



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

February 21, 2017

4:15 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 – February 7, 2017 (Attachment)
- 3) Approve Loans (Attachment)

### Old Business:

None

### New Business:

None

### Routine Business:

- 4) Future Agenda Items
- 5) Executive Secretary's Report
  - Investment Transaction Report
- 6) Adjourn

### AUDIO ACCESS INFORMATION

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

**BOARD MEETING  
FEBRUARY 21, 2017**

**AGENDA ITEM 2  
APPROVE MINUTES**

Attached for approval are the minutes from the February 7, 2017, board meeting.

Board Meeting Minutes  
February 7, 2017

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<br>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 2:04 pm. He noted that all Commissioners were present.

**ITEM 2. APPROVE MINUTES – JANUARY 17, 2017**

**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**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Blair Trempealeau County Application #: 02017126 Purpose: Refinance BCPL loan #2009060.01	City Rate: 4.00% Term: 12 years	General Obligation	\$142,000.00
2. Blair Trempealeau County Application #: 02017127 Purpose: Refinance BCPL loan #2009060.02	City Rate: 4.00% Term: 13 years	General Obligation	\$50,000.00
3. Blair Trempealeau County Application #: 02017128 Purpose: Refinance BCPL loan #2009060.03	City Rate: 4.00% Term: 13 years	General Obligation	\$282,000.00
4. Egg Harbor Door County Application #: 02017136 Purpose: Construct new library/community center	Village Rate: 3.00% Term: 3 years	General Obligation	\$1,507,500.00

5.	Ironton Sauk County Application #: 02017135 Purpose: Purchase truck and equipment	Town Rate: 3.00% Term: 5 years	General Obligation	\$159,000.00
6.	Manawa Waupaca County Application #: 02017137 Purpose: Finance TID #2 development incentive	City Rate: 4.00% Term: 20 years	General Obligation	\$430,000.00
7.	Mattoon Shawano County Application #: 02017134 Purpose: Purchase fire truck	Village Rate: 2.50% Term: 5 years	General Obligation	\$113,000.00
8.	Racine Racine County Application #: 02017141 Purpose: Refinance BCPL loan #2016166	School Rate: 4.00% Term: 20 years	General Obligation	\$5,225,000.00
9.	Rusk Rusk County Application #: 02017140 Purpose: Purchase property	County Rate: 3.50% Term: 10 years	General Obligation	\$1,270,000.00
10.	Two Rivers Manitowoc County Application #: 02017138 Purpose: Finance 2017 capital projects and equipment purchases	City Rate: 3.50% Term: 10 years	General Obligation	\$1,772,340.00
11.	Two Rivers Manitowoc County Application #: 02017139 Purpose: Refinance April 2, 2007, General Obligation Refunding Bonds	City Rate: 3.50% Term: 10 years	General Obligation	\$1,300,000.00
		<b>TOTAL</b>		<b>\$12,250,840.00</b>

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

**DISCUSSION:** Commissioner La Follette inquired about the policy for refinancing current BCPL State Trust Fund Loans. Staff replied that if a customer wants to refinance an existing loan in order take advantage of lower interest rates, they are required to borrow an additional 25% of the balance remaining on that loan to fund a new project. On the other hand, if the existing customer wants to simply extend the term of the loan at a higher interest rate, the 25% requirement is waived. He added that this was the case with the loan for the Racine School District (i.e., loan number eight in the list above).

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

#### **ITEM 4. FUTURE AGENDA ITEMS**

None.

#### **ITEM 5. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary Barry reported that approximately \$135 million in bonds on the secondary market had been purchased over the last several weeks. These bond rates have a higher yield (i.e., interest rate) and offer a better return compared to other investment options. He also stated that staff has not made any equity investments but they continue to monitor and research those securities.

Commissioner Adamczyk inquired about the issuer of the FHLB and FFCB bonds. Staff replied that the FHLB is Federal Home Loan Banks and FFCB is Federal Farm Credit Banks. The FHLB is a system of regional banks from which local lending institutions can borrow funds to finance housing and economic development. The FFCB is part of the Farm Credit System and provides loans, leases and services focused on the agricultural industry. The bonds are all triple-a rated.

