



Douglas La Follette, *Secretary of State*  
Matt Adamczyk, *State Treasurer*  
Brad D. Schimel, *Attorney General*

101 E. Wilson Street  
2nd Floor  
PO Box 8943  
Madison, WI 53708-8943

608 266-1370 INFORMATION  
608 266-0034 LOANS  
608 267-2787 FAX  
bcpl.wisconsin.gov

Jonathan Barry, *Executive Secretary*

## AGENDA

December 6, 2016

2:00 P.M.

Board of Commissioners of Public Lands  
101 E. Wilson Street, 2<sup>nd</sup> Floor  
Madison, Wisconsin

### Routine Business:

- 1) Call to Order
- 2) Approve Minutes – November 16, 2016 (Attachment)
- 3) Approve Loans (Attachment)

### Old Business:

None

### New Business:

- 4) Ratify Adjustments to Loan Program Interest Rates (Attachment)
- 5) Investment Committee Transaction Report (Attachment)
- 6) Discuss and Vote on Proposed Property Gift from Leroy & Jeanette Schoon (G1701) (Attachments)

### Routine Business:

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

### AUDIO ACCESS INFORMATION

-----  
Toll Free Number: **(888) 291-0079**  
Passcode: **6363690#**

**BOARD MEETING  
DECEMBER 6, 2016**

**AGENDA ITEM 2  
APPROVE MINUTES**

Attached for approval are the minutes from the November 16, 2016, board meeting.

Board Meeting Minutes  
November 16, 2016

Present via teleconference were:

Doug La Follette, Commissioner	Secretary of State
Matt Adamczyk, Commissioner	State Treasurer
Brad Schimel, Board Chair	Attorney General
Jonathan Barry, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Richard Sneider, Loan Analyst and Chief Investment Officer	Board of Commissioners of Public Lands
Vicki Halverson, Office Manager	Board of Commissioners of Public Lands

**ITEM 1. CALL TO ORDER**

Board Chair Schimel called the meeting to order at 2:00 p.m.

**ITEM 2. APPROVE MINUTES – NOVEMBER 1, 2016**

**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**

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Fall Creek Eau Claire County Application #: 02017083 Purpose: Refinance BCPL loan #2015161	Village Rate: 3.50% Term: 18 years	General Obligation	\$258,278.57
2. Fall Creek Eau Claire County Application #: 02017084 Purpose: Refinance BCPL loan #2015160	Village Rate: 3.50% Term: 14 years	General Obligation	\$106,060.12
3. Fall Creek Eau Claire County Application #: 02017085 Purpose: Refinance sewer revenue bond	Village Rate: 3.50% Term: 20 years	General Obligation	\$1,500,000.00
4. Fall Creek Eau Claire County Application #: 02017086 Purpose: Refinance BCPL loan #2015158.01	Village Rate: 3.00% Term: 8 years	General Obligation	\$238,035.00

5.	Fall Creek Eau Claire County Application #: 02017087 Purpose: Refinance BCPL loan #2015159	Village Rate: 3.50% Term: 17 years	General Obligation	\$259,097.56
6.	Fall Creek Eau Claire County Application #: 02017088 Purpose: Refinance BCPL loan #2015162	Village Rate: 2.50% Term: 5 years	General Obligation	\$88,609.71
7.	Fall Creek Eau Claire County Application #: 02017089 Purpose: Refinance BCPL loans 2015157.01 and 2015158.02	Village Rate: 4.50% Term: 18 years	TID Revenue	\$1,200,000.00
8.	Fall Creek Eau Claire County Application #: 02017090 Purpose: Refinance sewer revenue bond	Village Rate: 4.50% Term: 20 years	Utility Revenue	\$700,000.00
9.	Jackson Washington County Application #: 02017081 Purpose: Purchase building and finance renovations	Village Rate: 3.00% Term: 10 years	General Obligation	\$1,000,000.00
10.	Lamont Lafayette County Application #: 02017082 Purpose: Finance road repairs	Town Rate: 2.50% Term: 5 years	General Obligation	\$175,000.00
11.	Menasha Calumet and Winnebago Counties Application #: 02017091 Purpose: Refinance assets subject to WPPI lease agreement	City Rate: 4.25% Term: 13 years	Utility Revenue	\$10,800,000.00
12.	Siren Burnett County Application #: 02017066 Purpose: Finance roof project	School Rate: 3.00% Term: 10 years	General Obligation	\$300,000.00
<b>TOTAL</b>				<b>\$16,625,080.96</b>

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

**DISCUSSION:** Deputy Secretary German reported that the city of Menasha purchased a power plant from a local paper company prior to the recession in 2008. The plant was refurbished and the sale of steam to industrial customers was to have been a source of revenue for the city. The costs to refurbish the plant exceeded the revenues so the city is refinancing the WPPI lease agreement to bring costs down.

