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Tom German, *Acting Executive Secretary*

AGENDA

August 5, 2015
2:00 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 – July 21, 2015 (Attachment)
- 3) Approve Loans (Attachment)
- 4) Agency Expenses Over \$5,000 Approved by Board Chair (Attachment)

New Business:

- 5) Discuss Process for Appointing an Executive Secretary

Old Business:

- 6) Discuss and Vote to Authorize Acting Executive Secretary to Write a Request for Proposal (RFP) to Engage a Timberland Investment Advisor to Develop Recommendations for Optimizing Land Consolidation and Timber Management

Routine Business:

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

AUDIO ACCESS INFORMATION

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**BOARD MEETING
AUGUST 5, 2015**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the July 21, 2015, board meeting.

Board Meeting Minutes
July 21, 2015

Present were:

Doug La Follette, Commissioner	Secretary of State
Matt Adamczyk, Commissioner	State Treasurer (via telephone)
Brad Schimel, Board Chair	Attorney General
Tia Nelson, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Richard Sneider, Loan Analyst	Board of Commissioners of Public Lands
Vicki Halverson, Office Manager	Board of Commissioners of Public Lands
John Schwarzmann, Forestry Supervisor	Board of Commissioners of Public Lands

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:04 p.m.

ITEM 2. APPROVE MINUTES – JULY 7, 2015

MOTION: Commissioner La Follette moved to approve the minutes; Board Chair Schimel 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. Executive Secretary Nelson confirmed they had.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Bristol Dane County Application #: 02016009 Purpose: Finance road project	Town Rate: 3.25% Term: 10 years	General Obligation	\$480,000.00
2. Campbell La Crosse County Application #: 02016008 Purpose: Finance street and road projects	Town Rate: 3.00% Term: 5 years	General Obligation	\$550,000.00
3. Conover Vilas County Application #: 02016003 Purpose: Finance highway construction	Town Rate: 2.50% Term: 2 years	General Obligation	\$125,000.00
4. Conover Vilas County Application #: 02016004 Purpose: Refinance BCPL loan #2007103	Town Rate: 2.50% Term: 2 years	General Obligation	\$143,127.79

5.	Janesville Rock County Application #: 02016002 Purpose: Finance fire protection payment	Town Rate: 2.50% Term: 1 years	General Obligation	\$300,000.00
6.	Maple Dale-Indian Hill Milwaukee County Application #: 02016005 Purpose: Refinance BCPL loan #2015112	School Rate: 3.75% Term: 20 years	General Obligation	\$1,240,000.00
7.	River Hills Milwaukee County Application #: 02016006 Purpose: Finance 2015 capital projects	Village Rate: 3.25% Term: 10 years	General Obligation	\$483,000.00
8.	Spider Lake Sawyer County Application #: 02016001 Purpose: Finance road project	Town Rate: 2.50% Term: 2 years	General Obligation	\$80,000.00
9.	Yorkville Racine County Application #: 02016007 Purpose: Purchase tanker truck and radio equipment	Town Rate: 3.00% Term: 5 years	General Obligation	\$216,863.70
TOTAL				\$3,617,991.49

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

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 4. DISCUSS ANNUAL REVIEW OF EXECUTIVE SECRETARY TIA NELSON

Board Chair Schimel asked if the other Commissioners had any comments regarding the annual performance summary he had written. Commissioner La Follette said the summary was very analytical and well written and he agreed with Board Chair Schimel's conclusions in the document. He thanked Executive Secretary for the excellent job she had done over the past 11 years. Commissioner Adamczyk said he may submit a letter at a later date.

ITEM 5. DISCUSS QUARTERLY INVESTMENT REPORT

Executive Secretary Nelson explained that the report summarizes the Board's investment portfolio. She pointed out that the investment returns were outperforming staff's benchmarks by \$2 million in the second quarter. Commissioner La Follette thanked Richard Sneider for his work. Executive Secretary Nelson commended Mr. Sneider and Tom German on their performance.

ITEM 6. PROPOSED LAND BANK SALE TO THE U.S. FOREST SERVICE (S1006 – Popple River)

MOTION: Commissioner La Follette moved to approve the sale of the School Trust Lands to the U.S. Forest Service; Commissioner Adamczyk seconded the motion.

