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Dawn Marie Sass, *State Treasurer*  
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**Managing Wisconsin's trust assets for public education.**

## AGENDA

October 21, 2008

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 – October 7, 2008
3. Approve Loans
4. Loan Limit Exceptions
  - A. La Crosse County
  - B. City of Green Bay
5. Proposed Interest Rate Change for Prior Service Pension Liability Loans
6. Executive Secretary's Report
7. Adjourn

**BOARD MEETING  
OCTOBER 21, 2008**

**AGENDA ITEM 2  
APPROVE MINUTES**

Attached for approval are the minutes from the October 7, 2008, board meeting.

Board Meeting Minutes  
October 7, 2008

**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   | Secretary of State                     |
| Dawn Marie Sass, Commissioner   | State Treasurer                        |
| J.B. Van Hollen, Commissioner   | Attorney General                       |
| Tia Nelson, Executive Secretary | Board of Commissioners of Public Lands |
| Tom German, Deputy Secretary    | Board of Commissioners of Public Lands |
| Scott Eastwood, Loan Analyst    | Board of Commissioners of Public Lands |

**ITEM 2. APPROVE MINUTES – September 17, 2008**

**MOTION:** Commissioner Sass moved to approve the minutes; Board Chair La Follette seconded the motion. The motion passed, 2-0. Commissioner Van Hollen abstained due his absence from the meeting.

**ITEM 3. APPROVE LOANS**

Board Chair La Follette noted that Assistant Attorney General Bob Hunter sent an e-mail indicating that the loans had received legal review and were for public purpose.

Municipality	Municipal Type	Loan Amount
1. Baraboo County of Sauk Application #: 02009058 Purpose: Finance TID project	City Rate: 4.75 Filed: September 15, 2008	\$240,000.00
2. Blair County of Trempealeau Application #: 02009060 Purpose: Finance TID projects	City Rate: 4.75 Filed: September 19, 2008	\$655,000.00
3. Clifton County of Monroe Application #: 02009057 Purpose: Purchase a new snowplow truck	Town Rate: 3.25 Filed: September 15, 2008	\$115,000.00
4. Fox Lake County of Dodge Application #: 02009059 Purpose: Replace Mill Creek culvert	Town Rate: 3.25 Filed: September 15, 2008	\$350,000.00

5.	Grow County of Rusk Application #: 02009062 Purpose: Build a new town hall	Town Rate: 4.75 Filed: September 22, 2008	\$120,000.00
6.	Kewaskum County of Washington Application #: 02009067 Purpose: Purchase aerial ladder fire truck	Village Rate: 4.25 Filed: September 26, 2008	\$782,622.00
7.	Lakeland Sanitary District #1 County of Oneida Application #: 02009061 Purpose: Fund addition to the wastewater treatment plant	Sanitary District Rate: 4.25 Filed: September 19, 2008	\$450,000.00
8.	Luck County of Polk Application #: 02009056 Purpose: Finance street paving	Village Rate: 3.25 Filed: September 15, 2008	\$227,036.00
9.	Merton County of Waukesha Application #: 02009065 Purpose: Finance various road projects	Town Rate: 4.25 Filed: September 25, 2008	\$539,484.00
10.	Random Lake County of Ozaukee And Sheboygan Application #: 02009064 Purpose: Refinance WRS prior service liability	School Rate: 6.00 Filed: September 24, 2008	\$850,000.00
11.	Raymond County of Racine Application #: 02009063 Purpose: Remove debris from Root River canal	Town Rate: 4.25 Filed: September 23, 2008	\$250,000.00
<b>TOTAL</b>			<b>\$4,579,142.00</b>

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

#### **ITEM 4. LOAN LIMIT EXCEPTION – CITY OF LA CROSSE**

**MOTION:** Commissioner Van Hollen moved to approve the city of La Crosse's request for an exception to exceed the loan limit by an additional \$500,000 in calendar year 2008; Commissioner Sass seconded the motion. The motion passed, 3-0.

**ITEM 5. PROPOSED LAND BAND SALES IN TAYLOR COUNTY****ITEM 5A. SALES TO THE PUBLIC**

Board Chair La Follette explained that staff is recommending a public sale by sealed bids of Trust Lands located in Taylor County that are unproductive timberlands and which no other government entity is interested in obtaining.

**MOTION:** Commissioner Van Hollen moved to approve the public sale of the Trust Lands; Commissioner Sass seconded the motion. The motion passed, 3-0.

**NOW, THEREFORE BE IT RESOLVED,** that the Board of Commissioners of Public Lands authorizes the sale of the Properties pursuant to a sealed bid process. The minimum acceptable bid for each of the Properties shall be the appraised value determined by J.C. Norby & Associates as set forth above. Such sale(s) 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 transaction(s).