Executive Secretary Barry reported that he and Deputy Secretary German had attended a ceremonial check presentation to Oneida County. A recently approved State Trust Fund Loan to Oneida County helped to retain a company in the county that employs over 524 employees.

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

#### **ITEM 4. INVESTMENT COMMITTEE TRANSACTION REPORT**

Richard Sneider, the Board's Chief Investment Officer, reported that recently acquired short-term bonds would result in higher earnings than if the funds remained in the State investment Fund.

#### **ITEM 5. INVESTMENT COMMITTEE REPORT REGARDING RESEARCH ON PROPOSED EQUITY INVESTMENTS**

**MOTION:** Commissioner La Follette moved to accept the staff's report on proposed equity investments; Board Chair Schimel seconded the motion.

**DISCUSSION:** Commissioner Adamczyk said that while he was fine with the concept of exchange traded funds (ETFs), he would prefer to know which ETFs were being purchased. Commissioner La Follette replied that staff would report to the Board on the ETF investments and the earnings.

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

#### **ITEM 6. FUTURE AGENDA ITEMS**

The materials Commissioner Adamczyk included in the Board's packet were for informational purposes and possible discussion at a future meeting.

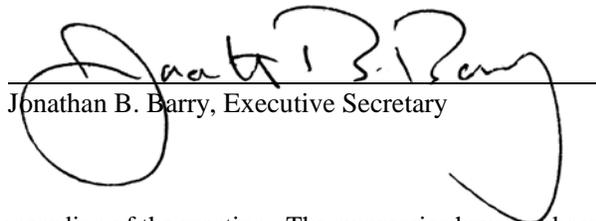
#### **ITEM 7. EXECUTIVE SECRETARY'S REPORT**

Nothing to report.

#### **ITEM 8. ADJOURN**

**MOTION:** Commissioner La Follette moved to adjourn the meeting; Commissioner Adamczyk seconded the motion.

The meeting adjourned at approximately 2:16 p.m.

  
Jonathan B. Barry, 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://doaftp1380.wi.gov/doadocs/BCPL/2016-11-16\\_BCPL-BoardMtgRecording.mp3](ftp://doaftp1380.wi.gov/doadocs/BCPL/2016-11-16_BCPL-BoardMtgRecording.mp3)

**BOARD MEETING  
DECEMBER 6, 2016**

**AGENDA ITEM 3  
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Belgium Ozaukee County Application #: 02017097 Purpose: Finance sanitary sewer lift station project	Village Rate: 3.00% Term: 6 years	General Obligation	\$700,000.00
2. Bloomfield Walworth County Application #: 02017102 Purpose: Finance 2016 budget shortfall	Village Rate: 2.50% Term: 2 years	General Obligation	\$200,000.00
3. Cambridge Dane and Jefferson Counties Application #: 02017095 Purpose: Finance municipal building improvements	Village Rate: 3.50% Term: 20 years	General Obligation	\$200,000.00
4. Cambridge Dane and Jefferson Counties Application #: 02017096 Purpose: Refinance BCPL loan #2015073	Village Rate: 3.50% Term: 18 years	General Obligation	\$460,000.00
5. Chimney Rock Trempealeau County Application #: 02017099 Purpose: Finance roadwork	Town Rate: 3.00% Term: 10 years	General Obligation	\$125,000.00
6. Gilman Taylor County Application #: 02017092 Purpose: Refinance bank loan	Village Rate: 2.50% Term: 4 years	General Obligation	\$52,000.00
7. Jump River Taylor County Application #: 02017101 Purpose: Finance roadwork and park repairs	Town Rate: 2.50% Term: 2 years	General Obligation	\$75,000.00
8. Lena Oconto County Application #: 02017120 Purpose: Finance street improvements	Village Rate: 3.00% Term: 10 years	NONE	\$81,835.67