DISCUSSION: Commissioner Adamczyk said he was in favor of all land sales that are sold at appraised value and hoped the Forest Service would purchase more land in the future. Executive Secretary Nelson said that staff was in negotiations with the U.S. Forest Service on a “like-valued trade” of over 1,000 acres.

Commissioner Adamczyk asked how much money from land sales was in the Trust Funds. Executive Secretary replied that she did not have that information in front of her.

VOTE: The motion passed 3-0.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves the sale of the Popple River Property to the U.S. Forest Service at the price of Eight Hundred Sixty Eight Thousand Dollars (\$868,000) 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.

ITEM 7. DISCUSS NORMAL SCHOOL FUND POTENTIAL EARNINGS

Commissioner Adamczyk said the Board should be more active in selling the School Trust Lands. He believes there is a “fatal flaw” in the Land Bank legislation that requires the money from land sales be used to purchase land.

Board Chair Schimel said that much of the Board’s land does not have a market due to their limited access and non-timber producing qualities. It was his impression that land trades were being conducted to increase the value of the Trust Lands, not to accumulate more.

Commissioner La Follette said that as Commissioners they should protect the permanent trust and make long-term decisions based on the best advice available. He asked that the next Board meeting agenda include a discussion about writing a Request for Proposal for a timberland management analysis of current land holdings, which was discussed at the July 7 meeting. Board Chair Schimel said the topic would be added to the Board’s next meeting agenda.

ITEM 8. DISCUSS NORMAL SCHOOL FUND DISTRIBUTION CHANGES IN BUDGET UNDER 36.49

Commissioner Adamczyk said he would prefer that the earnings from the Normal School Fund be given directly to the University of Wisconsin rather than funding environmental programs, as it currently does. He said Governor Walker repealed the entire statute and the Legislature inserted it back into the budget. If he had been informed of the change, he would have contacted members of the Legislature to express his preference.

Commissioner Adamczyk said he was going to work during the current Legislative session to change the distribution and expected that the Commissioners would weigh in on how the earnings should be distributed. Board Chair Schimel said it could be discussed when Commissioner Adamczyk had options to offer.

ITEM 9. DISCUSS ALL NORMAL SCHOOL FUND EARNINGS GOING TO UW

Commissioner Adamczyk questioned whether it was appropriate to subtract the expenses associated with managing the School Trust Lands from the Normal School Fund earnings. He would prefer that the timber revenue be used to offset the timber management expenses.

Executive Secretary Nelson said that Section 2, Article X of the State Constitution clearly requires that certain revenues be deposited into the Common School Fund but the language regarding Normal School Fund revenue is less clear. She said that timber revenues have historically been deposited into the Normal School Fund.

Board Chair La Follette said that as trustees of the permanent funds, the Board should be concerned about the flow of principal into the School Trust Funds. He made an official request that staff produce a report listing the top ten sources of principal additions to the Common School Fund noting trends and anomalies and providing explanations, if possible. Since Unclaimed Property is a significant addition to the Common School Fund, he asked that the report also include an analysis of the net additions from that revenue source and the expenses associated with administering the Unclaimed Property Program and identifiable trends.

Board Chair Schimel said that Commissioner La Follette was entitled to ask for the report and a motion was not necessary. Executive Secretary Nelson said that staff could produce the report after the close of the fiscal year, which is July 31.

ITEM 10. DISCUSS LAND BANK ACTIVITY

Commissioner Adamczyk questioned the Board's acquisition of 3,000 acres of land in 2009 costing \$1.5 million. He said Commissioner Van Hollen had asked, at that time, if the funds could have been invested in other investment options. Executive Secretary Nelson replied that the Land Bank legislation required that proceeds from land sales were to be invested in land. Commissioner Adamczyk said he would pursue an option to eliminate that requirement. He said if the Board had been able to invest the funds in an investment vehicle that earned 4% the earnings would likely have totaled \$60,000 per year.

Executive Secretary Nelson recommended that the Board obtain an economic analysis from an outside timberland investor. She said that Commissioner Adamczyk's earnings analysis did not include the appreciation of the lands that had been purchased.

ITEM 11. FUTURE AGENDA ITEMS

No future agenda items were suggested.

