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Jonathan Barry, *Executive Secretary*

AGENDA

March 8, 2017

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 – February 21, 2017 (Attachment)
- 3) Approve Loans (Attachment)

Old Business:

None

New Business:

- 4) Discuss and Vote on BCPL's Biennial Budget as it appears in Governor Walker's Executive Budget (Attachment)
- 5) Discuss Possibility of BCPL Owning/Constructing State Office Buildings (Attachment)

Routine Business:

- 6) Future Agenda Items
- 7) Executive Secretary's Report
 - Investment Transaction Report (Attachment)
- 8) Adjourn

AUDIO ACCESS INFORMATION

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**BOARD MEETING
MARCH 8, 2017**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the February 21, 2017, board meeting.

Board Meeting Minutes
February 21, 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 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 4:16 pm. He noted that all Commissioners were present.

ITEM 2. APPROVE MINUTES – FEBRUARY 7, 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

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. 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
TOTAL				\$8,705,000.00

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

DISCUSSION: None.

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

ITEM 4. FUTURE AGENDA ITEMS

Board Chair Schimel asked that a discussion and vote on the agency's biennial budget, as it appears in Governor Walker's Executive Budget, be added to the March 7 meeting agenda.

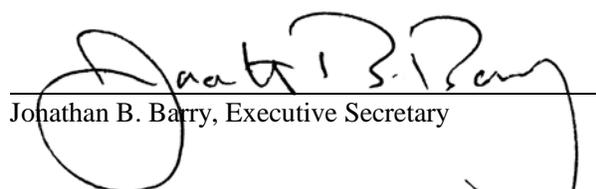
ITEM 5. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry reported that staff had sold some bonds since the last board meeting, resulting in over \$700,000 in long-term capital gains. As provided by the Board's approved Investment Policy Statement, 75% of the gains will be retained in the smoothing fund and 25% will be allocated for distribution to the Common School Fund beneficiaries in 2018. Using a daily valuation service, staff has calculated unrealized gains of approximately \$10.7 million on the Board's bond portfolio as of February 17, 2017.

ITEM 6. ADJOURN

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

The meeting adjourned at approximately 4:25 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/2017-02-21_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
MARCH 8, 2017**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Kimberly Area Calumet and Outagamie Counties Application #: 02017152 Purpose: Finance indoor athletic facility	School Rate: 3.50% Term: 10 years	General Obligation	\$1,000,000.00
2. Lake Marinette County Application #: 02017154 Purpose: Construct public works building	Town Rate: 3.50% Term: 10 years	General Obligation	\$350,000.00
3. Pelican Oneida County Application #: 02017153 Purpose: Construct town shop building	Town Rate: 3.00% Term: 4 years	General Obligation	\$200,000.00
4. Saukville Ozaukee County Application #: 02017155 Purpose: Purchase municipal vehicles and equipment	Village Rate: 3.00% Term: 10 years	General Obligation	\$119,370.00
5. Shelby Sanitary District #2 La Crosse County Application #: 02017149 Purpose: Finance water line extension	Sanitary District Rate: 4.00% Term: 20 years	General Obligation	\$400,000.00
6. Shelby Sanitary District #2 La Crosse County Application #: 02017150 Purpose: Finance water line extension	Sanitary District Rate: 3.50% Term: 10 years	General Obligation	\$250,000.00
7. Shelby Sanitary District #2 La Crosse County Application #: 02017151 Purpose: Finance water line extension	Sanitary District Rate: 4.00% Term: 15 years	General Obligation	\$150,000.00
TOTAL			\$2,469,370.00

**BOARD MEETING
MARCH 8, 2017**

**AGENDA ITEM 4
DISCUSS AND VOTE ON BCPL'S BIENNIAL BUDGET AS IT APPEARS IN
GOVERNOR WALKER'S EXECUTIVE BUDGET**

Attached for reference are the relevant pages from Governor Walker's 2017-19 Executive Budget.

BOARD OF COMMISSIONERS OF PUBLIC LANDS

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY17 Adjusted Base	FY18 Recommended	% Change Over FY17	FY19 Recommended	% Change Over FY18
PR-F	52,700	52,700	0.0	52,700	0.0
PR-S	1,583,500	1,625,300	2.6	1,627,500	0.1
TOTAL	1,636,200	1,678,000	2.6	1,680,200	0.1

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY17 Adjusted Base	FY18 Recommended	FTE Change Over FY17	FY19 Recommended	FTE Change Over FY18
PR-S	9.50	9.50	0.00	9.50	0.00
TOTAL	9.50	9.50	0.00	9.50	0.00

AGENCY DESCRIPTION

The board was created pursuant to Article X, Section 7 of the Wisconsin Constitution in 1848 to support public education. The board is comprised of the Attorney General, State Treasurer and Secretary of State. With the assistance of the 9.5 FTE professional staff positions in the Division of Trust Lands and Investments, the board manages four school trust funds, approximately 77,000 acres of school trust lands and the collection of Wisconsin's original land records. The board administers one of the largest public lending programs in the state. The board is a program revenue agency which is funded from a portion of the earnings of the investments managed by the board.

