



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

August 6, 2013

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 – July 16, 2013
- 3) Approve Loans
- 4) Request to Expand Investment Authority
- 5) Proposed Land Bank Purchase – Crandon Timber (P1302)
- 6) Executive Secretary's Report
- 7) Adjourn

**BOARD MEETING
AUGUST 6, 2013**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the July 16, 2013, board meeting.

Board Meeting Minutes
July 16, 2013

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

Kurt Schuller, Commissioner

J.B. Van Hollen, Commissioner

Tia Nelson, Executive Secretary

Tom German, Deputy Secretary

Richard Sneider, Loan Analyst

Secretary of State

State Treasurer

Attorney General

Board of Commissioners of Public Lands

Board of Commissioners of Public Lands

Board of Commissioners of Public Lands

ITEM 2. APPROVE MINUTES – JULY 2, 2013

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

ITEM 3. APPROVE LOANS

Executive Secretary Nelson said the loans had received legal review.

Municipality	Municipal Type	Loan Amount
1. Albany Green County Application #: 02014006 Purpose: Refinance BCPL loan #2007002	Village Rate: 2.50% Term: 3 years	\$78,483.05
2. Albany Green County Application #: 02014007 Purpose: Refinance BCPL loan #2010006	Village Rate: 2.00% Term: 1 years	\$31,678.13
3. Aurora Taylor County Application #: 02014005 Purpose: Finance town hall renovation	Town Rate: 2.50% Term: 5 years	\$110,000.00
4. Bergen Vernon County Application #: 02014004 Purpose: Purchase plow truck	Town Rate: 2.50% Term: 5 years	\$100,000.00

5.	Glendale-River Hills Milwaukee County Application #: 02014003 Purpose: Renovate school building	School Rate: 2.75% Term: 10 years	\$500,000.00
6.	Harmony Rock County Application #: 02014008 Purpose: Finance road construction	Town Rate: 2.00% Term: 2 years	\$68,860.00
7.	Oshkosh Winnebago County Application #: 02014002 Purpose: Finance business park site development and utility extensions	City Rate: 2.75% Term: 10 years	\$2,644,100.00
8.	Palmyra-Eagle Area Jefferson, Walworth and Waukesha Counties Application #: 02014001 Purpose: Construct outdoor athletic facility	School Rate: 2.50% Term: 4 years	\$940,000.00
9.	Rib Lake Price and Taylor Counties Application #: 02014010 Purpose: Refinance bus loan	School Rate: 2.50% Term: 5 years	\$61,000.00
10.	Whitefish Bay Milwaukee County Application #: 02014009 Purpose: Construct public works building	Village Rate: 3.75% Term: 20 years	\$3,006,150.00
		TOTAL	\$7,540,271.18

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

ITEM 4. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Nelson reported that BCPL Loan Analyst Richard Sneider, in consultation with her and Deputy Secretary Tom German, created a quarterly investment summary report for the Board. The Commissioners could direct any questions or suggested changes to Mr. Sneider. Board Chair La Follette thanked him for the detailed report.

ITEM 5. ADJOURN

MOTION: Commissioner Schuller 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, 101 E. Wilson Street, 2nd Floor, Madison, Wisconsin.

**BOARD MEETING
AUGUST 6, 2013**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Amount
1. Colfax Chippewa and Dunn Counties Application #: 02014024 Purpose: Finance energy efficiency projects	School Rate: 3.25% Term: 10 years	\$900,000.00
2. Coloma Waushara County Application #: 02014017 Purpose: Finance road construction	Village Rate: 2.75% Term: 10 years	\$175,000.00
3. Crandon Forest County Application #: 02014020 Purpose: Finance economic development project - Hometown Trolleys	City Rate: 3.75% Term: 19 years	\$400,000.00
4. Crandon Forest County Application #: 02014021 Purpose: Finance economic development project - Infinity Wood Floors	City Rate: 3.75% Term: 19 years	\$730,000.00
5. Crandon Forest County Application #: 02014018 Purpose: Renovate building	School Rate: 2.75% Term: 10 years	\$977,451.00
6. Cumberland Barron County Application #: 02014028 Purpose: Finance street reconstruction	City Rate: 2.75% Term: 10 years	\$520,000.00
7. Eagle River Vilas County Application #: 02014012 Purpose: Refinance bank debt	City Rate: 3.25% Term: 10 years	\$165,000.00
8. Footville Rock County Application #: 02014019 Purpose: Finance water tower maintenance	Village Rate: 2.75% Term: 10 years	\$225,000.00