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
9. Madison Dane County Application #: 02017100 Purpose: Finance road construction and capital equipment	Town Rate: 3.00% Term: 10 years	General Obligation	\$150,000.00
10. Menasha Calumet and Winnebago Counties Application #: 02017104 Purpose: Refinance WPPI loan	City Rate: 2.50% Term: 5 years	General Obligation	\$478,315.00
11. Menasha Calumet and Winnebago Counties Application #: 02017105 Purpose: Finance TID #13 improvements	City Rate: 3.00% Term: 10 years	General Obligation	\$337,000.00
12. Menasha Calumet and Winnebago Counties Application #: 02017106 Purpose: Finance 2016 capital improvement projects	City Rate: 3.00% Term: 10 years	General Obligation	\$1,362,372.00
13. Menasha Calumet and Winnebago Counties Application #: 02017107 Purpose: Finance public infrastructure projects	City Rate: 3.00% Term: 10 years	General Obligation	\$1,159,685.00
14. Menasha Calumet and Winnebago Counties Application #: 02017108 Purpose: Finance property purchase and improvements	City Rate: 2.50% Term: 2 years	General Obligation	\$343,200.00
15. Menasha Calumet and Winnebago Counties Application #: 02017109 Purpose: Refinance BCPL loan #2013005.01	City Rate: 3.00% Term: 10 years	General Obligation	\$3,039,013.14
16. Menasha Calumet and Winnebago Counties Application #: 02017110 Purpose: Refinance BCPL loan #2013009.01	City Rate: 3.50% Term: 14 years	General Obligation	\$3,002,187.13
17. Menasha Calumet and Winnebago Counties Application #: 02017111 Purpose: Refinance BCPL loan #2013008.01	City Rate: 2.50% Term: 5 years	General Obligation	\$680,195.13

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
18. Menasha Calumet and Winnebago Counties Application #: 02017112 Purpose: Refinance BCPL loan #2014101.01	City Rate: 2.50% Term: 4 years	General Obligation	\$1,989,000.00
19. Menasha Calumet and Winnebago Counties Application #: 02017113 Purpose: Refinance BCPL loan #2014101.02	City Rate: 3.00% Term: 6 years	General Obligation	\$1,480,000.00
20. Menasha Calumet and Winnebago Counties Application #: 02017114 Purpose: Refinance BCPL loan #2015043.01	City Rate: 3.00% Term: 8 years	General Obligation	\$820,500.00
21. Menasha Calumet and Winnebago Counties Application #: 02017115 Purpose: Refinance BCPL loan #2015043.02	City Rate: 2.50% Term: 5 years	General Obligation	\$763,441.58
22. Menasha Calumet and Winnebago Counties Application #: 02017116 Purpose: Refinance BCPL loan #2015043.03	City Rate: 3.00% Term: 6 years	General Obligation	\$882,200.00
23. Menasha Calumet and Winnebago Counties Application #: 02017117 Purpose: Refinance BCPL loan #2016030.01	City Rate: 3.00% Term: 9 years	General Obligation	\$875,000.00
24. Menasha Calumet and Winnebago Counties Application #: 02017118 Purpose: Refinance BCPL loan #2016065.01	City Rate: 3.50% Term: 17 years	General Obligation	\$738,820.87
25. Namakagon Bayfield County Application #: 02017098 Purpose: Finance road construction and equipment	Town Rate: 2.50% Term: 5 years	General Obligation	\$350,000.00
26. Shiocton Outagamie County Application #: 02017103 Purpose: Purchase garbage truck and equipment	Village Rate: 3.00% Term: 10 years	General Obligation	\$68,952.65

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
27. Siren Burnett County Application #: 02017093 Purpose: Refinance BCPL loan #2011108	School Rate: 3.00% Term: 10 years	General Obligation	\$502,793.79
28. Stoughton Dane County Application #: 02017094 Purpose: Purchase development property	City Rate: 3.50% Term: 20 years	General Obligation	\$850,000.00
29. Sun Prairie Dane County Application #: 02017119 Purpose: Install fiber optic network and equipment	City Rate: 3.50% Term: 20 years	General Obligation	\$700,000.00
<b>TOTAL</b>			<b>\$22,466,511.96</b>

BOARD MEETING  
DECEMBER 6, 2016

AGENDA ITEM 4  
RATIFY ADJUSTMENTS TO LOAN PROGRAM INTEREST RATES

**Background**

Market interest rates have increased dramatically since elections were held in early November. Staff has recommended an increase in the interest rates charged by the BCPL State Trust Fund loan program to reflect the current interest rate environment. Recommendations include an increase of 0.50% across the board for all loan maturities. Staff believes these rate changes will improve future revenues generated by the loan program and allow greater distributions to our beneficiaries, while maintaining the competitiveness of the loan program compared to other funding sources available to our customer base.

