



Douglas La Follette, *Secretary of State*
Kurt Schuller, *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
April 17, 2012
2:00 P.M.

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

1. Call to Order
2. Approve Minutes – April 3, 2012
3. Approve Loans
4. Request to Expand Bond Purchase Authority
5. Proposed Land Exchange with Donald Nindorf (E1201)
6. Executive Secretary's Report
7. Adjourn

**BOARD MEETING
APRIL 17, 2012**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the April 3, 2012, board meeting.

Board Meeting Minutes
April 3, 2012

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 |
| Kurt Schuller, Commissioner | State Treasurer |
| J.B. Van Hollen, Commissioner | Attorney General |
| Tom German, Deputy Secretary | Board of Commissioners of Public Lands |
| Richard Sneider, Loan Analyst | Board of Commissioners of Public Lands |

ITEM 2. APPROVE MINUTES – MARCH 20, 2012

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

ITEM 3. APPROVE LOANS

Deputy Secretary German said the loans had received legal review.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Amount</u>
1. Bayfield Bayfield County Application #: 02012093 Purpose: Purchase new fire truck	City Rate: 3.00% Term: 10 years	\$230,000.00
2. Pleasant Springs Dane County Application #: 02012092 Purpose: Finance fire equipment upgrades	Town Rate: 2.75% Term: 1 year	\$36,500.00
3. Whiting Portage County Application #: 02012094 Purpose: Finance street projects	Village Rate: 2.75% Term: 2 years	\$255,000.00
4. Wisconsin Dells Adams, Columbia, Juneau, Marquette and Sauk Counties Application #: 02012095 Purpose: Finance land purchase	School Rate: 3.00% Term: 10 years	\$575,000.00
	TOTAL	\$1,096,500.00

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

ITEM 4. DEPUTY SECRETARY'S REPORT

Deputy Secretary German reported that Executive Secretary Nelson was meeting today with Representative Tom Tiffany in his district.

ITEM 5. ADJOURN

MOTION: Commissioner Van Hollen moved to adjourn the meeting; Commissioner Schuller seconded the motion. The motion passed 3-0.



Thomas P. German, Deputy 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
APRIL 17, 2012**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Amount
1. Lena Oconto County Application #: 02012099 Purpose: Finance land purchase	Village Rate: 4.00% Term: 20 years	\$110,000.00
2. Necedah Juneau County Application #: 02012100 Purpose: Refund 2001 CDA Lease Revenue Bonds	Village Rate: 5.75% Term: 24 years	\$2,000,000.00
3. Necedah Juneau County Application #: 02012101 Purpose: Refund 2001 CDA Lease Revenue Bonds	Village Rate: 4.00% Term: 18 years	\$700,000.00
4. Rhinelander Langlade, Lincoln and Oneida Counties Application #: 02012098 Purpose: Remodel school kitchen	School Rate: 3.00% Term: 10 years	\$200,000.00
5. Seymour Eau Claire County Application #: 02012096 Purpose: Finance kitchen and parking lot projects	Town Rate: 2.75% Term: 5 years	\$144,000.00
6. Seymour Eau Claire County Application #: 02012097 Purpose: Refinance BCPL Loan #02011005.01	Town Rate: 2.75% Term: 5 years	\$575,832.65
TOTAL		\$3,729,832.65

**BOARD MEETING
APRIL 17, 2012**

**AGENDA ITEM 4
REQUEST TO EXPAND BOND PURCHASE AUTHORITY**

Description of Request

BCPL staff is requesting that the Board expand staff investment authority to include Wisconsin Municipal General Obligation Bonds and Revenue Bonds rated “A” or higher by Moody’s (or the equivalent rating by another agency).

Summary Explanation

The Board previously granted BCPL staff the authority to invest up to \$150 million in State of Wisconsin General Obligation (G.O.) Bonds, \$25 million in State of Wisconsin Revenue Bonds, and \$75 million in bonds issued by Wisconsin municipalities and school districts rated Aa or higher.