**ITEM 5B. SALE TO THE COUNTY**

Board Chair La Follette asked how the sale price was determined. Executive Secretary Nelson noted that an appraisal was completed.

**MOTION:** Commissioner Sass moved to approve the sale of the Trust Lands to Taylor County; Commissioner Van Hollen seconded the motion. The motion passed, 3-0.

**NOW, THEREFORE BE IT RESOLVED,** that the Board of Commissioners of Public Lands approves the sale of the Property to Taylor County at the price of Twenty-Five Thousand Dollars (\$25,000.00). 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. Any transaction conducted under this approval shall be closed no later than June 30, 2009. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

**ITEM 6. REVISED LAND BANK PURCHASE FROM PATRICK PHALEN**

Executive Secretary Nelson noted for the record that the board had approved the purchase at a prior board meeting but the owner wanted to retain a portion of the property that was in the original offer. The legal description for this agenda item reflects that change.

**MOTION:** Commissioner Sass moved to approve the revised purchase; Commissioner Van Hollen seconded the motion. The motion passed, 3-0.

**NOW, THEREFORE BE IT RESOLVED,** that the Board of Commissioners of Public Lands authorizes the purchase of the Property at the price of One Hundred Forty Nine Thousand, One Hundred Fifty Dollars (\$149,150.00) 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 purchase transaction.

Board Chair La Follette noted that Commissioner Sass was unable to stay for the remainder the meeting but that a quorum was still in place.

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

Executive Secretary Nelson reported that the recently published article about the agency by the Lakeland Times seemed to question the constitutionality of the agency's land bank authority. She expressed her desire to manage the public reputation of the agency and felt that had been achieved through the agency's written responses. She views this article and two forthcoming articles as an opportunity to tell the story of the Board of Commissioners of Public Lands.

She reported that staff is monitoring the financial market due to the collapse of the bond market, which may result in an increase in Trust Fund Loans. She would keep the board informed should that happen.

#### **ITEM 6. ADJOURN**

**MOTION:** Commissioner Van Hollen moved to adjourn the meeting; Board Chair La Follette seconded the motion. The motion passed, 2-0.



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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  
OCTOBER 21, 2008**

**AGENDA ITEM 3  
APPROVE LOANS**

Municipality	Municipal Type	Loan Amount
1. Christiana County of Vernon Application #: 02009072 Purpose: Build a new fire station	Town Rate: 4.25 Filed: October 8, 2008	\$125,000.00
2. La Crosse County of La Crosse Application #: 02009071 Purpose: Finance infrastructure and repay loan	County Rate: 4.25 Filed: October 8, 2008	\$760,898.00
3. Lake Tomahawk County of Oneida Application #: 02009066 Purpose: Purchase tanker for fire department	Town Rate: 3.25 Filed: September 25, 2008	\$111,565.00
4. Langlade County of Langlade Application #: 02009069 Purpose: Construct economic development building	County Rate: 4.25 Filed: September 30, 2008	\$2,546,200.00
5. Mondovi County of Buffalo Application #: 02009068 Purpose: Improve TIF#2 district	City Rate: 4.25 Filed: September 30, 2008	\$450,000.00
6. River Hills County of Milwaukee Application #: 02009070 Purpose: Finance capital purchases	Village Rate: 4.25 Filed: October 2, 2008	\$530,128.00
7. Washburn County of Bayfield Application #: 02009073 Purpose: Refinance unfunded pension liability	City Rate: 6.00 Filed: October 10, 2008	\$352,000.00
<b>TOTAL</b>		<b>\$4,875,791.00</b>

**BOARD MEETING  
OCTOBER 21, 2008**

**AGENDA ITEM 4A  
LOAN LIMIT EXCEPTION –LA CROSSE COUNTY**

La Crosse County has requested an exception to the State Trust Fund Loan Program's current loan limit. Our loan limit is currently set at \$5 million for all loans to any customer in a calendar year. The purpose of this loan will be to finance a new county jail. The county originally asked for a total loan amount of \$29,500,000 from the State Trust Fund. In the alternative, the county asked the Board to consider a loan limit exception that would allow them to borrow \$10,000,000 if the Board was unwilling to grant the \$29,500,000 exception.