Municipality	Municipal Type	Loan Amount
9. Lafayette Chippewa County Application #: 02014023 Purpose: Construct recreation building	Town Rate: 2.00% Term: 1 years	\$70,000.00
10. Lakeside Douglas County Application #: 02014026 Purpose: Refinance bank debt	Town Rate: 2.00% Term: 2 years	\$44,659.98
11. Lakeside Douglas County Application #: 02014027 Purpose: Refinance bank debt	Town Rate: 3.25% Term: 6 years	\$57,876.25
12. Merton Waukesha County Application #: 02014013 Purpose: Finance road construction	Town Rate: 3.00% Term: 5 years	\$200,000.00
13. Milton Rock County Application #: 02014022 Purpose: Finance highway repair	Town Rate: 2.00% Term: 2 years	\$68,900.00
14. Montello Green Lake and Marquette Counties Application #: 02014014 Purpose: Finance building projects and van purchases	School Rate: 3.00% Term: 5 years	\$184,710.00
15. Tomah Monroe County Application #: 02014015 Purpose: Finance ice arena expansion	City Rate: 2.75% Term: 10 years	\$400,000.00
16. Tomah Monroe County Application #: 02014016 Purpose: Refinance BCPL loan #2005239	City Rate: 2.75% Term: 10 years	\$665,663.61

Municipality	Municipal Type	Loan Amount
17. Verona Dane County Application #: 02014011 Purpose: Finance economic development project	City Rate: 2.75% Term: 10 years	\$600,000.00
18. Webster Burnett County Application #: 02014025 Purpose: Refinance library construction loan	Village Rate: 4.25% Term: 17 years	\$191,122.15
	TOTAL	<hr/> \$6,575,382.99

**BOARD MEETING
AUGUST 6, 2013**

**AGENDA ITEM 4
REQUEST TO EXPAND INVESTMENT AUTHORITY**

Description of Request

BCPL staff is requesting that the Board expand staff authority to include the purchase of all financial investments currently authorized for the State Trust Funds by Chapter 24.61 of Wisconsin Statutes and to remove the maximum investment amounts set within investment categories.

Summary Explanation

The Board previously granted BCPL staff the authority to invest up to \$250 million in State of Wisconsin General Obligation Bonds, \$150 million in General Obligation Bonds issued by Wisconsin municipalities and school districts, \$200 million in State of Wisconsin and Municipal Revenue Bonds, and \$5 million in federally insured Bank Certificates of Deposits. Investments are limited to issuers or securities with a Moody's rating (or equivalent) of 'A' or better.

This request for new authority is two-fold:

1. Expand staff authority to invest in securities authorized by statute, but not yet authorized for investment by board action. This expansion would add the following potential investments:
 - a. Bonds or notes of the United States.
 - b. Securities issued under the Federal Farm Loan Act of 1916 or the Farm Credit Act of 1971.
 - c. Bonds issued by a local exposition district.
 - d. Bonds of the University of Wisconsin Hospitals and Clinics Authority.
 - e. Bonds issued by a local professional baseball park district.
 - f. Bonds issued by a local professional football stadium.
 - g. Bonds issued by a local cultural arts district.
 - h. Bonds of the Wisconsin Aerospace Authority.
2. Remove maximum investment amounts within investment categories.