Remaining authority not yet invested is approximately \$41 million in State of Wisconsin G.O. Bonds, \$22 million in State of Wisconsin Revenue Bonds, and \$19 million in Municipal G.O. Bonds.

This request for new authority is two-fold:

1. Expand staff authority to invest in Municipal G.O. Bonds to include “A” rated securities. Prior authority had been limited to securities that had been rated Aa (or equivalent) or higher, so the new request is to invest in securities that have a slightly lower credit rating.
2. Expand staff authority to invest in Revenue Bonds to include bonds issued by municipalities and municipal utilities. Prior revenue bond authority had been limited to bonds issued by the State of Wisconsin, so the new request expands the number of authorized revenue bond issuers. To maintain consistency with the above request regarding G.O. Bonds, the required minimum rating for Municipal Revenue Bond investments is recommended to be an “A” rating.

Background

Interest rates have remained at historically low levels for an extended period, providing an excellent opportunity for our customers to refinance existing BCPL loans through the issuance of municipal bonds. This process has had a significant impact on Trust Fund investments.

BCPL currently manages approximately \$892 million in trust fund assets, of which approximately \$506 million is invested in BCPL State Trust Fund Loans to municipalities and school districts, \$204 million is invested in bonds, and \$182 million is invested in State Investment Fund (SIF). Loan prepayments have accelerated during the past month, and staff now expects cash available for investment to approach \$250 million within the next 45 days.

While demand for new BCPL State Trust Fund Loans has picked up from lower levels experienced over the last 16 months, new demand has not kept pace with loan payoffs. The expansion of the loan program to include revenue loans is now up and running, and the first revenue loan applications have been submitted. Staff expects some improvement in loan demand due to the availability of this program but the extent of additional demand is unknown at this time.

Furthermore, there has been a limited supply of Aa rated state and municipal bonds available for BCPL investment over the past several months. Other investors have often bid up the prices for these bonds, reducing yields to mostly unattractive levels. Staff believes that interest rates will increase (perhaps dramatically) within the foreseeable future so long-term investing in this environment requires selectivity.

Staff believes that to maintain beneficiary income levels in future years, it is important to achieve an investment allocation minimizing funds held in SIF, which currently pays only .15% annually. As investment opportunities within the loan program and authorized bond categories seem to have been fully exploited at the current time, new investment alternatives should be considered. While staff will be making additional recommendations over the next weeks and months, the scope of this request is limited to an expansion of current bond purchase authorities.

Recommendations

1. **“A” Rated Bonds** - Expanding staff authority to invest in Municipal G.O. Bonds including “A” rated securities will allow investment in bonds issued by communities that have a slightly lower credit rating. Although there may be a slight increase in default risk, a study by Moody’s indicated that the average cumulative default rate for G.O. debt issued by “A” rated communities from 1970-2009 was 0%. There has never been a default on a municipal bond in Wisconsin, regardless of bond or issuer rating.
2. **Municipal and Municipal Utility Revenue Bonds** - Prior authority had been limited to revenue bonds issued by the State of Wisconsin, so the new request expands the number of authorized revenue bond issuers. To maintain consistency with the above request regarding G.O. Bonds, the required minimum rating for Municipal Revenue Bond investments is recommended to be an “A” rating. This request mirrors the BCPL State Trust Fund Loan Program expansion into revenue based obligations. As with the above request, there may be a slight increase in default risk, although the same study by Moody’s indicates the average cumulative default rate for “A” rated Revenue Bonds from 1970-2009 at a miniscule 0.07%.

Expanding staff authority for bond investments will provide BCPL with the ability to take advantage of additional opportunities to reduce cash holdings and improve portfolio returns within acceptable risk parameters.

Proposed Resolution

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands expands the prior authority to invest up to Seventy-Five Million Dollars (\$75,000,000) in Municipal and School District General Obligation Bonds to include those bonds rated "A" by Moody's Investors Service, or the equivalent by other rating agencies.