MISSION

The primary mission of the board is to manage school trust funds and school trust lands for the benefit of public education. The board invests the principal of four trust funds that currently total over \$1 billion. A majority of the assets of the school trust funds are held in the common school fund and invested in loans to Wisconsin municipalities and school districts through the State Trust Fund Loan Program. Other school trust assets are invested in state and municipal bonds and the state investment fund. The earnings from the common school fund are distributed annually as aid to K-12 public school libraries.

The board also manages the remaining school trust lands, the majority of which are located in the northern part of the state. These lands are administered primarily for revenue generation through sustainable timber management. The lands are open to the public for hunting, fishing, trapping and other forms of public recreation.

BOARD OF COMMISSIONERS OF PUBLIC LANDS

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Standard Budget Adjustments

**BOARD MEETING
MARCH 8, 2017**

**AGENDA ITEM 5
DISCUSS POSSIBILITY OF BCPL OWNING/CONSTRUCTING
STATE OFFICE BUILDINGS**

Attached for this agenda item is a document submitted by Commissioner Adamczyk.

Governor's Commission on Government Reform, Efficiency, and Performance

**Presentation by
Treasurer Matt Adamczyk**

September, 9 2016

Problem:

In the past, taxpayers
have overpaid for
some state leases

Solution:

My solution focuses on using money held in trust funds by the Board of Commissioners of Public Lands (BCPL) to in some instances buy buildings to be used exclusively for state agencies.

Specifics:

1. Utilize Board of Commissioners of Public Lands
 - A. BCPL used to avoid bonding expenses for taxpayers and partners with DOA for new space
 - B. BCPL has excess cash to use for these projects
2. All BCPL earnings must go to K-12 Public Schools
3. Saves taxpayer money by not bonding
4. Helps state agencies get state space when legislature not willing to bond for new space

