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Jonathan Barry, *Executive Secretary*

AGENDA

February 4th, 2019
1:00 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 - January 15, 2019 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business:

- 4) Discussion and Potential Vote on Past Board Policies (Attachment)

Routine Business:

- 5) Executive Secretary's Report (Attachment)
- 6) Future Agenda Items
- 7) Adjourn

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**BOARD MEETING
FEBRUARY 4, 2019**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the January 15, 2019, board meeting.

Board Meeting Minutes
January 15, 2019

Present were:

Doug La Follette, Commissioner	Secretary of State
Sarah Godlewski, Board Chair	State Treasurer
Jonathan Barry, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Richard Sneider, Chief Investment Officer	Board of Commissioners of Public Lands
Vicki Halverson, Office Manager	Board of Commissioners of Public Lands

Present vis teleconference:

Josh Kaul, Commissioner	Attorney General
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ITEM 1. CALL TO ORDER

Commissioner La Follette called the meeting to order at 2:10 p.m.

ITEM 2. ELECT A BOARD CHAIR

Commissioner La Follette noted that, historically, past Attorneys General have not been board chair due to extremely busy schedules. He asked State Treasurer Godlewski if she were interested in the position. She replied that she was interested and felt that, as State Treasurer, she could take an active role in providing guidance with the Board’s investments.

MOTION: Commissioner La Follette moved to nominate State Treasurer Godlewski as Board Chair; Commissioner Kaul seconded the motion.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE MINUTES – DECEMBER 18, 2018

Commissioner La Follette said the minutes reflected the proceedings of the board meeting.

MOTION: Commissioner La Follette moved to approve the minutes; Commissioner Kaul seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 4. APPROVE LOANS

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

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Brandon Fond Du Lac County Application #: 02019093 Purpose: Purchase dump truck	Village Rate: 4.25% Term: 5 years	General Obligation	\$20,000.00

2.	Chilton Calumet County Application #: 02019096 Purpose: Finance pass-through development loans	City Rate: 4.75% Term: 12 years	General Obligation	\$788,000.00
3.	Christiana Vernon County Application #: 02019089 Purpose: Purchase dump truck	Town Rate: 4.50% Term: 10 years	General Obligation	\$175,000.00
4.	Elm Grove Waukesha County Application #: 02019090 Purpose: Finance village hall HVAC system	Village Rate: 4.50% Term: 10 years	General Obligation	\$1,000,000.00
5.	Fredonia Ozaukee County Application #: 02019095 Purpose: Purchase fire truck	Town Rate: 4.75% Term: 12 years	General Obligation	\$658,312.00
6.	Hartford Washington County Application #: 02019085 Purpose: Purchase lake patrol boat	Town Rate: 4.25% Term: 4 years	General Obligation	\$29,000.00
7.	Kohler Sheboygan County Application #: 02019091 Purpose: Finance street project and capital equipment	Village Rate: 4.25% Term: 5 years	General Obligation	\$366,000.00
8.	Lebanon Dodge County Application #: 02019094 Purpose: Purchase dump truck and attachments	Town Rate: 4.50% Term: 10 years	General Obligation	\$197,292.00
9.	Oakfield Sanitary District #1 Fond Du Lac County Application #: 02019087 Purpose: Finance sanitary system repair/rebuild	Sanitary District Rate: 4.75% Term: 15 years	General Obligation	\$25,000.00
10.	Pewaukee Waukesha County Application #: 02019088 Purpose: Finance development incentives	Village Rate: 4.75% Term: 20 years	General Obligation	\$206,000.00
11.	Richland Richland County Application #: 02019092 Purpose: Finance 911 system	County Rate: 4.25% Term: 5 years	General Obligation	\$200,000.00

12.	Suring Oconto County Application #: 02019086 Purpose: Refinance WRS prior service pension liability	Village Rate: 4.25% Term: 2 years	General Obligation	\$45,000.00
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TOTAL \$3,709,604.00

MOTION: Commissioner La Follette moved to approve the loans; Commissioner Kaul seconded the motion.

DISCUSSION: Board Chair Godlewski asked if the loans are typically approved together or separately. Deputy Secretary German replied that they can be approved separately but it has been tradition to approve them as a group unless there is objection to that.

Commissioner Kaul asked if anything made the loans different from past loans. Staff replied that the loans were typical in nature to past loans.

Commissioner La Follette noted that there were no school district loans on the list. Staff replied that school districts more typically issue tax-exempt debt.

Board Chair Godlewski asked about the pass-through development loan to the city of Chilton. Staff replied that the funds will be loaned to a developer to build affordable, senior housing. The municipality remains the obligor on the loan to BCPL, not the developer.

The Commissioners and staff discussed ways to communicate and promote the agency's programs, in addition to the benefits and value BCPL brings to the citizens of Wisconsin. Staff shared that press releases are distributed after each board meeting announcing the loans. Legislators also receive a letter detailing the current loans approved and a five-year total of library aid for their district. When Commissioners travel, staff offered to provide them with a list of outstanding loans and projects in the area where they are traveling so the information would be shared with constituents.

