



Douglas La Follette, *Secretary of State*  
Dawn Marie Sass, *State Treasurer*  
J.B. Van Hollen, *Attorney General*  
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**Managing Wisconsin's trust assets for public education.**

AGENDA  
May 4, 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 – April 20, 2010
3. Approve Loans
4. Loan Limit Exception – Kenosha Unified School District
5. Executive Secretary's Report
6. Adjourn

**BOARD MEETING  
MAY 4, 2010**

**AGENDA ITEM 2  
APPROVE MINUTES**

Attached for approval are the minutes from the April 20, 2010, board meeting.

Board Meeting Minutes  
April 20, 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 |
| Tom German, Deputy Secretary    | Board of Commissioners of Public Lands |
| Scott Eastwood, Loan Analyst    | Board of Commissioners of Public Lands |

**ITEM 2. APPROVE MINUTES – April 6, 2010**

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

**ITEM 3. APPROVE LOANS**

Deputy Secretary German said that the loans had received legal review.

| <u>Municipality</u>  | <u>Municipal Type</u>                          | <u>Loan Amount</u>  |
|--|--|---------------------|
| 1. Blooming Grove<br>County of Dane<br>Application #: 02010161<br>Purpose: Finance the purchase of capital equipment and vehicles    | Town<br>Rate: 4.50<br>Filed: March 30, 2010    | \$150,000.00        |
| 2. Boulder Junction<br>County of Vilas<br>Application #: 02010159<br>Purpose: Finance the purchase of capital equipment and vehicles | Town<br>Rate: 4.50<br>Filed: March 30, 2010    | \$302,809.00        |
| 3. Lowell<br>County of Dodge<br>Application #: 02010162<br>Purpose: Finance the purchase of capital equipment and vehicles           | Village<br>Rate: 4.50<br>Filed: April 14, 2010 | \$52,500.00         |
| <b>TOTAL</b>   |  | <b>\$505,309.00</b> |

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

**ITEM 4. EXECUTIVE SECRETARY'S REPORT**

Nothing to report.

**ITEM 5. ADJOURN**

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



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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  
MAY 4, 2010**

**AGENDA ITEM 3  
APPROVE LOANS**

| Municipality  | Municipal Type                                 | Loan Amount           |
|---|--|-----------------------|
| 1. Beloit<br>County of Rock<br>Application #: 02010166<br>Purpose: Finance public works project               | City<br>Rate: 4.25<br>Filed: April 26, 2010    | \$600,000.00          |
| 2. Fairwater<br>County of Fond du Lac<br>Application #: 02010165<br>Purpose: Finance public works project     | Village<br>Rate: 4.50<br>Filed: April 26, 2010 | \$90,000.00           |
| 3. Green Lake<br>County of Green Lake<br>Application #: 02010160<br>Purpose: Finance public works project     | County<br>Rate: 5.25<br>Filed: March 30, 2010  | \$4,000,000.00        |
| 4. Monticello<br>County of Green<br>Application #: 02010163<br>Purpose: Finance public works project          | Village<br>Rate: 5.25<br>Filed: April 26, 2010 | \$1,600,000.00        |
| 5. Oshkosh Area<br>County of Winnebago<br>Application #: 02010164<br>Purpose: Finance energy-savings projects | School<br>Rate: 4.50<br>Filed: April 26, 2010  | \$1,935,000.00        |
| <b>TOTAL</b>  |  | <b>\$8,225,000.00</b> |

**BOARD MEETING  
MAY 4, 2010**

**AGENDA ITEM 4  
LOAN LIMIT EXCEPTION – KENOSHA UNIFIED SCHOOL DISTRICT**

**Description of Request**

The Kenosha Unified School District (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 first request for a State Trust Fund Loan since 2002.

The School is requesting an exception to allow the School to apply for \$18.5 million of loans this year. The purpose of the loans is to finance improvements to the Reuther Central High School and Indian Trail Academy. If the loan limit exception is approved, the School would apply for four separate Trust Fund loans totaling \$18.5 million. The reason for the four loans is that the School intends to also apply for separate federal subsidies for each loan that would ultimately lower the interest expense to the School’s taxpayers. These federal programs would not reduce the amount of interest BCPL receives on the loans, but rather would provide the School with a payment from the federal government that would be used to help pay the School’s debt obligation to BCPL. The School would remain liable for the entire amount due on the loan.

**Available Funds Analysis**

BCPL has more than \$85 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 max return of .25%. The School is requesting a loan of \$3 million for a five year term and three loans totaling \$15.5 million for ten year terms, which carry interest rates of 3.5% and 4.25%, respectively. Since these loans 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 a good opportunity to make a prudent investment with a good rate of return and help a Wisconsin school district complete 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 \$28.4 million from an overseas bank through a newly created trust that benefitted the School. Those borrowed funds, along with an additional \$9.4 million that the School borrowed directly, were used to purchase complex financial derivatives with the intent of earning enough interest on the investments to not only cover these 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’s trust is suing the School 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, these lawsuits have 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 \$1 billion. At this time, the School has only borrowed \$131 million. Even if the School loses the lawsuits and is legally obligated to repay the trust loans on its own, the School would still be well within its borrowing capacity. As a result, the School has still maintained an A1 rating from Moody's rating agency, which is still considered investment grade and is about average for 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 Kenosha Unified School District to apply for loans totaling up to \$18.5 million at this time.