ALSO RESOLVED is that the Board of Commissioners of Public Lands expands the prior authority to invest up to Twenty-Five Million Dollars (\$25,000,000) in State of Wisconsin Revenue Bonds to include Revenue Bonds issued by municipalities and municipal utilities within the State of Wisconsin that have been rated "A" or higher by Moody's Investors Service, or the equivalent by other rating agencies. These investments shall be made in accordance with Chapter 24 of the Wisconsin Statutes on such terms and conditions as the Executive Secretary determines to be reasonable and necessary. This purchase authority shall be in addition to any previous authority granted by the Board of Commissioners of Public Lands and shall also include the authority to sell these bonds prior to maturity. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transactions

**BOARD MEETING
APRIL 17, 2012**

**AGENDA ITEM 5
PROPOSED LAND EXCHANGE WITH DONALD NINDORF (E1201)**

Staff is requesting authority to convey an isolated, landlocked 40 acre parcel of BCPL land in Douglas County to Donald Nindorf in exchange for a 40 acre parcel that is adjacent to BCPL's 2200 acre Allen Creek Block in Forest County.

BCPL staff recommends the exchange with Donald Nindorf for the following reasons:

- The BCPL property that would be conveyed to Donald Nindorf is an isolated, landlocked, moderately productive parcel with a cloud on title located outside of the Consolidation Zone.
- The exchange would result in an improvement in BCPL's timber portfolio.
- The property that would be acquired in the exchange:
 - Would reduce the threat from forest fragmentation.
 - Would provide additional timber revenue and species diversification.
 - Eliminate an in-holding in an existing BCPL block of land, thereby improving management efficiency.

The properties to be exchanged have been appraised at approximately equal values.

Attachments:

Resolution w/Exhibits

Exhibit A – Incoming Property Summary Analysis

Exhibit B – Incoming Property Appraisal Certification

Exhibit C – Outgoing Property Summary Analysis

Exhibit D – Outgoing Property Appraisal Certification

BCPL Project Map

BOARD MEETING

APRIL 17, 2012

AGENDA ITEM 5

PROPOSED LAND EXCHANGE WITH DONALD NINDORF (E1201)

RECITALS

- A. BCPL currently owns an isolated 40 acre parcel in Douglas County described as the SENE of Section 6, Township 44 North, Range 10 West, located in the Town of Gordon, Douglas County, Wisconsin (the "BCPL Property").
- B. Donald Nindorf currently owns an adjacent parcel of land described as the SWNW of Section 5, Township 44 North, Range 10 West, located in the Town of Gordon, Douglas County, Wisconsin (the "Nindorf Property").
- C. Mr. Nindorf constructed a cabin near the West line of his property several years ago. Based upon inaccurate information he received from a surveyor, he inadvertently built a portion of his cabin on BCPL Property.
- D. BCPL staff discovered the encroachment during a routine inspection of the BCPL Property and confirmed their discovery by obtaining a new survey showing the cabin encroachment.
- E. The cabin encroachment appears to be the result of an honest mistake and Mr. Nindorf has offered to resolve the problem by exchanging another parcel of land of similar value for the BCPL Property.
- F. Mr. Nindorf does not own another parcel of land that would be suitable for exchange with BCPL so he is willing to purchase another parcel of land that could be used for exchange.
- G. Mr. Nindorf has offered to purchase 40 acres of land in Forest County more particularly described as the SENW of Section 3, Township 40 North, Range 14 East, Town of Alvin, Forest County, Wisconsin, that is currently owned by Mr. Tony Limbach (the "Limbach Property"). This Property is located adjacent to a large existing block of BCPL property.
- H. Mr. Nindorf proposes to exchange the Limbach Property in Forest County for the BCPL Property in Douglas County.
- I. The Limbach Property has been evaluated by BCPL staff against purchase criteria previously adopted by the Board. The Property has been determined by BCPL staff

to be appropriate for purchase according to such criteria. A copy of the summary analysis for the incoming property is attached to this resolution as Exhibit A.