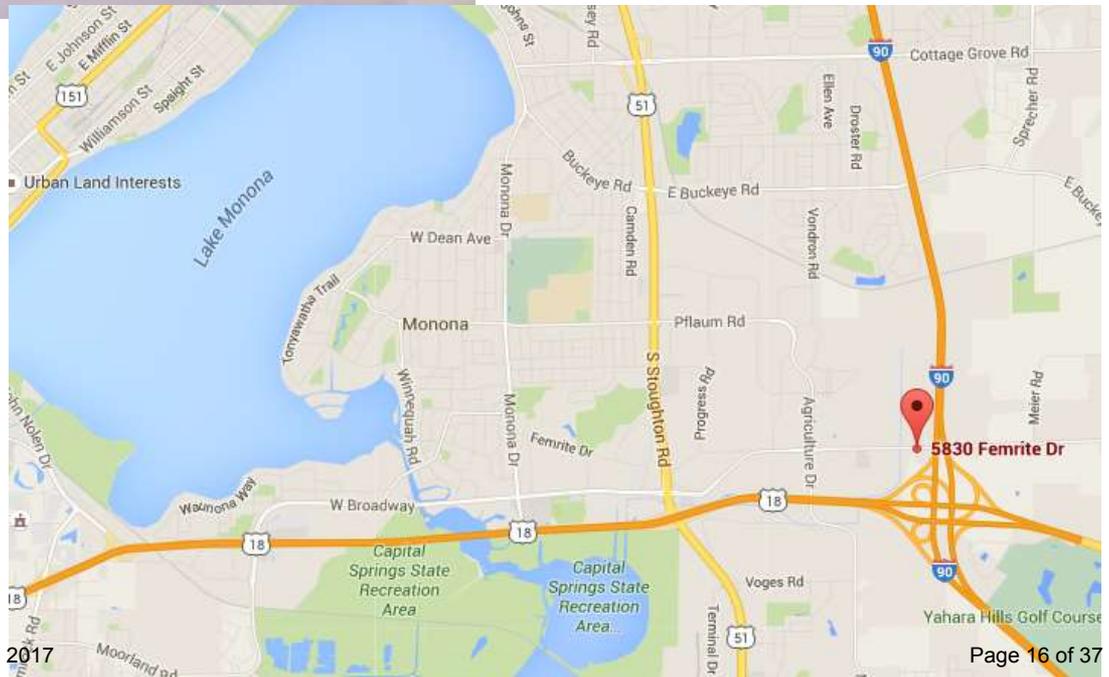
Background on the BCPL

- BCPL manages about \$1 Billion in assets
- At any given time the BCPL doesn't have enough to invest in and sits on large amounts of cash making almost zero income as interest rates are very low. (For example, recently the BCPL had \$170 million in cash)
- The legislature decides what the BCPL can invest in and the BCPL Board members make investment decisions.
- Current BCPL Commissioners are Attorney General Brad Schimel, Secretary of State Doug La Follette and State Treasurer Matt Adamczyk
- Interest earned off the \$1 Billion in investments is constitutionally directly to be distributed to all public school districts in the state on a per pupil basis
- In the past the BCPL only had authority to buy limited bonds and to loan money to municipalities and school districts. However, this last session the "Bucks bill" included language to allow the BCPL Board an expanded investment model for prudent investments.

Why would the BCPL buy state buildings?

- As a BCPL Commissioner I have a fiduciary duty to make money for the trust funds.
- Right now, the BCPL really only makes money by giving out loans to various government entities
 - These loans are a safe & stable investment, but have a lower rate of return than other investments.
 - Buying a state building would save taxpayers money on bonding while also allowing BCPL to make more money
- I will go over a few examples in which the BCPL could have made significantly more money for our K-12 beneficiaries

Femrite Data Center



Femrite Data Center

- Building was built in 2006 and was privately owned and leased to the state
- In 2006, it cost \$23 million to build including inside fixtures, furniture and equipment
- Annual lease in 2016 was about \$2.5 million per year
- Building was bought by state in June of 2016 for \$22.5 million by Building Commission

2006 Investment Comparison: Trust Loan vs. Building Femrite Data Center

Let's take a look at how the BCPL Commissioners could have invested \$23 million in 2006, two options are listed below:

1. Normal BCPL Trust Fund Loans were at 4.75% over 10 years. This option would have earned the BCPL beneficiaries \$5.8 million over 10 years in interest, assuming no prepayment by lender.
2. Instead of Lokre Data Center LLC buying and developing the state Femrite Data Center, BCPL could have been the developer and leased back to the state via DOA. If BCPL had taken the place of the developer, the BCPL would have made \$22.7 million over 10 years. (\$16.7 million more than the loan)

\$23 million at 4.75% makes \$5.8 million



Managing Wisconsin's trust assets for public education.

*Amortization Schedule
for Loan ID: 00000000.01*

Schedule Begin Date: 8/25/2016

Customer:

Amount of Original Disbursement: \$23,000,000.00

On: 8/25/2016

Original Term: 10 years

Interest Rate: 4.75 %

<i>Date</i>	<i>Payment</i>	<i>Principal</i>	<i>Interest</i>	<i>Balance</i>
3/15/2017	\$2,883,286.24	\$2,278,669.80	\$604,616.44	\$20,721,330.20
3/15/2018	\$2,883,286.24	\$1,899,023.06	\$984,263.18	\$18,822,307.14
3/15/2019	\$2,883,286.24	\$1,989,226.65	\$894,059.59	\$16,833,080.49
3/15/2020	\$2,883,286.24	\$2,081,524.31	\$801,761.93	\$14,751,556.18
3/15/2021	\$2,883,286.24	\$2,182,587.32	\$700,698.92	\$12,568,968.86
3/15/2022	\$2,883,286.24	\$2,286,260.22	\$597,026.02	\$10,282,708.64
3/15/2023	\$2,883,286.24	\$2,394,857.58	\$488,428.66	\$7,887,851.06
3/15/2024	\$2,883,286.24	\$2,507,586.81	\$375,699.43	\$5,380,264.25
3/15/2025	\$2,883,286.24	\$2,627,723.69	\$255,562.55	\$2,752,540.56
3/15/2026	\$2,883,286.24	\$2,752,540.56	\$130,745.68	\$0.00
Totals:	28,832,862.40	23,000,000.00	5,832,862.40	

\$23 million at 3% makes only \$3.6 million



Managing Wisconsin's trust assets for public education.

