



Douglas La Follette, *Secretary of State*
Dawn Marie Sass, *State Treasurer*
J.B. Van Hollen, *Attorney General*
Tia Nelson, *Executive Secretary*

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Managing Wisconsin's trust assets for public education.

AGENDA

June 1, 2010

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 – May 18, 2010
3. Approve Loans
4. Loan Limit Exception – School District of Whitefish Bay
5. Proposed Land Bank Sale to the DNR – One Stone Lake Hemlocks (S0922)
6. Executive Secretary's Report
7. Adjourn

**BOARD MEETING
JUNE 1, 2010**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the May 18, 2010, board meeting.

Board Meeting Minutes
May 18, 2010

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 |
| Scott Eastwood, Loan Analyst | Board of Commissioners of Public Lands |

ITEM 2. APPROVE MINUTES – MAY 4, 2010

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

ITEM 3. APPROVE LOANS

Executive Secretary Nelson said that the loans had received legal review.

Municipality	Municipal Type	Loan Amount
1. Athelstane County of Marinette Application #: 02010173 Purpose: Finance the purchase of capital equipment and vehicles	Town Rate: 3.50 Filed: May 10, 2010	\$170,000.00
2. Blooming Grove County of Dane Application #: 02010170 Purpose: Finance the purchase of capital equipment and vehicles	Town Rate: 5.25 Filed: May 7, 2010	\$125,000.00
3. Kenosha County of Kenosha Application #: 02010174 Purpose: Finance public works project	School Rate: 4.25 Filed: May 12, 2010	\$10,000,000.00
4. Kenosha County of Kenosha Application #: 02010175 Purpose: Finance public works project	School Rate: 4.25 Filed: May 12, 2010	\$1,660,000.00
5. Kenosha County of Kenosha Application #: 02010176 Purpose: Finance public works project	School Rate: 4.25 Filed: May 12, 2010	\$3,900,000.00
6. Kenosha County of Kenosha Application #: 02010177 Purpose: Finance public works project	School Rate: 4.25 Filed: May 12, 2010	\$2,940,000.00

7.	Lac La Belle County of Waukesha Application #: 02010169 Purpose: Finance the purchase of capital equipment and vehicles	Village Rate: 3.50 Filed: May 4, 2010	\$25,000.00
8.	Liberty County of Manitowoc Application #: 02010178 Purpose: Finance the purchase of capital equipment and vehicles	Town Rate: 3.50 Filed: May 12, 2010	\$72,300.00
9.	Shawano County of Shawano Application #: 02010168 Purpose: Finance public works project	County Rate: 4.50 Filed: May 4, 2010	\$439,000.00
10.	Union Grove County of Racine Application #: 02010167 Purpose: Finance public works project	Village Rate: 5.25 Filed: April 30, 2010	\$600,000.00
TOTAL			\$19,931,300.00

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

ITEM 4. EXECUTIVE SECRETARY'S REPORT

Nothing to report.

ITEM 5. ADJOURN

MOTION: Commissioner Sass moved to adjourn the meeting; Commissioner Van Hollen 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
JUNE 1, 2010**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Amount</u>
1. Brown Deer County of Milwaukee Application #: 02010187 Purpose: Finance facility upgrades and energy saving projects	School Rate: 4.25 Filed: May 13, 2010	\$1,200,000.00
2. Cedarburg County of Ozaukee Application #: 02010183 Purpose: Finance street reconstruction project	City Rate: 4.25 Filed: May 17, 2010	\$800,000.00
3. Green Lake County of Green Lake Application #: 02010179 Purpose: Finance street reconstruction and sewer/water system projects	City Rate: 5.25 Filed: May 10, 2010	\$1,397,094.00
4. Howard Counties of Brown and Outagamie Application #: 02010181 Purpose: Purchase land	Village Rate: 4.25 Filed: May 13, 2010	\$783,355.75
5. Knowlton County of Marathon Application #: 02010184 Purpose: Purchase new dump truck and plow	Town Rate: 3.50 Filed: May 17, 2010	\$75,000.00
6. Ladysmith Counties of Price and Rusk Application #: 02010182 Purpose: Refinance loans used for middle school boiler system upgrades	School Rate: 4.25 Filed: May 10, 2010	\$500,000.00
7. Merton County of Waukesha Application #: 02010185 Purpose: Finance road projects	Town Rate: 4.25 Filed: May 17, 2010	\$800,000.00
8. New Richmond County of St. Croix Application #: 02010186 Purpose: Finance street improvements	City Rate: 5.25 Filed: May 17, 2010	\$1,069,000.00
9. Stratford County of Marathon Application #: 02010171 Purpose: Remodeling and construction of high school and elementary school buildings	School Rate: 4.25 Filed: May 7, 2010	\$875,000.00

