose: Purchase road grader	Town Rate: 4.00% Term: 7 years	General Obligation	\$186,000.00
7. River Hills Milwaukee County Application #: 02018133 Purpose: Finance 2018 capital expenditures	Village Rate: 4.00% Term: 10 years	General Obligation	\$434,886.00
8. Sullivan Jefferson County Application #: 02018132 Purpose: Purchase ambulance	Town Rate: 4.00% Term: 10 years	General Obligation	\$127,989.00
TOTAL			\$3,763,875.00

BOARD MEETING
APRIL 17, 2018

AGENDA ITEM 4
RATIFY ADJUSTMENTS TO LOAN PROGRAM INTEREST RATES

Background

Market interest rates have been volatile, with shorter term rates continuing to trend higher. The market expects three additional rate hikes by the Federal Reserve in 2018, which has an immediate and significant impact on short-term interest rates.

Staff Recommendations

BCPL loan rates should reflect the current market environment. To keep pace with changes in the financial markets, staff recommends an increase in interest rates charged by the BCPL State Trust Fund Loan Program. The proposed new rate structure for the BCPL State Trust Fund Loan Program is as follows:

Loan Term	Current Rate	Proposed Rate	Change
2 Years	3.50%	4.00%	+0.50%
3-5 Years	3.75%	4.00%	+0.25%
6-10 Years	4.00%	4.25%	+0.25%
11-20 Years	4.25%	4.50%	+0.25%

Staff believes that the appropriate rate structure will maximize revenues generated by the loan program, while maintaining the competitiveness of the loan program relative to other funding sources available to our customers.

Authorization for Interest Rate Adjustment

The Board had previously authorized the Executive Secretary in consultation with the Board Chairman to adjust loan interest rates up to 1% in between board meetings. In accordance with that authority, the Executive Secretary and Board Chairman approved these changes effective March 26, 2018.

Proposed Resolution

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands ratifies the changes in BCPL State Trust Fund Loan Program, with annual interest rates to be set at 4.00% for 2-year loans; 4.00% for 3-5 year loans; 4.25% for 6-10 year loans; and 4.50% for 11-20 year loans.

**BOARD MEETING
APRIL 17, 2018**

**AGENDA ITEM 5
PROPOSED LAND BANK SALE TO THE PUBLIC – LONG LAKE CREEK (S1804)**

BCPL staff recommends the sale of an 82.52 acre parcel located in Iron County to the public via sealed bid process for the following reasons:

- The property is inside the consolidation zone but is landlocked and is unproductive;
- The property does not provide access to other BCPL lands;
- Sale of the property would provide BCPL with funds to purchase other lands that would provide better access to its existing lands, produce timber revenue, improve management efficiency, reduce forest fragmentation, or all the above;
- No governmental entities in Wisconsin have determined that the property is required for their respective use; and
- Sale of the property via sealed bid process is expected to be the best method for maximizing the sales proceeds from the property.

Attachments:

Resolution w/Exhibits

Exhibit A - BCPL Sale Criteria

Exhibit B - Appraisal Certification

BCPL Project Map

**BOARD MEETING
APRIL 17, 2018**

**AGENDA ITEM 5
PROPOSED LAND BANK SALE TO THE PUBLIC – LONG LAKE CREEK (\$1804)**

RECITALS

- A. The Board of Commissioners currently holds title to the following property, consisting of approximately 82.52 acres:

NW¹/₄ of the NW¹/₄ and NE¹/₄ of the NW¹/₄, Section 7, Township 43 North, Range 4 East, Town of Mercer, Iron County, Wisconsin (the “Property”).
- B. The Property has been evaluated by BCPL staff against sale criteria previously adopted by the Board. The Property has been determined by BCPL staff to be appropriate for sale according to such criteria. A copy of the sale analysis is attached to this resolution as Exhibit A.
- C. The Property was independently appraised by Steigerwaldt Land Services, Inc. at a value of \$50,050. A copy of the Certification of the Appraisal is attached to this resolution as Exhibit B.
- D. BCPL staff members assert that, to the best of their knowledge, the Property is not required by any other governmental unit in Wisconsin.
- E. BCPL staff recommends that the Board authorize the sale of the Property at public sale pursuant to the sealed bid process set forth in Wisconsin Statutes Chapter 24.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the sale of the Property pursuant to a sealed bid process. The minimum acceptable bid for the Property shall be the appraised value as determined by the independent appraiser as set forth above. Such sale shall be conducted in accordance with Chapter 24 of the Wisconsin Statutes on such 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 transactions.

**Board of Commissioners of Public Lands
Summary Analysis of Potential Property Sale
Transaction ID#: S 1809**

Common Name for Land Parcel: Long Lake Creek

County: Iron Township: Mercer

Legal Description: T43N, R4E, Sec. 7, NW/NW and NE/NW

GLO Acres: 82.52

Sale Criteria

1. Title

- Ownership verified with Register of Deeds.
- Title appears merchantable.