BCPL has more than \$75 million in unencumbered funds available to lend at this point in time. Currently, unencumbered funds in the State Investment Fund are earning less than 2.5%. The proposed loan to the County of La Crosse would be for a term of 10 years at an interest rate of 4.5%. Therefore, the loan would provide significantly more trust fund income than if the money were left in the State Investment Fund. In addition, the turbulence in the financial markets has made it much more difficult for communities to borrow through the municipal bonding process. Therefore, we believe that this loan will offer the Board a good opportunity to make a prudent investment with a good rate of return and help a Wisconsin community finance an important public project during a difficult economic time.

BCPL staff believes that an exception of \$29,500,000 may leave the trust funds without enough unencumbered funds to satisfy the borrowing needs of all other Wisconsin municipalities and school districts. However, BCPL staff believes that a smaller exception of \$10,000,000 will still allow BCPL to meet the borrowing needs of those other municipalities and school districts. The county needs \$10,000,000 to start the new jail project and will need additional funding at a later time to finish the project. In the event that La Crosse County still needs additional funding at that later point in time, BCPL could consider another loan exception at that point in time.

BCPL staff recommends that the Board of Commissioners of Public Lands grant the county's request for an exception to the \$5,000,000 loan limit in an amount sufficient to allow the them to apply for up to **\$10,000,000** in loans in 2008.

**BOARD MEETING  
OCTOBER 21, 2008**

**AGENDA ITEM 4B  
LOAN LIMIT EXCEPTION – CITY OF GREEN BAY**

The city of Green Bay has requested a third exception to the State Trust Fund Loan Program's current loan limit. Our loan limit is currently set at \$5 million for all loans to any customer in a calendar year. The Board has already approved exceptions for the city of Green Bay to be able to apply for a total of \$8,950,000 in loans this calendar year for various public purposes.

Recently, the city has asked for an additional exception that would allow them to borrow \$6,900,000 more from the State Trust Fund Loan Program this calendar year. The purpose of this loan is twofold; \$5,000,000 will be used for the purpose of land acquisition for economic development and \$1,900,000 will be used for energy efficiency improvements to city municipal buildings as well as for laying fiber optic cables to connect county and municipal buildings.

BCPL has more than \$75 million in unencumbered funds available to lend at this point in time. Currently, unencumbered funds in the State Investment Fund are earning less than 2.5%. The proposed additional loan to Green Bay would be for a term of 20 years and carry an interest rate of 5.5%. Therefore, the loan would provide significantly more trust fund income than if the money were left in the State Investment Fund. In addition, the turbulence in the financial market has made it much more difficult for communities to borrow through the municipal bonding process. Therefore, we believe that this loan will offer the Board a good opportunity to make a prudent investment with a good rate of return and help a Wisconsin community finance important public projects during a difficult economic time.

BCPL staff recommends that the Board of Commissioners of Public Lands grant the city of Green Bay's request for an exception to the loan limit in an amount sufficient to allow Green Bay to apply for an additional \$6,900,000 loan over the 2008 calendar year.

**BOARD MEETING  
OCTOBER 21, 2008**

**AGENDA ITEM 5  
PROPOSED INTEREST RATE CHANGE FOR PRIOR SERVICE PENSION  
LIABILITY LOANS**

**RECITALS**

- A. Several years ago, BCPL started offering municipalities and school districts the opportunity to borrow from the State Trust Fund Loan Program in order to pay off Prior Service Pension Liability Loans. Prior service pension liabilities came about when municipalities and school districts rolled their employees into the State of Wisconsin Retirement System many years ago.
- B. Prior Service Pension Liability Loans are good investments for the trust funds since they are general obligation debts, but carry a higher interest rate than our loans for other purposes. This is because loans for prior service pension liabilities are not eligible for tax exempt bonding or loans. BCPL has had one interest rate for prior service pension liability loans, no matter the duration or term of the loan. The rate for such loans is currently set at 6.25%.
- C. In recent years, we have not processed any loan applications for Prior Service Pension Liability Loans for terms of less than ten years. Borrowers and municipal finance consultants have advised us that the reason for this lack of applications is because our interest rate for shorter duration Prior Service Pension Liability Loans is not competitive with other sources. Our loan interest rates for purposes other than prior service pension liabilities are set at different points for different terms. Our current rate structure is as follows:

Up to 5 years – 3.50%    6-10 years – 4.50%    11-20 years – 5.50%

- D. Therefore, in an effort to make our loan program more competitive with the financial markets and still increase the trust fund earnings potential, BCPL staff members propose that the Board adopt a tiered pricing policy for Prior Service Pension Liability Loans as follows:

Up to 5 years – 4.25%    6-10 years – 5.25%    11-20 years – 6.25%

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Commissioners of Public Lands adopts interest rate changes for Prior Service Pension Liability Loans as follows:

Up to 5 years – 4.25%    6-10 years – 5.25%    11-20 years – 6.25%.