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Amount</u>
10. West Allis County of Milwaukee Application #: 02010180 Purpose: Finance sanitary sewer projects	City Rate: 4.25 Filed: May 13, 2010	\$188,018.00
11. Whitestown County of Vernon Application #: 02010172 Purpose: Purchase tractor loader backhoe	Town Rate: 3.50 Filed: May 7, 2010	\$34,000.00
	TOTAL	<hr/> \$7,721,467.75

**BOARD MEETING
JUNE 1, 2010**

**AGENDA ITEM 4
LOAN LIMIT EXCEPTION – SCHOOL DISTRICT OF WHITEFISH BAY**

Description of Request

The School District of Whitefish Bay (the “School”) has requested an exception to the annual loan limit, which is currently set at \$5 million for all loans to any customer in a calendar year. This is the School’s second request for a State Trust Fund Loan in 2010, as the School borrowed \$1 million to renovate and improve school facilities in February.

The School is requesting an exception to allow them to apply for in aggregate \$12 million of loans this year. The purpose of the current \$11 million request is to finance renovations and improvements for all school facilities including upgrading safety and security systems and structures, heating and ventilation systems, utilities, and handicap accessibility. Additionally, funds will be used towards constructing and equipping additions to the high school and elementary schools; and remodeling, equipping, and improving technology infrastructure. The School plans on designating the current requested Trust Fund Loan as a Qualified School Construction Bond through a federal program that would not reduce the amount of interest BCPL receives on the loan but rather would provide the School with a payment subsidy from the federal government that would be used to help pay the School’s debt obligation to BCPL. The School would remain liable to BCPL for the entire amount due on the loan.

Available Funds Analysis

BCPL has approximately \$75 million in unencumbered funds available to lend at this point in time with more loan prepayments anticipated in the coming months. While the recent decrease in the loan program interest rates has begun to stimulate new loan demand, BCPL staff feels that adequate funds are available to honor this request without impairing other communities’ ability to borrow through the program at this time. Additionally, unencumbered funds in the State Investment Fund and M&I Bank are earning a maximum return of .25%. The School is requesting a 20 year loan which yields a 5.25% interest rate. Since this loan would provide far more Trust Fund income than if the money were left in the State Investment Fund or M&I Bank, we believe that these loans will offer the Board an opportunity to make a prudent investment with a good rate of return. In addition, the Board would be helping a Wisconsin school district finance needed improvements during an otherwise uncertain financial period.

Additional Background Notes on Borrower

The School is currently involved in a legal dispute.

In 2006 the School borrowed \$9.7 million from an overseas bank through a newly created trust that benefitted the School. Those borrowed funds, along with an additional \$500,000 the School had available in cash reserves, were used to purchase complex financial derivatives with the intent of earning enough interest on the investments to not only cover the loan obligations but also help pay for non-pension retirement benefits. However, these investments sustained significant losses and have become essentially worthless as a direct result of the meltdown in the financial sector.

The overseas bank that made the loan to the School is now pressuring them in an effort to collect unpaid loan obligations. The School, along with four other Wisconsin districts, is suing the advisors who sold the investments and set up the loans, claiming that the advisors misrepresented the risk that the investments carried. As of this time, the lawsuit has not been decided or settled.

BCPL staff notes that a pending multi-million dollar collection lawsuit may impact the credit worthiness of a borrower. However, in this case, the impact should not be significant. The School is considered to be in excellent financial health. The School's current borrowing capacity is approximately \$200 million. At this time, the School has only borrowed \$1.7 million, less than 1% of their available borrowing capacity. Even if it is determined that the School is legally obligated to repay the trust loans to the foreign bank on its own, the School would still be well within its borrowing capacity. As a result, the School carries an Aa2 rating from Moody's rating agency, which is still considered investment grade and is very good in comparison to other Wisconsin school districts.

Finally, as previously noted, the statutory provisions of the State Trust Fund Loan Program provide very strong protection to the BCPL Trust Funds and loans made through the program are considered some of the safest investments that could be made by BCPL.

BCPL Staff Recommendation

Based on the above information, BCPL staff recommends that the Board of Commissioners of Public Lands grant the School's request for an exception to the loan limit in an amount sufficient to allow the School District of Whitefish Bay to apply for loans totaling up to \$12 million for the 2010 calendar year at this time.

BOARD MEETING

JUNE 1, 2010

AGENDA ITEM 5

PROPOSED LAND BANK SALE TO DNR - ONE STONE LAKE HEMLOCKS (S0922)

The Wisconsin Department of Natural Resources (“DNR”) has determined that 314 acres of BCPL Trust Lands in Oneida County (the “Property”) is required for state use.