Commissioner Kaul asked if staff unanimously supported the loans presented for approval. Should staff not have consensus on a loan, he asked that the Commissioners be informed. Executive Secretary Barry said that past practice would be for staff to inform the Board Chair of any lack of consensus on a loan. Staff would, of course, continue that practice.

VOTE: The motion passed 3-0.

ITEM 5. EXECUTIVE SECRETARY'S REPORT

The following reports were provided for the Board's review and discussion:

- The investment transaction report is included in every board packet. The report details bonds and equities purchased or sold since the last board meeting;
- The fixed income and public equity reports are provided each month; and
- The fixed income benchmark comparison is provided quarterly.

Executive Secretary Barry said a work plan detailing projects staff would like to undertake will be presented to the Commissioners in the near future. The work plan would include changes to the Investment Policy that would allow a larger distribution to the Common School Fund beneficiaries and other matters, including Land Bank purchases, that merit a discussion with the Board.

Board Chair Godlewski expressed interest in being involved with staff in the Board's investment strategy and asset allocation. She asked if the Board had a private equity portfolio. Staff replied yes and that it includes two commitments to venture capital firms totaling \$30 million, of which approximately \$5 million has been called. Executive Secretary Barry invited Board Chair Godlewski to attend future investment committee meetings with staff.

Board Chair Godlewski inquired about the renewable energy loans and whether it was a policy to deny those public purpose loans. Staff replied that it was a Board policy but it was **not** included in the Investment Policy. The policy (*adopted on a 2-1 vote at the Board's November 7, 2017, board meeting*) instructed staff to decline all applications for "school energy efficiency projects for the remainder of 2017." Deputy Secretary German explained that [prior to January 2018] a school district could borrow for energy efficiency projects without going to referendum. Two of the Commissioners opposed those types of loans because it was perceived that school districts were bypassing the referendum requirement when borrowing from the State Trust Fund Loan program. Commissioner La Follette asked if those loans could now be accepted. Deputy Secretary German replied that the Board should evaluate and vote on changing the policy at a future board meeting.

ITEM 6. FUTURE AGENDA ITEMS

Commissioner La Follette requested that staff provide a list of past board policies that "deserve review" for the next board meeting. The staff would provide the information in a manner that the Board could act upon if they chose to do so.

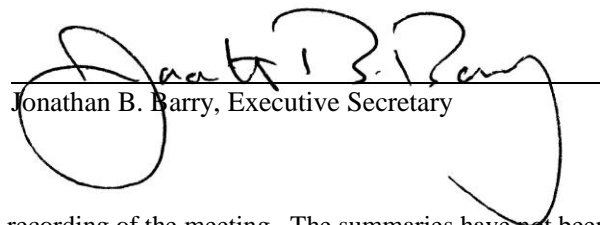
The Board and staff also discussed the possibility of holding fewer meetings. Executive Secretary Barry said that staff would offer options to the Board, which could be discussed at a future meeting.

Board Chair Godlewski agreed with those suggested agenda items.

ITEM 7. ADJOURN

Commissioner La Follette moved to adjourn the meeting; Commissioner Kaul seconded the motion. It passed unanimously.

The meeting adjourned at 2:42 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: https://bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2019/2019-01-15_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
FEBRUARY 4, 2019**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Remington Wood County Application #: 02019100 Purpose: Purchase plow truck	Town Rate: 4.50% Term: 10 years	General Obligation	\$135,419.95
2. Sparta Monroe County Application #: 02019101 Purpose: Purchase dump truck with plow	Town Rate: 4.25% Term: 3 years	General Obligation	\$53,124.50
3. Tomah Monroe County Application #: 02019097 Purpose: Finance TID #8 small business loan program	City Rate: 4.25% Term: 5 years	General Obligation	\$70,000.00
4. Tomah Monroe County Application #: 02019098 Purpose: Finance TID #8 development incentive	City Rate: 4.75% Term: 15 years	General Obligation	\$1,000,000.00
5. Tomah Monroe County Application #: 02019099 Purpose: Finance TID #8 veterans assistance housing loan	City Rate: 4.75% Term: 15 years	General Obligation	\$180,000.00
6. Whiting Portage County Application #: 02019102 Purpose: Finance operations and maintenance	Village Rate: 4.25% Term: 5 years	General Obligation	\$110,000.00
TOTAL			\$1,548,544.45

**BOARD MEETING
FEBRUARY 4, 2019**

**AGENDA ITEM 4
DISCUSSION AND POTENTIAL VOTE TO AMEND, REPEAL OR RATIFY PAST
BOARD POLICIES**

The board, at its January 15, 2019 meeting, requested a list of board policies adopted during its 2015 through 2018 term. A list of such adopted policies is set forth below. The current board may consider amending, repealing or ratifying such policies at this meeting.