- J. The Limbach Property has been independently appraised by Steigerwaldt Land Services, Inc. at \$725 per acre for a total value of \$29,000. A copy of the Certification of Appraisal is attached as Exhibit B.
- K. The BCPL Property has been evaluated by BCPL staff against sales 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 summary analysis for the BCPL Property is attached to this resolution as Exhibit C.
- L. The BCPL Property has been independently appraised by Steigerwaldt Land Services, Inc. at \$750 per acre for a total value of \$30,000. A copy of the Appraisal Certification has been attached to this resolution as Exhibit D.
- M. BCPL staff members recommend exchanging the BCPL Property for the Limbach Property for the following reasons:
 - a. BCPL staff has determined that the BCPL Property is appropriate for sale or exchange;
 - b. The exchange will enable BCPL to dispose of a landlocked parcel outside of the Consolidation Zone that has a cloud on title and acquire a parcel inside the Consolidation Zone that blocks well with existing BCPL property;
 - c. BCPL staff has determined that the acquisition of the Limbach Property would produce timber revenue for the trust fund, improve timberland management efficiency and reduce the threat of forest fragmentation; and
 - d. The values of the properties in the proposed exchange are “approximately equal” as the term is defined in Wis. Stat. Section 24.09.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves the exchange of the BCPL Property with Mr. Nindorf in return for the Limbach Property 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 Exchange
Transaction ID#: E/201

Incoming Property

Common Name for Land Parcel: **Gaspardo Road**

County: Forest Township: Alvin

Legal Description: SENW of Section 3, Township 40N, Range 14E, Town of Alvin,
Forest County, Wisconsin

Acres: 40

Parcel ID Number: 002-00503-0000

Previous Year Tax Levy: \$708.88

Name(s) of Seller(s): Tony Limbach

Address of Seller(s): 7980 Sandy Ridge Rd
Kewaskum, WI 53040

Seller Phone #: (262) 355-5855

Seller's Attorney or Agent: _____

Contact Information: _____

Seller's Attorney or Agent Phone Number(s): (____) _____

Asking Price: \$30,000

Summary Analysis of Potential Property Exchange
Transaction ID#: E 1201

Incoming Property

Acres of productive forest land in parcel(s):	<u>30 acres</u>
Acres of non productive land in parcel(s):	<u>10 acres</u>
Acres of land with public access in parcel(s):	<u>0 acres</u>
Acres of land without public access in parcel(s):	<u>40 acres</u>
Acres of current BCPL land that will become accessible to the public through parcel(s):	<u>0 acres</u>
Acres of our current BCPL land that will become accessible for timber management purposes through parcel(s):	<u>0 acres</u>

Comments (parcel cover type or other attributes of parcel or transaction):

The outgoing parcel is a landlocked isolated parcel outside the consolidation zone that is one third lowland. This parcel has been recently harvested and the next harvest would be in 50 years. The outgoing parcel has been inadvertently encroached upon by the neighbor to the east. He constructed a cabin that is six to ten feet over the line and on the BCPL parcel. One of the reasons for this transaction is to clean up that encroachment without going to court.

The incoming parcel is of similar value to the outgoing parcel and blocks well with our existing holdings in our Gaspardo Road block.

Summary Analysis of Potential Property Exchange
Transaction ID#: E/201
Criteria – Incoming Property

- 1. Forest Fragmentation**
 - Average tract size increases
 - The ratio of perimeter to area decreases
 - There is a clear reduction of the threat for conversion from forest to non-forest use

- 2. Access**
 - Management access to our existing timber tracts is improved
 - There is an increase in the number of BCPL acres open to the public

- 3. Management Efficiency**
 - The percentage of upland on BCPL properties increases
 - The amount of line work per acre decreases
 - The average distance from the tracts to the BCPL field office decreases

- 4. Timber Character and Value**
 - The average site index of forest soils on BCPL property increases
 - Within one cutting cycle there is an increase in the potential high value sawlog volume and growth, on the tract
 - There is an increase in the forest types and species that diversify the BCPL's timber portfolio
 - There is an increase in the number of acres and size of tracts where the BCPL has summer logging opportunities