ITEM 12. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Nelson said that her 11 years at BCPL has been incredibly rewarding. She reported that during that time the agency made \$1.4 billion in State Trust Fund Loans, including financing over \$500 million in public infrastructure projects and over \$250 million in economic development projects across the state. The distribution of Common School Fund earnings, which are the sole source of public school library aid, was an agency record totaling \$35.5 million in 2015. She recognized Tom German and Rich Sneider for their expertise in the bond market. She said that Land Bank Authority had allowed the agency to increase timber revenue generating capacity on School Trust Lands, double timber harvest levels, and increase public access to School Trust Lands. This was important because the public deserves access to the lands but more importantly, legal access dramatically enhances the value of the Board's land portfolio. She said she was "immensely proud" of her team and their accomplishments.

Executive Secretary Nelson said that she had been recruited for a new job but did not want to leave the agency until the budget had been passed, the agency had been granted expanded investment authority pursuant to the Prudent Investor Standard, and her performance evaluation had been completed. She thanked the Attorney General and the Secretary of State for "continuing BCPL's long bi-partisan stewardship of school trust assets on behalf of the children of Wisconsin." She said that Mr. La Follette's commitment BCPL's goals had been steadfast for many years. She added that Mr. Schimel's tireless efforts as the recently-elected Board Chair were critical in helping the agency do its job under tumultuous circumstances and were consistent with the Board's tradition of undivided loyalty to the beneficiaries established in the State Constitution.

She said she would be leaving the agency at the end of the week and expressed gratitude to her staff, recognizing them as "honorable, high-performing public servants."

Board Chair Schimel congratulated her. He said that she leaves the agency “far better organized, managed and more prosperous.” Her service had been a great success for the State of Wisconsin, for which he was appreciative.

Commissioner La Follette said her 11 years at BCPL were fundamental in moving the agency in a positive direction and wished her well.

Commissioner Adamczyk wished her the best of luck.

Executive Secretary Nelson said that Deputy Secretary Tom German would become acting executive secretary as a civil servant.

Board Chair Schimel accepted her resignation effective Friday, July 24, 2015.

ITEM 13. ADJOURN

MOTION: Commissioner La Follette move to adjourn; Board Chair Schimel seconded the motion.

VOTE: The motion passed 3-0. The meeting adjourned at 2:54 PM.



Tia Nelson, Executive 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/2015-07-21_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
AUGUST 5, 2015**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Ashwaubenon Brown County Application #: 02016034 Purpose: Finance soil contamination remediation	School Rate: 3.25% Term: 10 years	General Obligation	\$1,000,000.00
2. Bayfield Bayfield County Application #: 02016017 Purpose: Finance brick streets project	City Rate: 3.75% Term: 20 years	General Obligation	\$750,000.00
3. Bayfield Bayfield County Application #: 02016018 Purpose: Refinance BCPL loan #2011077	City Rate: 3.75% Term: 12 years	General Obligation	\$260,747.21
4. Bayfield Bayfield County Application #: 02016019 Purpose: Refinance BCPL loan #2011076	City Rate: 3.75% Term: 16 years	General Obligation	\$112,993.27
5. Bayfield Bayfield County Application #: 02016020 Purpose: Refinance BCPL loan #2014152	City Rate: 3.75% Term: 14 years	General Obligation	\$97,062.27
6. Bayfield Bayfield County Application #: 02016021 Purpose: Refinance BCPL loan #2014052	City Rate: 3.75% Term: 18 years	General Obligation	\$160,757.99
7. Bayfield Bayfield County Application #: 02016022 Purpose: Refinance BCPL loan #2014050	City Rate: 3.75% Term: 18 years	General Obligation	\$105,309.50
8. Bayfield Bayfield County Application #: 02016023 Purpose: Refinance BCPL loan #2015044	City Rate: 3.75% Term: 19 years	General Obligation	\$100,000.00