Increasing staff authority by broadening the range of potential 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. Staff does not believe that there is a strategic advantage to changing credit quality constraints at this time and, therefore, recommends retaining the requirement that investments be limited to issuers or securities with a Moody's rating (or equivalent) of 'A' or better. The recent implementation of quarterly investment reporting will provide the Board with current information regarding the investments and performance of Trust Fund portfolios.

Analysis

Interest rates have remained low for several years, providing an excellent opportunity for our customers to refinance existing BCPL loans through the issuance of municipal bonds. At the same time, loan demand has reflected the reluctance of borrowers to proceed with public projects during a period of fiscal restraint. The corresponding shift in the BCPL-managed investment portfolios has been massive.

On December 31, 2010, the BCPL State Trust Fund Loan Program had approximately \$700 million in loans outstanding, accounting for nearly 84% of total financial assets of \$835 million. Thirty months later, the loan portfolio totals \$332 million (36% of financial assets), including \$203 million in new disbursements made during that time period. Projected annual earnings from our traditional investment categories of loans, direct-placement bonds, and SIF now total less than \$15 million.

The BCPL beneficiaries continue to gain from the board-approved investment strategy to purchase state and municipal bonds in the secondary market. While loan demand has stabilized and improved during the past few quarters, borrowers continue to refinance many older Trust Fund loans. Until a rise in market interest rates reduces the advantage for borrowers to refinance higher-rate BCPL loans, and the political climate opens to the resumption of financing public projects with debt, it will be difficult to return the loan portfolio to pre-recession levels.

At the end of the fiscal year 2103, BCPL managed approximately \$926 million in Trust Fund financial assets, with \$425 million currently committed to bonds, \$332 million in loans, and \$170 million in SIF. While staff had success investing about \$40 million over the past month (reducing the overall cash balance to less than \$130 million), it is important to remain selective when investing for the long-term. One way to improve staff ability to make investments is to expand staff authority to include the purchase of all investments currently authorized by statute. Of course, not every investment category authorized by statute will contain opportunities that are both available and attractive for BCPL-managed Trust Funds. However, staff believes there will be opportunities now and in the future within certain additional categories, and the ability to take advantage of those opportunities will benefit Trust Fund income and diversification going forward.

Another issue is the current practice of asking the board to set maximum amounts within investment categories. At the beginning of our experience purchasing bonds on the secondary market, staff believed that it may be prudent for the board to establish maximum amounts to be invested within separate bond categories. However, as the number of investment categories continues to increase, specific dollar limitations become less necessary and more difficult to manage. Retaining a general credit criteria with investments limited to issuers or securities with a Moody's rating (or equivalent) of 'A' or better provides both staff flexibility and guidance for overall investment policy. The new quarterly reporting standards will allow the board to remain informed regarding current investments and the performance of Trust Fund portfolios.

Proposed Resolution

NOW, THEREFORE BE IT RESOLVED that the Board of Commissioners of Public Lands authorizes staff to purchase any investment currently authorized for State Trust Fund investments within Chapter 24.61 of Wisconsin Statutes, and also removes previous maximum amounts to be invested within investment categories. All purchases 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
AUGUST 6, 2013**

**AGENDA ITEM 5
PROPOSED LAND BANK PURCHASE - CRANDON TIMBER, LLC (P1302)**

Crandon Timber, LLC is offering to sell 1,530.8 acres of land in Forest County.

BCPL staff recommends the purchase of the property from Crandon Timber for the following reasons:

- Purchase of the Property would provide BCPL with productive timberland that can be expected to produce revenue for the Trust Funds through future timber harvest;
- Purchase of the Property would improve management efficiency by blocking existing BCPL parcels into a larger 5,000 acre contiguous block of land in reasonable proximity to the Lake Tomahawk Office;
- Purchase of the Property would improve public access to existing BCPL parcels; and
- Purchase of the Property would reduce forest fragmentation and improve and protect public access on a sizeable block of forestland.