#### **ITEM 6. ADJOURN**

**MOTION:** Board Chair Schimel 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://doafpt1380.wi.gov/doadocs/BCPL/2017-02-07\\_BCPL-BoardMtgRecording.mp3](ftp://doafpt1380.wi.gov/doadocs/BCPL/2017-02-07_BCPL-BoardMtgRecording.mp3)

**BOARD MEETING  
FEBRUARY 21, 2017**

**AGENDA ITEM 3  
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. School Section Lake Management Waukesha County Application #: 02017144 Purpose: Purchase land	Lake District Rate: 3.50% Term: 10 years	General Obligation	\$150,000.00
2. Summit Waukesha County Application #: 02017146 Purpose: Construct municipal offices building	Village Rate: 3.00% Term: 5 years	General Obligation	\$6,000,000.00
3. Two Rivers Manitowoc County Application #: 02017147 Purpose: Refinance WRS Unfunded Pension Liability	City Rate: 4.00% Term: 10 years	Utility Revenue	\$400,000.00
4. Two Rivers Manitowoc County Application #: 02017148 Purpose: Refinance electric system revenue bonds	City Rate: 3.50% Term: 4 years	Utility Revenue	\$325,000.00
5. Winchester Vilas County Application #: 02017145 Purpose: Finance building plans	Town Rate: 4.00% Term: 20 years	General Obligation	\$80,000.00
6. Wood Wood County Application #: 02017142 Purpose: Finance 2017 capital budget purchases	County Rate: 3.00% Term: 5 years	General Obligation	\$1,000,000.00
7. Wood Wood County Application #: 02017143 Purpose: Finance courthouse remodeling	County Rate: 3.00% Term: 5 years	General Obligation	\$750,000.00
<b>TOTAL</b>			<b>\$8,705,000.00</b>

**BOARD MEETING  
FEBRUARY 21, 2017**

**AGENDA ITEM 5  
EXECUTIVE SECRETARY'S REPORT**

Attached for review is the following report:

- Investment Transaction Report – February 17, 2017

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## Investment Transaction Report February 17, 2017

### Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
Sun Prairie SD	Aaa	02/07	\$8,625,000	\$8,333,820	3.50%	03/01/25	4.00%	03/01/36	3.75%
State of WI*	Aa3	02/15	\$4,420,000	\$4,547,163	5.20%	N/A	N/A	05/01/18	1.31%
FFCB	Aaa	02/17	\$4,746,000	\$4,644,321	3.44%	N/A	N/A	02/23/40	3.55%

\*This bond includes a sinking fund payment on May 1, 2017 that reduces the average life to 11/13/17.

### Bond Sales

Staff continually monitors the interest rate and bond markets looking for opportunities to both improve long term portfolio returns and reduce portfolio risks. Recent declines in market interest rates have provided staff the opportunity to sell bonds with the intent to improve expected long-term portfolio returns, reduce the overall portfolio exposure to specific bond types, capture the capital gains on bonds that have risen in value since the time of purchase, and improve portfolio liquidity in anticipation of future investment opportunities.

Since the last report, staff has sold bonds with a total par value of \$9 million and realized long-term capital gains of over \$700,000 from these sales. As provided in the IPS, 25% of total gains will be distributed to Trust Fund beneficiaries with 75% retained in the CSF smoothing fund.

The sale of these bonds at a profit improved the average annual return on the investments to 6.62%.

The bonds were sold at prices well above the values expected from the evaluation services utilized to value the BCPL-managed bond portfolios. This could mean that values provided by these services are currently underestimating the true market value of the BCPL-managed portfolio.

### Current Holdings

#### Combined Trust Fund Bond Portfolios Current Holdings as of February 17, 2017

Investment Type		
State of Wisconsin Bonds		\$189,904,063
Wisconsin Municipal Bonds		\$236,075,349
Agency Bonds		<u>\$96,222,650</u>
Total Bond Investments	(at cost)	\$522,202,062
	(at market value)	<u>\$532,902,045</u>
Unrealized Gains		\$10,699,983