In addition, from our perspective as a fiduciary, interest rates should be set to provide a return appropriate to the risk characteristics of BCPL loans relative to other fixed-income investment alternatives. In analyzing alternative investments, the proposed rate changes are in line with market expectations. For example, we recently purchased 15 to 20 year taxable bonds rated Aa2 issued by the City of Greenfield, Wisconsin with yields ranging from 3.45% to 3.85%. As these municipal bonds have greater liquidity but a longer duration<sup>1</sup> than Trust Fund Loans, it is reasonable to expect that Trust Fund Loans provide an investment return in a similar range to these municipal bonds. Therefore, the proposed 10 and 20 year loan rates of 3.50% and 4.00% make sense relative to BCPL alternative investments.

The proposed new rate structure for the BCPL State Trust Fund Loan Program is as follows:

<b>Loan Term</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Change</b>
1-2 Years	2.50%	3.00%	+0.50%
3-5 Years	2.50%	3.00%	+0.50%
6-10 Years	3.00%	3.50%	+0.50%
11-20 Years	3.50%	4.00%	+0.50%

**Interest Rate Adjustments**

In an effort to maximize program returns while maintaining the competitive position of the BCPL State Trust Fund Loan Program, staff recommended to the Executive Secretary and Board Chairman that program interest rates be reduced as shown above.

The Board had previously authorized the Executive Secretary in consultation with the Board Chairman to adjust loan interest rates up to 1% in between board meetings. In accordance with this authority, the Executive Secretary and Board Chairman approved these changes effective November 22.

**Proposed Resolution**

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Commissioners of Public Lands ratifies the changes in BCPL State Trust Fund Loan Program, with annual interest rates to be set at 3.00% for 1-2 year loans, 3.00% for 3-5 year loans, 3.50% for 6-10 year loans, and 4.00% for 11-20 year loans.

<sup>1</sup> Duration is a measure of the term of a loan or bond, in addition to providing a measure of price sensitivity to changes in market interest rates. Because a trust fund loan requires annual principal payments during the loan term while a bond requires a single principal payment at the end of the term, the loan can be considered to have a shorter average life than the bond. Under normal market rate conditions, a shorter term loan or bond would require a lower interest rate.

**BOARD MEETING  
DECEMBER 6, 2016**

**AGENDA ITEM 5**

**Investment Transaction Report  
November 30, 2016**

**Bond Purchases**

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
Greenfield	Aa2	11/15	\$1,000,000	\$1,000,000	3.45%	11/01/26	3.45%	11/01/31	3.45%
Greenfield	Aa2	11/15	\$1,000,000	\$1,000,000	3.55%	11/01/26	3.55%	11/01/32	3.55%
Greenfield	Aa2	11/15	\$1,000,000	\$1,000,000	3.65%	11/01/26	3.65%	11/01/33	3.65%
Greenfield	Aa2	11/15	\$1,000,000	\$1,000,000	3.75%	11/01/26	3.75%	11/01/34	3.75%
Greenfield	Aa2	11/15	\$1,000,000	\$1,000,000	3.80%	11/01/26	3.80%	11/01/35	3.80%
Greenfield	Aa2	11/15	\$1,000,000	\$1,000,000	3.85%	11/01/26	3.85%	11/01/36	3.85%
Milw Redev Auth	A+	11/18	\$6,275,000	\$6,275,000	4.59%	11/15/26	4.59%	11/15/36	4.59%

**Bond Sales**

Staff has not sold any bonds since the prior bond activity report.

**Current Holdings**

**Combined Trust Fund Bond Portfolios  
Current Holdings as of November 30, 2016**

Investment Type	
State of Wisconsin Bonds	\$164,550,132
Wisconsin Municipal Bonds	\$197,652,289
Wisconsin Center District Bonds	\$35,000,000
Farm Credit Bonds	\$89,646,394
Total Bond Investments (at cost)	\$486,848,815
(at market value)	<u>\$496,558,481</u>
Unrealized Gains	\$9,984,666

**BOARD MEETING  
DECEMBER 6, 2016**

**AGENDA ITEM 6  
PROPOSED PROPERTY GIFT  
FROM LEROY and JEANETTE M. SCHOON (G1701)**

Staff is requesting authority to accept a gift of 21.2 acres of land located in Florence County for the benefit of the Normal School Fund.