- To prohibit Board staff from lobbying the state legislature, Governor's office, or the federal government on proposals unless approved by the Board (adopted March 17, 2015);
- The Commissioners must approve out-of-state travel for the Executive Secretary, staff, or Commissioners (April 7, 2015);
- 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. (April 21, 2015);
- Agency staff are prohibited from engaging in global warming or climate change policy advocacy during BCPL time (June 16, 2015 amending an April 7, 2015 Resolution); and
- To decline acceptance of State Trust Fund Loan applications for school energy efficiency projects for the remainder of 2017 (November 7, 2017).

**BOARD MEETING
FEBRUARY 4, 2019**

**AGENDA ITEM 5
EXECUTIVE SECRETARY'S REPORT**

Attachments

- Investment Transaction Report
- Public Bond Portfolio
- Public Equity Portfolio

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Investment Transaction Report February 1, 2019

Transactions made since the previous report dated 1/11/2019 include:

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
Sun Prairie	Aa2	01/11/19	\$305,000	\$305,000	3.80%	04/01/27	3.80%	04/01/35	3.80%
Sun Prairie	Aa2	01/11/19	\$315,000	\$315,000	3.90%	04/01/27	3.90%	04/01/36	3.90%
Sun Prairie	Aa2	01/11/19	\$330,000 \$950,000	\$330,000	4.00%	04/01/27	4.00%	04/01/37	4.00%

Bond Sales None

Public Equity Purchases Staff made regular purchases totaling an additional \$2 million in ETF shares.

Because of a strong custodial relationship that BCPL maintains with Schwab, there are no transaction costs for BCPL to acquire ETF shares. The absence of any external costs allows monthly rebalancing of the public equity portfolio to approved allocations.

During January 2019, both domestic and global REIT ETFs outperformed the remainder of the market, and rebalancing required an additional investment of \$940,000. The total value of public equity ETFs following this rebalancing purchase was slightly more than \$48 million or 4.4% of the CSF.



BCPL Public Bond Portfolio

As of 01/31/2019

<u>Description</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>Weight</u>	<u>Expected Yield</u>	<u>Yield to Maturity at Cost</u>	<u>Modified Duration (years)</u>	<u>Cost Basis</u>	<u>Estimated Current Value</u>	<u>Estimated Unrealized Gain (Loss)</u>	<u>Annual Income</u>
Treasury and Agency Securities	Aaa	AA+	54.4%	3.56%	3.45%	12.05	310,430,996	302,160,919	(8,270,077)	10,605,016
Wisconsin and State Agency	Aa2	AA-	23.3%	4.07%	4.09%	9.94	128,081,212	129,281,731	1,200,520	5,351,118
Municipal/School District	Aa3	AA-	22.3%	3.92%	3.94%	9.08	122,132,430	123,810,756	1,678,327	4,905,365
	Aa1	AA	100.0%	3.76%	3.70%	10.90	560,644,637	555,253,407	(5,391,231)	20,861,499



BCPL Public Equity Portfolio

As of 01/31/2019

Symbol	Description	Quantity	Avg Cost	Cost Basis	Current Price	Current Value	Weight	Unrealized Gain (Loss)	Percent Gain (Loss)	Current Yield	Projected Annual Dividends
Domestic Equities											
VTI	Vanguard Total Stock Market ETF	86,716	135.44	11,744,984	138.530	12,012,767	25.3%	267,783	2.3%	1.9%	228,930
VYM	Vanguard High Dividend Yield ETF	84,626	82.32	6,966,300	82.750	7,002,802	14.7%	36,502	0.5%	3.3%	231,875
VNQ	Vanguard REIT ETF	29,244	76.88	2,248,367	83.410	2,439,242	5.1%	190,875	8.5%	3.9%	95,628
VIG	Vanguard Dividend Appreciation ETF	22,647	101.48	2,298,231	104.140	2,358,459	5.0%	60,228	2.6%	2.0%	48,238
		<u>223,233</u>		<u>23,257,882</u>		<u>23,813,270</u>	<u>50.1%</u>	<u>555,388</u>	<u>2.4%</u>	<u>2.5%</u>	<u>604,671</u>
Global Equities											
VEU	Vanguard FTSE All World ex-US ETF	241,338	50.08	12,085,541	49.030	11,832,802	24.9%	(252,739)	-2.1%	3.2%	381,314
VYMI	Vanguard International High Dividend ETF	117,212	61.38	7,194,179	60.230	7,059,679	14.8%	(134,501)	-1.9%	4.2%	296,546
VNQI	Vanguard Global ex-US Real Estate ETF	42,785	56.51	2,417,962	57.370	2,454,575	5.2%	36,613	1.5%	4.6%	113,380
VIGI	Vanguard International Div Appreciation ET	38,680	61.42	2,375,712	61.540	2,380,367	5.0%	4,655	0.2%	1.8%	41,774
		<u>440,015</u>		<u>24,073,395</u>		<u>23,727,424</u>	<u>49.9%</u>	<u>(345,971)</u>	<u>-1.4%</u>	<u>3.5%</u>	<u>833,015</u>
		<u>663,248</u>		<u>47,331,277</u>		<u>47,540,693</u>	<u>100.0%</u>	<u>209,416</u>	<u>0.4%</u>	<u>3.0%</u>	<u>1,437,687</u>