Attachments:

Resolution w/Exhibits

Exhibit A - BCPL Purchase Criteria

Exhibit B – Appraisal Certification

BCPL Project Map

**BOARD MEETING
AUGUST 6, 2013**

**AGENDA ITEM 5
PROPOSED LAND BANK PURCHASE - CRANDON TIMBER, LLC (P1302)**

RECITALS

- A. Crandon Timber, LLC (“Crandon Timber”) has offered to sell approximately 1530.8 acres of land in Forest County more particularly described as: the SWNE, SENE, SENW, and the South half of Section 8, All of Section 17 except the SESE, the SESE of Section 18, Town of Ross, the North half of Section 19, & the NWNE, NENW, & NWNW of Section 20, Town of Caswell, all in Township 37N, Range 14E, Forest County, Wisconsin (the “Property”).
- B. The 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 purchase analysis is attached to this resolution as Exhibit A.
- C. The Property is comprised of one large tract of productive timberland with good access within an hour’s drive of the Lake Tomahawk office and is located within BCPL’s consolidation zone.
- D. The Property has been independently appraised by Brod Appraisal Services, LLC at a value of One Thousand Two Hundred Fifty Dollars (\$1,250) per acre for a total value of One Million Nine Hundred Twelve Thousand Five Hundred Dollars (\$1,912,500). A copy of the Appraisal Certification has been attached to this resolution as Exhibit B.
- E. Crandon Timber is offering to sell the Property at One Thousand Two Hundred Twenty-five Dollars (\$1,225) per acre for a total price of One Million Eight Hundred Seventy-Five Thousand Two Hundred Thirty Dollars (\$1,875,230).
- F. Crandon Timber’s asking price is supported by the independent appraisal.
- G. BCPL currently has sufficient land bank funds available for this investment.
- H. BCPL staff recommends that the Board authorize the purchase of the Property from Crandon Timber because:
 - a. Purchase of the Property would provide BCPL with productive northern hardwood timberland that can be expected to produce revenue in the near future for the Trust Funds through timber harvests;

- b. Purchase of the Property would improve management efficiency by blocking existing BCPL parcels into a 5,000 acre contiguous block of land in reasonable proximity to the Lake Tomahawk Office;
- c. Purchase of the Property would improve public access to existing BCPL parcels;
and
- d. Purchase of the Property would reduce forest fragmentation as it would keep a sizeable block of forestland from subdivision.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the purchase of the Property from Crandon Timber at the price not to exceed One Million Eight Hundred Seventy-Five Thousand Two Hundred Thirty Dollars (\$1,875,230) 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.

Summary Analysis of Potential Property Purchase
Transaction ID#: P 1302

Purchase Criteria

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

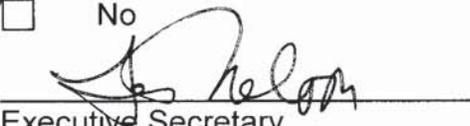
I recommend that BCPL purchase the above property on terms and conditions acceptable to BCPL:

- Yes
- No


Trust Lands Forestry Supervisor 3/1/13
Date

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

- Yes
- No


Executive Secretary 3/6/13
Date

Board of Commissioners of Public Lands
Summary Analysis of Potential Property Purchase
Transaction ID#: P / 302

Common Name: Crandon_Timber_2

County: Forest Township: Ross/Caswell

Legal Description: SWNE, SENE, SENW of Section 8, All of Section 17 except the SESE & the SESE of Section 18, Town of Ross, the North half of Section 19, & the NWNE, NENW, & NWNW of Section 20, Town of Caswell, all in Township 37N, Range 14E

Acres: 1530.8

Parcel ID Number: _____

Previous Year Tax Levy: \$1025.64

Name(s) of Seller(s): Crandon Timber, LLC

Address of Seller(s): 1180 W Peachtree St. Suite 1200
Atlanta, GA 30309

Seller Phone #: (____) _____

Seller's Attorney or Agent: Steigerwaldt Land Services, Inc

Contact Information: David L. Dhaseleer
856 North Fourth Street
Tomahawk, WI 54487