Municipality	Municipal Type	Loan Type	Loan Amount
9. Blackhawk Area Sanitary Dist Waukesha County Application #: 02016031 Purpose: Finance sanitary system improvements	Sanitary District Rate: 3.25% Term: 10 years	General Obligation	\$300,000.00
10. Christmas Mountain Sanitary Dist Sauk County Application #: 02016032 Purpose: Finance wastewater treatment plant modification	Sanitary District Rate: 3.75% Term: 20 years	General Obligation	\$200,000.00
11. Conover Vilas County Application #: 02016035 Purpose: Finance bicycle trail project	Town Rate: 2.50% Term: 2 years	General Obligation	\$800,000.00
12. Cumberland Barron County Application #: 02016012 Purpose: Finance airport runway improvements	City Rate: 3.00% Term: 5 years	General Obligation	\$45,000.00
13. Jefferson Jefferson County Application #: 02016011 Purpose: Finance road projects	Town Rate: 2.50% Term: 1 years	General Obligation	\$100,000.00
14. Leon Monroe County Application #: 02016025 Purpose: Construct road material storage building	Town Rate: 3.25% Term: 10 years	General Obligation	\$50,000.00
15. Little Cedar Lake Pro & Rehab Dist Washington County Application #: 02016024 Purpose: Purchase weed harvester	Lake District Rate: 3.25% Term: 10 years	General Obligation	\$90,000.00
16. Little Tamarack Flowage Baker Spring Lak Vilas County Application #: 02016033 Purpose: Finance dam reconstruction	Lake District Rate: 3.75% Term: 20 years	General Obligation	\$150,000.00

Municipality	Municipal Type	Loan Type	Loan Amount
17. Menasha Calumet and Winnebago Counties Application #: 02016028 Purpose: Refinance G.O. promissory notes dated 8/1/2008	City Rate: 2.50% Term: 2 years	General Obligation	\$745,000.00
18. Menasha Calumet and Winnebago Counties Application #: 02016029 Purpose: Refinance G.O. promissory notes dated 8/1/2008	City Rate: 3.25% Term: 9 years	General Obligation	\$2,045,000.00
19. Menasha Calumet and Winnebago Counties Application #: 02016030 Purpose: Finance 2015 capital projects	City Rate: 3.25% Term: 10 years	General Obligation	\$875,000.00
20. Metomen Fond Du Lac County Application #: 02016014 Purpose: Purchase fire truck	Town Rate: 3.25% Term: 10 years	General Obligation	\$200,000.00
21. New Richmond St Croix County Application #: 02016026 Purpose: Finance TID #10 development	City Rate: 3.25% Term: 10 years	General Obligation	\$450,000.00
22. Osseo Trempealeau County Application #: 02016015 Purpose: Finance TID #2 street and utility projects	City Rate: 3.75% Term: 7 years	TID Revenue	\$1,100,000.00
23. Reedsburg Sauk County Application #: 02016037 Purpose: Refinance telecom utility revenue debt	City Rate: 3.75% Term: 20 years	General Obligation	\$8,000,000.00
24. Reedsburg Sauk County Application #: 02016038 Purpose: Refinance telecom utility revenue debt	City Rate: 4.75% Term: 20 years	Utility Revenue	\$2,700,000.00

Municipality	Municipal Type	Loan Type	Loan Amount
25. Remington Wood County Application #: 02016013 Purpose: Purchase tractor and mower	Town Rate: 3.25% Term: 10 years	General Obligation	\$90,000.00
26. River Ridge Grant County Application #: 02016016 Purpose: Finance energy efficiency projects	School Rate: 3.00% Term: 5 years	General Obligation	\$1,000,000.00
27. River Valley Dane, Iowa, Richland and Sauk Counties Application #: 02016027 Purpose: Refinance 2005 G.O. refunding bonds	School Rate: 2.50% Term: 1 years	General Obligation	\$665,000.00
28. Summit Waukesha County Application #: 02016010 Purpose: Finance 2015 capital improvement program	Village Rate: 3.00% Term: 5 years	General Obligation	\$452,000.00
29. Washburn Washburn County Application #: 02016036 Purpose: Finance road construction and maintenance	County Rate: 2.50% Term: 1 years	General Obligation	\$755,000.00
TOTAL			\$23,398,870.24

**BOARD MEETING
AUGUST 5, 2015**

**AGENDA ITEM 4
AGENCY EXPENSES OVER \$5,000 APPROVED BY BOARD CHAIR**

Vendor Name	Amount	Description
Department of Administration	\$26,544	FY2014 and FY2015 statutory billing for administrative costs