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Jonathan Barry, *Executive Secretary*

AGENDA

January 5, 2016

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 – December 15, 2015 (Attachment)
- 3) Approve Loans (Attachment)

Old Business:

- 4) Discuss and Vote on WSLCA Spring Conference Attendance

New Business:

- 5) Discuss 2016 Projected Earnings Distribution for Common School Fund (Attachment)
- 6) Discuss and Approve Proposed Assignment of Submerged Lands Lease by Appleton Papers (Attachment)

Routine Business:

- 7) Future Agenda Items
- 8) Executive Secretary's Report
- 9) Adjourn

AUDIO ACCESS INFORMATION

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**BOARD MEETING
JANUARY 5, 2016**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the December 15, 2015, board meeting.

Board Meeting Minutes
December 15, 2015

Present via teleconference were:

- Doug La Follette, Commissioner
- Matt Adamczyk, Commissioner
- Brad Schimel, Board Chair
- Tom German, Deputy Secretary
- Vicki Halverson, Office Manager
- Richard Sneider, Loan Analyst
- Mike Krueger, IT Specialist
- Randy Bixby, Land Records Archivist
- Jonathan Barry

- Secretary of State
- State Treasurer
- Attorney General
- Board of Commissioners of Public Lands

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:03 p.m.

ITEM 2. APPROVE MINUTES – DECEMBER 1, 2015

MOTION: Board Chair Schimel moved to approve the minutes; Commissioner Adamczyk seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Board Chair Schimel asked if the loans had been reviewed for public purpose. Acting Executive Secretary German confirmed they had.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Kohler Sheboygan County Application #: 02016112 Purpose: Purchase capital equipment and finance legal expenses	Village Rate: 3.25% Term: 9 years	General Obligation	\$300,000.00
2. Whitehall Trempealeau County Application #: 02016110 Purpose: Finance city center project	City Rate: 3.25% Term: 10 years	General Obligation	\$275,000.00
3. Whitehall Trempealeau County Application #: 02016111 Purpose: Interim financing for projects	City Rate: 2.50% Term: 2 years	General Obligation	\$1,200,000.00
TOTAL			\$1,775,000.00

MOTION: Board Chair Schimel moved to approve the loans; Commissioner La Follette seconded the motion.

DISCUSSION: Commissioner Adamczyk said he was not sure that investing in loans was the best investment strategy for the Board. Commissioner La Follette asked if he was suggesting that the Board stop investing in school and municipal loans and invest in stocks or other more lucrative instruments. Commissioner Adamczyk said he was willing to consider any and all options. He was interested in a detailed analysis of the loan portfolio; and if State Trust Fund Loans can be proven to be the “best bet,” he would be fine with them. Commissioner Adamczyk noted that the Wisconsin’s Patient Compensation Fund managed by SWIB reported a higher rate of return over the last ten years compared with what he had seen of BCPL’s investment performance over that time.

Jonathan Barry (newly appointed Executive Secretary) said he welcomed an analysis of the Board’s portfolio. He said it was his understanding that the Patient Compensation Fund, which is managed by the State of Wisconsin Investment Board, included equities, bonds and fixed instruments. He said that that Fund’s total yield included capital gains while the State Trust Fund Loan earnings were interest only. He would like to see an “apples-to-apples analysis” of the Board’s return.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

ITEM 4. DISCUSS DISCRETIONARY EQUITY OR RETENTION ADJUSTMENT (DERA) / DISCRETIONARY MERIT COMPENSATION (DMC)

Board Chair Schimel asked Deputy Secretary German to explain the matter.

Deputy Secretary German said that the salary for the Board’s loan/investment portfolio analyst, Richard Sneider, was not commensurate with others in the job market given his skill set and education. He believed that he was underpaid by more than four within-range pay steps based on a compensation survey conducted by the Milwaukee and Madison chapters of the Chartered Financial Analysts (CFA) group and a review of salaries of fixed-income analysts at SWIB.

Deputy Secretary German noted that a retention DERA of up to four within-range pay steps could be approved quickly by the Division of Personnel Management (DPM). Requests for a larger retention DERA may require approval from the DOA Secretary’s Office and take longer for approval. Deputy Secretary German stated his intention to submit a request for a four step retention DERA to DPM now and then seek an additional increase for Mr. Sneider at a later time. Commissioner La Follette asked if there was a limit that keeps you from going for a larger retention DERA. Mr. Barry added that the four within-range pay step is more likely to be approved than a request above four steps. Board Chair Schimel expressed concern that doing the four step DERA now may close the door to further discussions with DPM on additional increases for Mr. Sneider. Mr. Barry expressed confidence that Mr. Sneider’s compensation level could be revisited, but noted the caveat that DOA/DPM may not act on any additional increases until July.

Board Chair Schimel said that Mr. Sneider and Deputy Secretary German had been highly complimented by members of the Legislature during the Bucks arena financing negotiations. He asked if a vote was needed by the Commissioners or if the Board Chair could approve the DERA. Deputy Secretary German said that Commissioner Adamczyk had asked at a prior meeting that the Board be apprised of salary changes so that was the reason the topic was on the agenda. He said he was not aware of any approval required by the Board.