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

- Yes
- No

[Signature]
Trust Lands Forestry Supervisor 1/20/12
Date

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

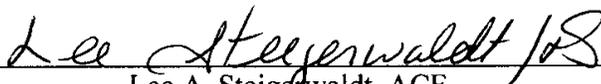
- Yes
- No

[Signature]
Executive Secretary 2/3/12
Date

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- a. The statements of fact contained in this report are true and correct.
- b. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- c. We 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.
- d. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- e. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- f. Our 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.
- g. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the "Uniform Standards of Professional Appraisal Practice."
- h. Lee A. Steigerwaldt personally inspected the property that is the subject of this report. The comparable sales used in this report were inspected by the appraiser or other qualified staff of Steigerwaldt Land Services, Inc.
- i. No one outside of the Steigerwaldt Land Services, Inc. office provided significant assistance to the persons signing this report.
- j. 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.
- k. It is our opinion that the subject property has a market value of \$29,000.00 as of March 22, 2012.



Lee A. Steigerwaldt, ACF
Wisconsin Certified General Appraiser #1516
STEIGERWALDT LAND SERVICES, INC.

Board of Commissioners of Public Lands
Summary Analysis of Potential Property Exchange
Transaction ID#: E/201

Common Name for Land Parcel **Town Line Road**

County Douglas Township Gordon

Legal Description SENE of Section 6, Township 44N, Range 10W, Town of Gordon,
Douglas County, Wisconsin

GLO Acres 40

Criteria – Outgoing BCPL Property

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

 1/20/12
Signature of Forest Land Supervisor Date

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

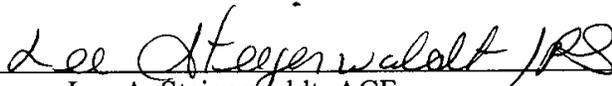
- Yes
- No

 2/3/12
Executive Secretary Date

CERTIFICATION

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

- a. The statements of fact contained in this report are true and correct and no important facts have been withheld.
- b. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- c. I have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- d. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- e. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the "Uniform Appraisal Standards for Federal Land Acquisitions" and the "Uniform Standards of Professional Appraisal Practice."
- f. Steven R. Kimble inspected the subject property on March 7, 2012. Lee A. Steigerwaldt did not personally inspect the subject property. All comparable sales were inspected by the appraiser or by qualified staff of Steigerwaldt Land Services, Inc.
- g. Lee A. Steigerwaldt and Steven R. Kimble prepared this report. No one provided significant real property appraisal assistance to the people signing this certification.
- h. 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.
- i. It is my opinion that the market value of the subject property is \$30,000.00 as of March 7, 2012.