Seller's Attorney or Agent Phone Number(s): (715) 453-3274

Asking Price: \$ _____

Summary Analysis of Potential Property Purchase
Transaction ID#: P/302

Acres of productive forest land in parcel(s):	<u>1290 acres</u>
Acres of non productive land in parcel(s):	<u>240 acres</u>
Acres of land with public access in parcel(s):	<u>1530 acres</u>
Acres of land without public access in parcel(s):	<u>0 acres</u>
Acres of current BCPL land that will become accessible to the public through parcel(s):	<u>80 acres</u>
Acres of our current BCPL land that will become accessible for timber management purposes through parcel(s):	<u>80 acres</u>

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

This purchase blocks with a previous purchase from Crandon Timber, LLC and an isolated 80 acre tract of existing Trust Lands. The purchase adds a nice mix of northern hardwood and conifer of all age classes to the Trust Lands timber portfolio. Together with the existing Trust Lands in this area this purchase creates a block of mostly contiguous land roughly two miles wide and four mile long

This purchase provides 150 acres of 20-40 year old red pine, a cover type and age-class that helps balance BCPL's timber portfolio.

This purchase helps develop a contiguous 7,000-10,000 acre timber block. Managing at a landscape scale significantly increases management efficiency and provides large ares of pubic access that enhances the recreation economy of northern wisconsin.

CERTIFICATION OF THE APPRAISAL

Item 5
Exhibit B

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

I have made a personal inspection of the appraised property which is the subject of this report. The date of inspection for the subject was June 25, 2013.

To the best of my knowledge and belief, the facts and data cited in this report, upon which the analysis, conclusions and opinions expressed herein are based, are true and correct.

The reported analyses, opinions and conclusions represent my best and unbiased judgment and the reported analyses, opinions and conclusions are limited only by the reported assumptions, limiting conditions and legal instructions.

I have no present or contemplated future interest in the real estate that is the subject matter of this appraisal report or personal interest or bias with respect to the parties involved. Also, I have not discussed the matter of price or value with the owner or his/her representative.

Neither the employment nor the compensation for this report is contingent upon the analyses, opinions and conclusions contained within this report.

I have not previously performed any prior services regarding the subject property, as an appraiser, or in any other capacity, within the 3-year period immediately preceding acceptance of this appraisal assignment.

The appraisal was made and the appraisal report prepared in accordance with Standards 1 and 2 of the Uniform Standards of Appraisal Practice (USPAP).

The interest appraised in this report is fee simple. Subject to known reversions and/or limiting conditions as stated in this report.

I did not receive any significant professional assistance in the development of the analyses, opinions and conclusions contained in this report.

Terry Hess of WBCPL accompanied the appraiser on the property inspection. Andrew L'Roe, a summer intern for WBCPL, was also present for the property inspection. The subject property was inspected on June 25, 2013.