BCPL staff recommends the receipt of the property from LeRoy and Jeanette Schoon for the following reasons:

- The incoming property is adjacent to 61.68 acres of existing BCPL property. The incoming property would block well with BCPL's existing property and would improve management efficiency by reducing boundary line work.
- The gift would enhance the value of existing BCPL property at very little expense to the agency.

Attachments:

*Resolution*

*Gift Summary Analysis*

*BCPL Project Map*

**BOARD MEETING  
DECEMBER 6, 2016**

**AGENDA ITEM 6  
PROPOSED PROPERTY GIFT  
FROM LEROY AND JEANETTE M. SCHOON (G1701)**

**RECITALS**

- A. BCPL owns 61.68 acres of land adjacent to the proposed gift property. The adjacent BCPL property is located in the town of Fern in Florence County described as:
  - i. 11.6 acres in Government Lot 6 in the SE ¼ of the NW ¼ (SE<sub>NW</sub>) of Section eighteen (18), Township thirty-nine (39) North, Range seventeen (17) East;
  - ii. 39.91 acres in Government Lot 7 in the SW ¼ of the NE ¼ (SW<sub>NE</sub>) of Section eighteen (18), Township thirty-nine (39) North, Range seventeen (17) East;
  - iii. 10.17 acres in Government Lot 8 in the SE ¼ of the NE ¼ (SE<sub>NE</sub>) of Section eighteen (18), Township thirty-nine (39) North, Range seventeen (17) east (the BCPL Parcel).

The BCPL parcel is Normal School Property and is landlocked, having access only across Managed Forest Land property.

- B. LeRoy and Jeanette M. Schoon (Collectively, “Schoon”) own an adjacent 21.2 acres in Government Lot 2 in the SE ¼ of the NE ¼ (SE<sub>NE</sub>) of Section eighteen (18), Township thirty-nine (39) North, Range seventeen (17) East.
- C. The Schoons have proposed to gift the Schoon Parcels to BCPL for the benefit of the Normal School Fund.
- D. The Schoon Parcel would block well with the BCPL lands. While the parcel they are offering to donate to BCPL is not situated on a public road and is not benefitted by a public easement, it would appear to have an easement by necessity across land recently sold by the Schoons.
- E. The Schoon parcels have been assessed by Florence County at a value of \$38,200 and have an estimated fair market value of \$41,100
- F. The gift by the Schoons would enable them to take a charitable deduction to offset capital gains income.
- G. BCPL staff has determined that accepting the Schoon Parcel as a gift to the Normal School Fund would be appropriate as the lands would block well with existing BCPL lands, improve public access and reduce management expenses. For these reasons, BCPL staff recommends approval of this proposed gift.

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Commissioners of Public Lands approves the gift of the Schoon Parcels from LeRoy and Jeanette Schoon to BCPL for the benefit of the Normal School Fund 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 and documents reasonably necessary to complete such transaction.

Summary Analysis of Potential Property Gift  
Transaction ID#: G 1701

Common Name: Schoon

County: Florence Township: Fern

Legal Description: Gov Lot #2 T39N-R17E-S18

Acres: 21.2

**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**

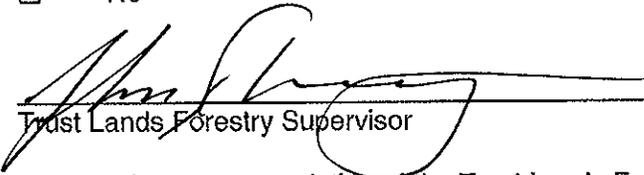
- The percentage of upland on BCPL properties increases.
- The amount of line work per acre decreases.
- The average distance from the tracts to the BCPL field office decreases.

**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 accept the above property gift on terms and conditions acceptable to BCPL:

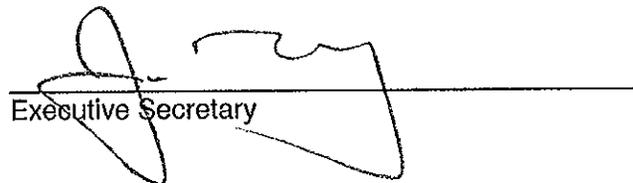
- Yes
- No

  
Trust Lands Forestry Supervisor

12-1-16  
Date

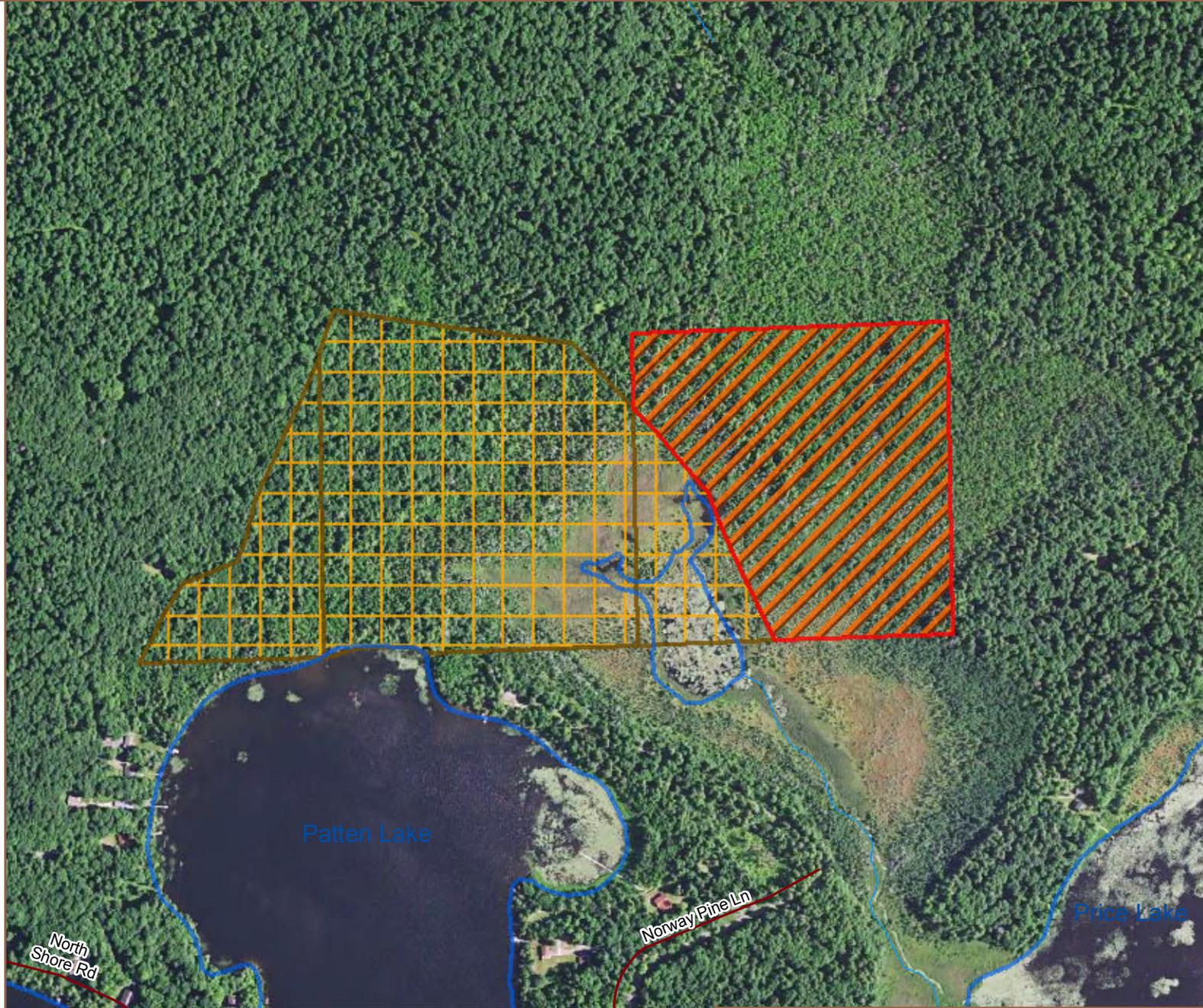
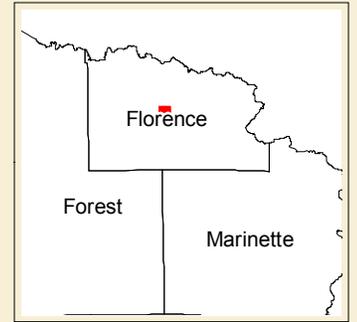
I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No

  
Executive Secretary

12-1-16  
Date

# PROPOSED LAND BANK GIFT FROM THE SCHOON FAMILY TO BCPL



**G1701**

**County: Florence**

**Town: Fern**

**Common Name:  
 Schoon Gift**

**Acres - 21.2**

**Fund 745**



## Legend

-  Gift Parcel
-  BCPL Land



**INTERNAL USE ONLY**