Lee A. Steigerwaldt, ACF

Wisconsin Certified General Appraiser #1516

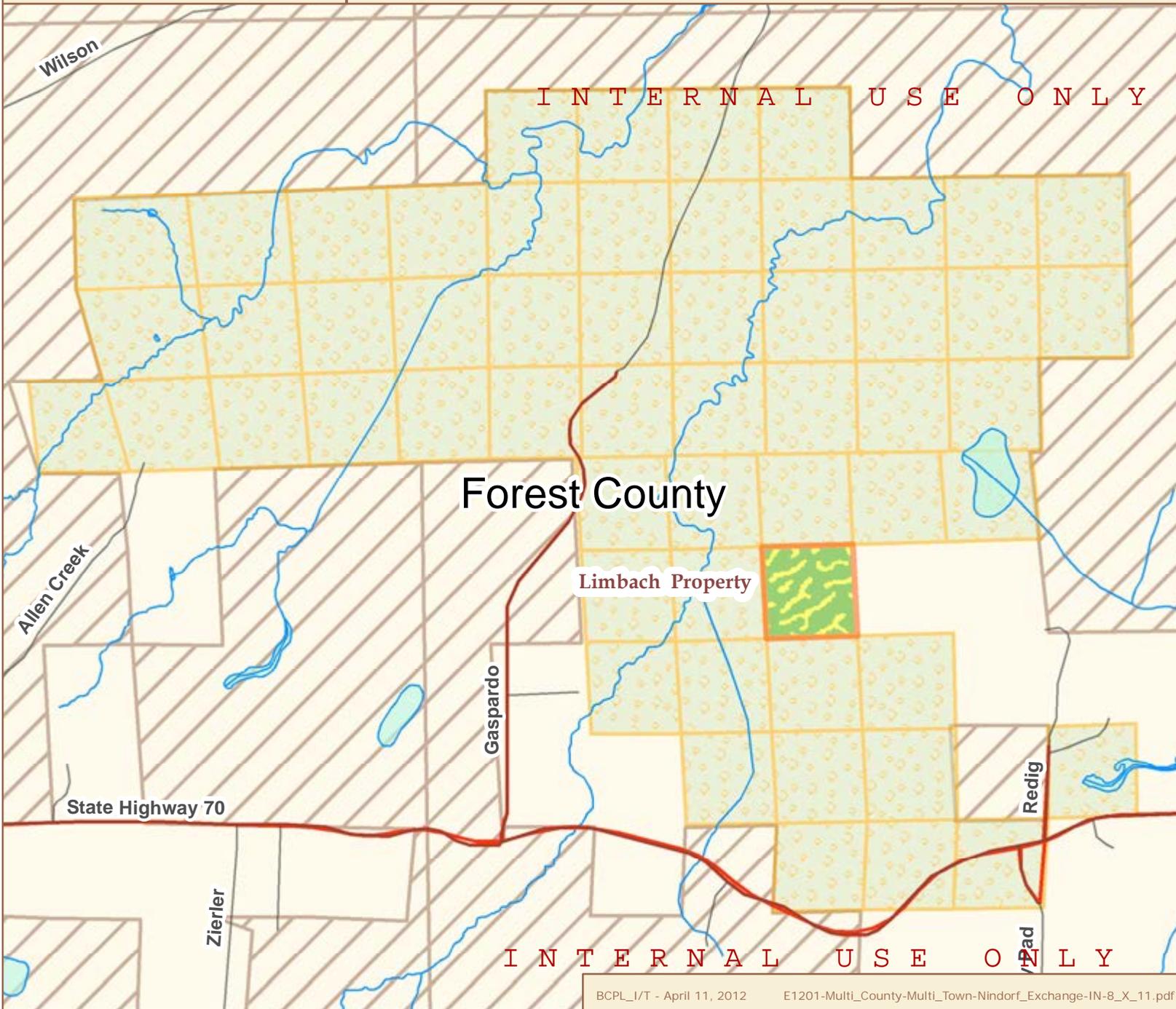
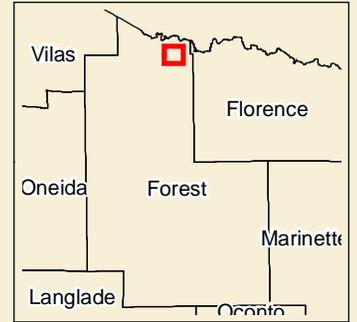


Steven R. Kimble

Appraisal Assistant

STEIGERWALDT LAND SERVICES, INC.