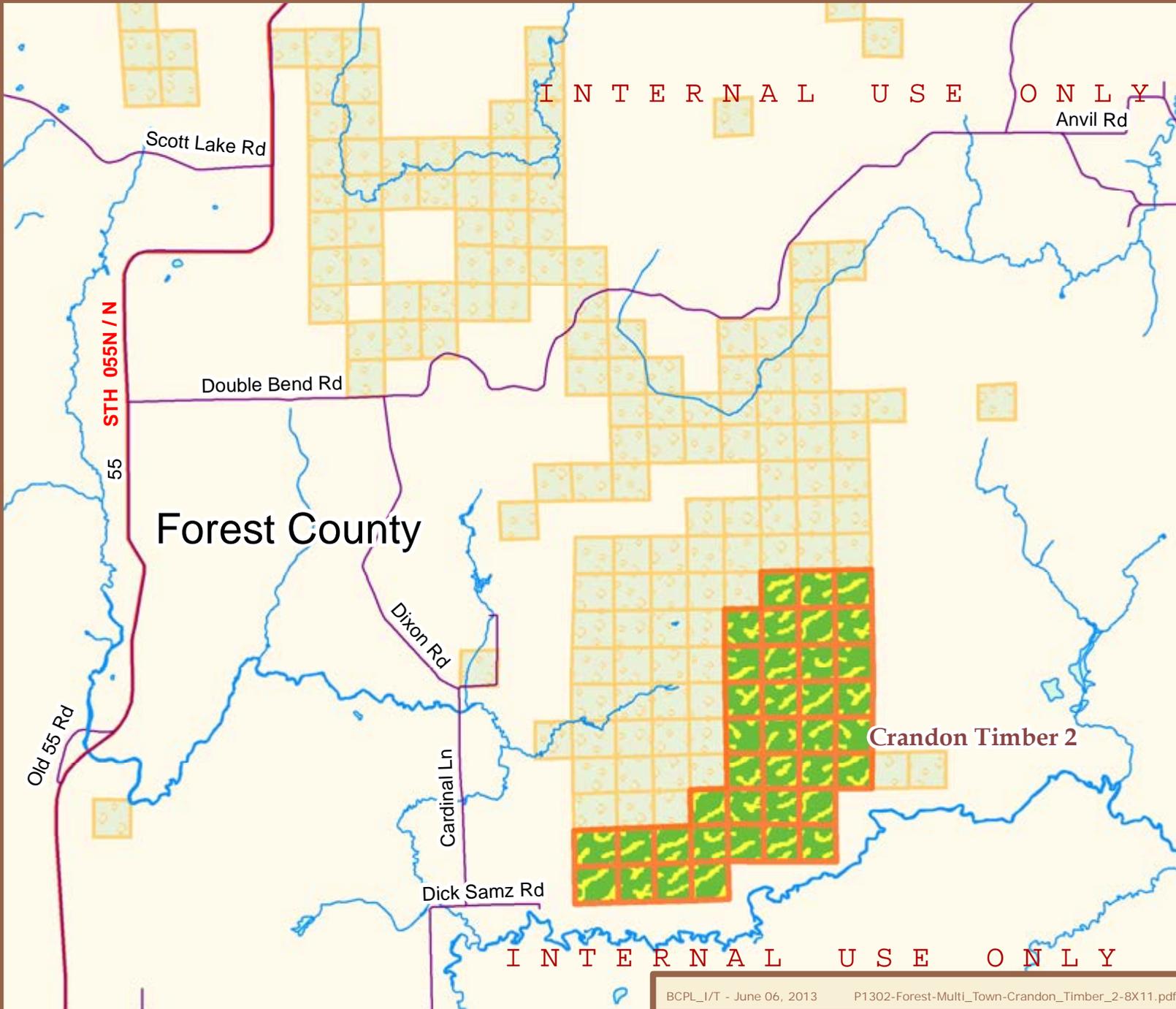
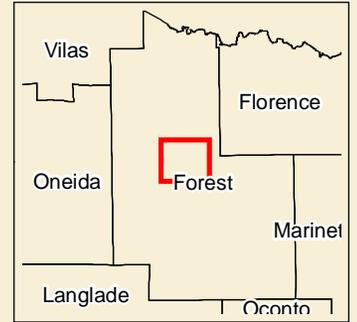
In my opinion, the market value of the described real estate, subject to conditions stated in the legal description, is:

\$1,912,500 as of June 25, 2013.

Appraised Subject Value/Valuation Date

Signed: Jolene M. Brod 7/17/2013
Jolene M. Brod Date Report Submitted
Wisconsin Certified General Appraiser #1339

PURCHASE FROM CRANDON TIMBER, LLC



BCPL Project #:
P1302

County: Forest

Town: Ross/Caswell

Common Name
Crandon Timber 2

Acres - 1530.80

Fund 74?



-  Incoming
-  Other BCPL Land