BCPL staff recommends the sale of the property to the DNR for the following reasons:

- The Property is an isolated, deferred natural area within the Consolidated Zone.
- The Property is landlocked and 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 of the above; and
- Sale of the Property to the DNR would allow the DNR to protect a diverse natural area containing a variety of rare species along a scenic waterfront.

Attachments:

Resolution w/Exhibits

Exhibit A - BCPL Sale Criteria

Exhibit B - Appraisal Certification

BCPL Project Map

BOARD MEETING

JUNE 1, 2010

AGENDA ITEM 5

PROPOSED LAND BANK SALE TO DNR - ONE STONE LAKE HEMLOCKS (S0922)

RECITALS

- A. The Wisconsin Department of Natural Resources (“DNR”) has determined that certain property more particularly described as the Southeast ¼ of the Southeast ¼ (SESE) of Section Twenty-one (21) and the Northeast ¼ of the Northeast ¼ (NENE) of Section Twenty-eight (28), Township thirty-nine (39) North, Range Ten (10) East, Town of Sugar Camp, and the Northeast ¼ of the Southwest ¼ (NESW), Government Lot Three (3), the Northeast ¼ of the Southeast ¼ (NESE), the Northwest ¼ of the Southeast ¼ (NWSE), the Northwest ¼ of the Northwest ¼ (NWNW), the Southwest ¼ of the Northwest ¼ (SWNW) of Section Twenty-seven (27), Township thirty-nine (39) North, Range Ten (10) East, Town of Three Lakes, Oneida County, Wisconsin totaling approximately 314 acres in size (the “One Stone Lake Hemlocks Property”) is required for state use.
- B. The One Stone Lake Hemlocks Property is currently owned by the Board of Commissioners of Public Lands.
- C. The One Stone Lake Hemlocks Property has been evaluated by BCPL staff against sale criteria previously adopted by the Board. The One Stone Hemlocks 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.
- D. The One Stone Lake Hemlocks Property has been independently appraised by Michael P. Augustyn at a value of Fifteen Hundred and Fifty Dollars (\$1,550) per acre for a total of Four Hundred Eighty Seven Thousand Dollars (\$487,000). A copy of the Certification of the Appraisal has been attached to this resolution as Exhibit B.
- E. The DNR has offered to pay the sum of Five Hundred Seventy Eight Thousand One Hundred Fifty Dollars (\$578,150) to acquire the One Stone Lake Hemlocks Property.
- F. The offered price is greater than the appraised value.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves the sale of the One Stone Lake Hemlocks Property to the Wisconsin Department of Natural Resources at the price of Five Hundred Seventy Eight Thousand One Hundred Fifty Dollars (\$578,150) 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.

**Board of Commissioners of Public Lands
Summary Analysis of Potential Property Sale**

Common Name for Land Parcel **Oneida-Three Lakes-One Stone Lake**

County Oneida Township Three Lakes and Sugar Camp

Legal Description The SESE of Section 21, the W1/2 of NW1/4, GL-3 (SENW), the NESW and the N1/2 of the SE of Section 27, the NENE of Section 28 all in T39N, R10E, Three Lakes and Sugar Camp Townships, Oneida County

Transaction ID# (from Accountant) 30922

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
 Parcel is a deferred natural area

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.

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

- Yes
 No


Signature of Forest Land Supervisor

3/25/09
Date

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

- Yes
 No


Executive Secretary

April 1, 09
Date

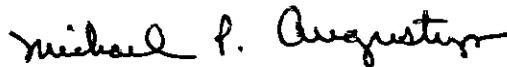
CERTIFICATION OF APPRAISER

The undersigned does hereby certify that, except as otherwise noted in the appraisal report:

1. The statements of fact contained in the report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions, limiting conditions, and legal instructions, and are the personal, unbiased professional analysis, opinions, and conclusions of the appraiser.
3. I have no present or prospective interest in the property appraised and no personal interest or bias with respect to the parties involved.
4. The compensation received by me for the appraisal is not contingent on the analyses, opinions, or conclusions reached or reported.
5. The appraisal was made and the appraisal report prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*.
6. The appraisal was made and the appraisal report prepared in conformity with the Appraisal Foundation's *Uniform Standards for Professional Appraisal Practice*, except to the extent that the *Uniform Appraisal Standards for Federal Land Acquisitions* required invocation of USPAP's Jurisdictional Exception Rule, as described in Section D-1 of the *Uniform Appraisal Standards for Federal Land Acquisitions*.
7. I have made a personal inspection of the property appraised and that the property owner, or his/her designated representative, was given the opportunity to accompany the appraiser on the property inspection.
8. No one provided significant professional assistance to me.
9. It is my opinion that the market value of the BCPL property as of September 29, 2009 is:

FOUR HUNDRED EIGHTY-SEVEN THOUSAND DOLLARS

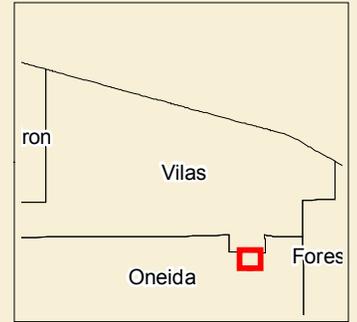
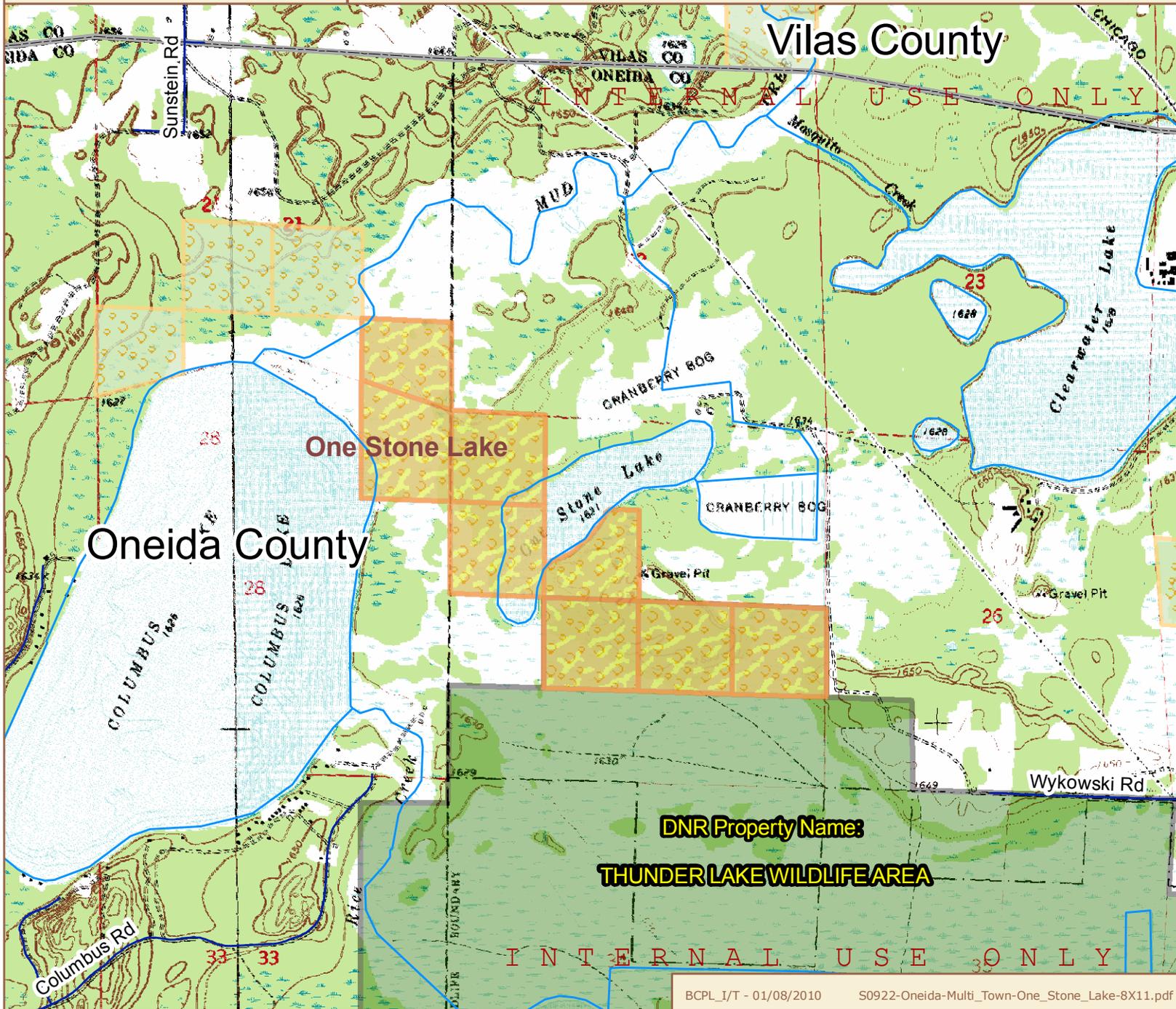
(\$487,000.00)



Michael P. Augustyn, CGAL #289

10/9/09
Date

ONE STONE LAKE



BCPL Project #:
S0922

County: Oneida

Town: Sugar Camp
and
Three Lakes

Common Name

One Stone Lake

Acres - 314.00

Fund 745



-  Outgoing
-  Other BCPL Land
-  DNR PROJECT LANDS
-  COUNTY FOREST

