



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

July 3, 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 – June 19, 2012
3. Approve Loans
4. Request to Approve Changes in Loan Program
5. Executive Secretary's Report
6. Adjourn

**BOARD MEETING
JULY 3, 2012**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the June 19, 2012, board meeting.

Board Meeting Minutes
June 19, 2012

ITEM 1. CALL TO ORDER

Board Chair La Follette called the meeting of the Board of Commissioners of Public Lands to order at 11:30 a.m.

Present were:

Doug La Follette, Board Chair
Kurt Schuller, Commissioner
J.B. Van Hollen, Commissioner
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

ITEM 2. APPROVE MINUTES – JUNE 5, 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.

Municipality	Municipal Type	Loan Amount
1. Conover Vilas County Application #: 02012143 Purpose: Finance road reconstruction	Town Rate: 2.75% Term: 5 years	\$160,000.00
2. Mishicot Manitowoc County Application #: 02012142 Purpose: Finance VFW river access project	Village Rate: 3.00% Term: 10 years	\$189,000.00
TOTAL		\$349,000.00

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

ITEM 4. REQUEST TO EXPAND BOND PURCHASE AUTHORITY

MOTION: Commissioner Schuller moved to expand the bond purchase authority; Commissioner Van Hollen seconded the motion. The motion passed 3-0.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands expands the prior staff authority to invest in State of Wisconsin G.O. Bonds to Two Hundred Fifty Million Dollars (\$250,000,000), including amounts authorized to invest in State Veteran Home Loan Bonds.

FURTHER RESOLVED, that the Board of Commissioners of Public Lands expands the prior staff authority to invest in Municipal and School District G.O. Bonds to One Hundred Fifty Million Dollars (\$150,000,000).

FURTHER RESOLVED, that the Board of Commissioners of Public Lands expands the prior staff authority to invest in Revenue Obligation Bonds to One Hundred Million Dollars (\$100,000,000).

FURTHER RESOLVED, that 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 authority 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.

ITEM 5. DEPUTY SECRETARY'S REPORT

Nothing to report.

ITEM 6. ADJOURN

MOTION: Commissioner Schuller moved to adjourn the meeting; Commissioner Van Hollen 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, 101 E. Wilson Street, 2nd Floor, Madison, Wisconsin.

**BOARD MEETING
JULY 3, 2012**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Amount
1. Grantsburg Burnett County Application #: 02012147 Purpose: Finance street improvements	Village Rate: 3.00% Term: 10 years	\$170,000.00
2. Grantsburg Burnett County Application #: 02012148 Purpose: Refinance other outstanding debt	Village Rate: 4.00% Term: 15 years	\$860,000.00
3. Hawkins Rusk County Application #: 02012144 Purpose: Finance water main replacement and road reconstruction	Village Rate: 2.75% Term: 5 years	\$200,000.00
4. Hawkins Rusk County Application #: 02012145 Purpose: Finance sewer main replacement and road reconstruction	Village Rate: 4.00% Term: 20 years	\$200,000.00
5. Manawa Waupaca County Application #: 02012149 Purpose: Repair Manawa Dam	City Rate: 3.00% Term: 10 years	\$400,000.00
6. Mondovi Buffalo County Application #: 02012151 Purpose: Finance building renovations	City Rate: 3.00% Term: 10 years	\$53,800.00
7. Montello Green Lake and Marquette Counties Application #: 02012146 Purpose: Finance building renovation and new generator	School Rate: 3.00% Term: 10 years	\$497,000.00
8. Oconto Oconto County Application #: 02012150 Purpose: Construct town hall	Town Rate: 4.00% Term: 20 years	\$300,000.00

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Amount</u>
9. Superior Douglas County Application #: 02012152 Purpose: Purchase land	Town Rate: 4.00% Term: 20 years	\$85,000.00
	TOTAL	\$2,765,800.00

**BOARD MEETING
JULY 3, 2012
AGENDA ITEM 4**

REQUEST TO APPROVE CHANGES IN LOAN PROGRAM

Background

Over the past two years, we have experienced a significant reduction in loan demand in the BCPL State Trust Fund Loan Program. While we have had success investing available funds in the municipal bond market, it is important to maintain the competitiveness of the loan program. While the decline in loan volume has been mainly due to an overall decline in municipal borrowing (rather than a reduction in BCPL market share), these proposed changes to the loan program may provide a boost to short-term loan volume while improving our long-term competitive position.

Recommendations

- 1. Remove Pension Premium** – BCPL currently has a separate and higher rate for loans to finance prior service pension liabilities. This policy was created many years ago, and there is no longer a need for a separate rate structure. Eliminating the premium that we charge for pension liability loans will simplify the program and increase our competitiveness with borrowers that have not yet financed their prior service pension liabilities.
- 2. Create Short-Term Loan Program** –BCPL loans for 10 years or less do not require a “project” to finance, but may be made for any public purpose (to facilitate the performance of any power or duty of the municipality). Many school districts and some municipalities borrow for shorter periods of time to finance on-going operations. This type of lending is permitted under the Trust Fund Loan Program, but we have not offered a lower interest rate to compete within the short-term market. BCPL has a statutory minimum interest rate of 2%, and staff believes that a short-term program that offers loans of up to two years at this rate might be attractive to some borrowers because we offer a simple, no fee transaction.

Summary

Staff believes that implementation of these changes will result in increased demand for the State Trust Fund Loan Program, thereby allowing us to reduce our investment in SIF and generate comparatively higher earnings for our beneficiaries.

For informational purposes, in an effort to further improve the competitiveness of the loan program, interest rates were recently reduced by 0.25% to the levels of 2.50% on loans up to 5 years, 2.75% on loans from 6 to 10 years, and 3.75% on loans from 11 to 20 years.

Proposed Resolution

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the elimination of interest rate premiums charged for loans that fund prior service pension liabilities.

FURTHER RESOLVED, that the Board of Commissioners of Public Lands authorizes the establishment of a short-term loan program that provides municipalities and school districts with interest-only loans with terms up to two years at an annual interest rate of 2.0%.

FURTHER RESOLVED, that these program changes 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.