Commissioner La Follette said that in the interest of avoiding any snag in the next few days and showing Board support for an increase in salary for Mr. Sneider, he would make a motion in support of this action.

MOTION: Commissioner La Follette moved to approve the four within-range pay step increase for Mr. Sneider; Board Chair Schimel seconded the motion.

VOTE: The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

FURTHER DISCUSSION: Board Chair Schimel said that the Board could also submit requests for one-time discretionary merit compensation awards and the Board should consider one for Deputy Secretary German because he has been serving as Acting Executive Secretary as well as Deputy for the past six months. Mr. Barry said that the agency's submitted DERA plan included only three requests and it would need to be revised to include Mr. German's discretionary merit award. Board Chair Schimel said the topic would be discussed at a meeting in January. Mr. Barry suggested that the discussion of the discretionary merit awards be held in closed session.

ITEM 5. FUTURE AGENDA ITEMS

None.

ITEM 6. ACTING EXECUTIVE SECRETARY'S REPORT

Deputy Secretary German reported that the interest rate on 10-year Treasury bonds increased to 2.22% and that staff were finishing the preparatory work on the Mud Lake timber sale site.

ITEM 7. ADJOURN

The meeting adjourned at approximately 2:25 p.m.



Thomas P. German, Deputy Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim. Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2015-12-15_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
JANUARY 5, 2016**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Bloomfield Walworth County Application #: 02016113 Purpose: Purchase police vehicles	Village Rate: 3.00% Term: 3 years	General Obligation	\$86,000.00
2. Bloomfield Walworth County Application #: 02016114 Purpose: Finance operations	Village Rate: 2.50% Term: 2 years	General Obligation	\$40,000.00
3. Middleton Dane County Application #: 02016115 Purpose: Finance Meadow Ridge housing project	City Rate: 3.75% Term: 19 years	General Obligation	\$2,100,000.00
4. Trout Lake District Juneau County Application #: 02016116 Purpose: Finance dam engineering study	Lake District Rate: 2.50% Term: 2 years	General Obligation	\$12,000.00
TOTAL			\$2,238,000.00

**BOARD MEETING
JANUARY 5, 2016**

**AGENDA ITEM 5
DISCUSS 2016 PROJECTED EARNINGS DISTRIBUTION FOR
COMMON SCHOOL FUND**

BCPL staff is projecting the 2016 Common School Fund earnings distributions at \$37.7 million.

This 2016 earnings distribution will set a new record for BCPL. This amount is an increase of \$2.2 million (6.2%) from the previous record of \$35.5 million set last year.

These earnings will be transferred in early April 2016 to the Department of Public Instruction for distribution to all 424 public school districts in the State of Wisconsin as school library aids. The allocation among school districts is based upon the population of children residing in each district.

These funds are used to purchase books, newspapers and periodicals, computer hardware and software, web-based resources and other library materials. For most public school libraries, the Common School Fund earnings are the sole source of state funding.

**BOARD MEETING
JANUARY 5, 2016**

**AGENDA ITEM 6
PROPOSED ASSIGNMENT OF SUBMERGED LANDS LEASE
TO APPLETON COATED, LLC**

- A. The Board of Commissioners of Public Lands (“BCPL”) has authority pursuant to Wis. Stats. § 24.39 to execute leases with waterfront “riparian” owners located on certain navigable waters in the State of Wisconsin for the purpose of improving navigation.
- B. In May of 1971, BCPL entered into a lease (Lease #139) with Green Bay & Mississippi Canal Co. for a certain portion of the Fox River located in the Village of Combined Locks in Outagamie County, Wisconsin. The leased area was filled and improvements were built to improve the water quality of the Fox River thereby improving navigation.
- C. The Lease contained a clause which required BCPL consent for any assignment of the lessee’s interest.
- D. The Lease was amended and the lessee’s interest in the Lease was assigned several times over the years with the consent of BCPL.
- E. The current lessee is Appvion, Inc. (APPVION), which was formerly known as Appleton Papers, Inc.
- F. All required lease payments have been made to date.
- G. APPVION conveyed virtually all of its right, title and interest in its property holdings in the Combined Locks area to Appleton Coated LLC (“APPLETON COATED”) who is now the waterfront or “riparian” owner with respect to the leased area.
- H. APPVION desires to assign its interest in Lease #139 so that APPLETON COATED will be both the riparian owner and lessee of the adjacent filled riverbed.
- I. BCPL staff recommends that the Board approve and consent to the assignment of the lessee’s interest in Lease #139 from APPVION to APPLETON COATED.

PROPOSED RESOLUTION

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves and consents to the assignment of the lessee’s interest in Submerged Lands Lease #139 from Appvion, Inc. to Appleton Coated, LLC in accordance with Section 24.39 of the Wisconsin Statutes on such other 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.