NI NDORF EXCHANGE
Forest County Parcel to be acquired by BCPL



BCPL Project #:
E1201

County: Forest

Town: Alvin

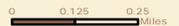
Common Name
Nindorf Exchange

Acres - 40.00

Fund 745

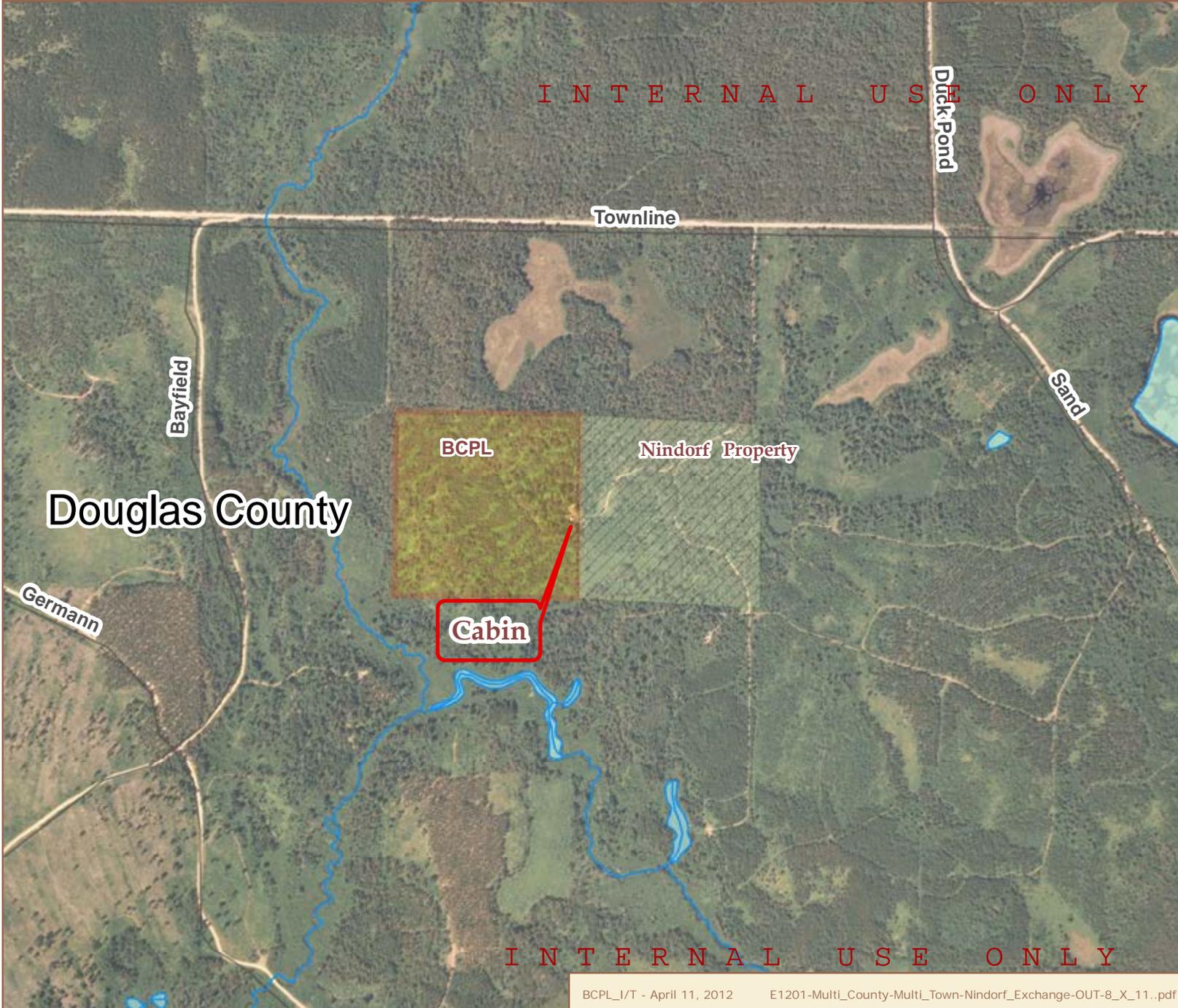
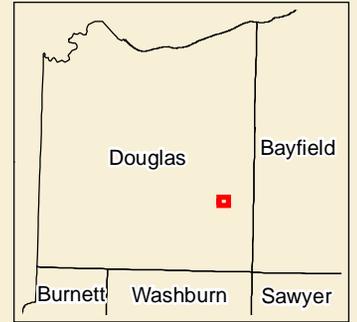


-  Incoming
-  Other BCPL Land
-  US FOREST SERVICE



NI NDORF EXCHANGE

Douglas County Parcel to be conveyed by BCPL



BCPL Project #:
E1201

County: Douglas

Town: Gordon

Common Name

Nindorf Exchange

Acres - 40.00

Fund 745



 **Outgoing**

 **Nindorf Property**

 **COUNTY FOREST**