2. Timber Management

- Parcel is located outside of Consolidation Zone.
- Parcel is an isolated or unproductive parcel within the Consolidation Zone.

3. Access

- Parcel does not provide the only reasonable access to other BCPL parcels that will be retained.
- If parcel does provide the only reasonable access to other BCPL parcels to be retained, a public access easement across the parcel has been reserved.
- Parcel has no current access.

4. Parcel Required by Other Government Entity: _____

- The parcel is located within a project boundary of another government agency or adjacent to a parcel of land owned by another unit of government.
- Parcel is otherwise required by another unit of government.

5. Recommend Selling via Public Auction or Sealed Bid

- Parcel is not otherwise required by another unit of government and will be sold via public auction or sealed bid.

I recommend that BCPL sell the above property on terms and conditions acceptable to BCPL:

- Yes
- No




 Trust Lands Forestry Supervisor

8/7/17

 Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No



 Executive Secretary

8/11/17

 Date

RECEIVED AUG - 9 2017

3. Certification

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the "Uniform Standards of Professional Appraisal Practice."
8. Steven R. Kimble personally inspected the property on September 15, 2017. Lee A. Steigerwaldt and Steven R. Kimble prepared this report and completed all background research.
9. Within the prior three years, the appraiser has not performed any other services with regard to the subject property, and no services except this appraisal assignment are currently in progress.
10. No one provided significant assistance to the person signing this report.
11. It is my opinion that the subject property has a market value of \$50,050.00 as of September 15, 2017.

STEIGERWALDT LAND SERVICES, INC.



Lee A. Steigerwaldt, ACF
Wisconsin Certified General Appraiser No. 1516



Steven R. Kimble
Appraisal Assistant

LONG LAKE CREEK SALE



S1804

County: Iron

Town: Mercer

**Common Name:
Long Lake Creek**

Acres - 82.52

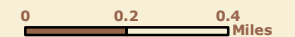
Fund 745



Parcel being Sold



County Forest



INTERNAL USE ONLY

**BOARD MEETING
APRIL 17, 2018**

**AGENDA ITEM 6
JOINT LEGISLATIVE COUNCIL STUDY COMMITTEE ON
BCPL AND SCHOOL TRUST FUNDS**

The Joint Legislative Council is recommending establishing the study committees listed below:

1. Study Committee on Bail and Conditions of Pretrial Release.
2. Study Committee on Minor Guardianships.
3. Study Committee on Child Placement and Support.
4. Study Committee on Property Tax Assessment Practices.
5. Study Committee on the Use of Police Body Cameras.
6. Study Committee on the Investment and Use of the School Trust Funds.
7. Study Committee on Alcohol Beverages Enforcement.
8. Study Committee on Direct Primary Care.
9. Study Committee on Identification and Management of Dyslexia.

6. Study Committee on the Investment and Use of the School Trust Funds [*Representative Terry Katsma, Chair, and Senator Lena Taylor, Vice Chair*]

SCOPE: The Study Committee is directed to review the statutes governing the investment of the trust funds administered by the Board of Commissioners of Public Lands (BCPL), including the loan programs administered by BCPL. The committee shall assess whether current statutes adequately ensure the effective investment and appropriate use of the proceeds of the funds, and recommend legislation for necessary changes.

**BOARD MEETING
APRIL 17, 2018**

**AGENDA ITEM 8
EXECUTIVE SECRETARY'S REPORT**

Attachments

- Investment Transaction Report – April 13, 2018

101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Jonathan Barry, *Executive Secretary*

Investment Transaction Report April 13, 2018

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
FFCB	Aaa	04/05/18	\$5,000,000	\$4,991,608.33	3.86%	04/03/19	4.07%	04/03/30	3.88%

Bond Sales

Staff sold \$6.175 million in bonds as market volatility provided an opportunity to sell lower yielding investments for a small gain, with the proceeds to be reinvested at higher rates. The sale generated long-term capital gains of over \$85,000, which will be added to CSF and NSF principal in accordance with the Investment Policy Statement (IPS). The sold bonds were originally acquired when market interest rates were much lower, and carried an average yield of 3.35%. Proceeds were partially reinvested in the above bond with a yield to maturity of 3.88%.

Staff also took advantage of reduced inflation expectations over the past few weeks to sell a recently purchased \$5 million TIPs bond (Treasury Inflation-Protected Security) to net a \$148,000 short-term gain. This bond was held for 64 days and the investment produced an internal rate of return of 19.07%. In accordance with the IPS, this short-term gain will be included in the beneficiary distribution in 2019.

Public Equity Purchases

Staff purchased an additional \$2 million in ETF shares since the last Investment Transaction Report.