Amortization Schedule
for Loan ID: 00000000.01

Schedule Begin Date: 8/17/2016

Customer:

Amount of Original Disbursement: \$23,000,000.00

On: 8/17/2016

Original Term: 10 years

Interest Rate: 3.00 %

<i>Date</i>	<i>Payment</i>	<i>Principal</i>	<i>Interest</i>	<i>Balance</i>
3/15/2017	\$2,663,151.32	\$2,266,165.02	\$396,986.30	\$20,733,834.98
3/15/2018	\$2,663,151.32	\$2,041,136.27	\$622,015.05	\$18,692,698.71
3/15/2019	\$2,663,151.32	\$2,102,370.36	\$560,780.96	\$16,590,328.35
3/15/2020	\$2,663,151.32	\$2,164,077.88	\$499,073.44	\$14,426,250.47
3/15/2021	\$2,663,151.32	\$2,230,363.81	\$432,787.51	\$12,195,886.66
3/15/2022	\$2,663,151.32	\$2,297,274.72	\$365,876.60	\$9,898,611.94
3/15/2023	\$2,663,151.32	\$2,366,192.96	\$296,958.36	\$7,532,418.98
3/15/2024	\$2,663,151.32	\$2,436,559.65	\$226,591.67	\$5,095,859.33
3/15/2025	\$2,663,151.32	\$2,510,275.54	\$152,875.78	\$2,585,583.79
3/15/2026	\$2,663,151.30	\$2,585,583.79	\$77,567.51	\$0.00
Totals:	26,631,513.18	23,000,000.00	3,631,513.18	

BCPL could have earned \$23.2 million in rent

Year	Base Rent	Taxes	Total Paid to Lokre Data Center (Developer)
			(Money that would have gone to BCPL if owned)
2006	\$1,850,600	\$162,900	\$2,013,500
2007	\$1,876,200	\$341,900	\$2,218,100
2008	\$1,902,400	\$338,100	\$2,240,500
2009	\$1,929,100	\$358,000	\$2,287,100
2010	\$1,955,800	\$355,700	\$2,311,500
2011	\$1,983,200	\$368,600	\$2,351,800
2012	\$2,011,000	\$388,000	\$2,399,000
2013	\$2,038,900	\$399,100	\$2,438,000
2014	\$2,067,900	\$387,500	\$2,455,400
2015	\$2,096,900	\$386,800	\$2,483,700
	\$19,712,000	\$3,486,600	\$23,198,600

After sale in 2016, net earnings over 10 years could have been \$22.7 million

\$23,198,600	Rent Paid over 10 years to Developer	
+\$22,500,000	Add Sale price in 2016 to DOA	
=\$45,698,600	Subtotal for Income before Cost of Building	
-\$23,000,000	Subtract Initial Cost of Building in 2006	
<u>=\$22,698,600</u>	<u>Total Potential BCPL earnings over 10 years</u>	

Building earns \$16.7 million extra for K-12 Public Schools!

\$22,698,600	BCPL Potential Earnings renting to DOA
-\$5,832,862	Money made on loan at 4.75%
<u>=\$16,865,738</u>	Amount more BCPL could have earned

Option 2 would have made the BCPL and extra **\$16.9 million** over those ten years from 2006 until 2016.

Below are some examples of how much money each school district would have approximately received if \$16.9 million more was given per pupil.

4 of the 424 school districts are listed here as an example:

Milwaukee Public Schools an estimated \$2,250,150

Monroe Public Schools an estimated \$42,809

Janesville Public Schools an estimated \$187,258

Amery Public Schools an estimated \$28,165

Senator Ringhand's District about \$805K

Portion of \$16,865,738 given per pupil to all K-12 aged students in Senate District 15					
CODE	ClientID	SD_NAME	SD_TYPE	Census_4-20	Est_Aid
	630063	Albany	K-12	527	\$7,493
	4130413	Beloit	K-12	9,546	\$135,720
	4220422	Beloit Turner	K-12	1,581	\$22,478
	7000700	Brodhead	K-12	1,138	\$16,179
	8960896	Cambridge	K-12	1,005	\$14,289
	15681568	Edgerton	K-12	2,147	\$30,525
	16941694	Evansville Community	K-12	2,275	\$32,345
	18831883	Fort Atkinson	K-12	3,773	\$53,642
	26952695	Janesville	K-12	13,171	\$187,258
	27372737	Juda	K-12	319	\$4,535
	36123612	Milton	K-12	4,588	\$65,230
	36823682	Monroe	K-12	3,011	\$42,809
	36963696	Monticello	K-12	423	\$6,014
	41444144	Oregon	K-12	4,311	\$61,291
	42214221	Palmyra-Eagle Area	K-12	1,522	\$21,639
	41514151	Parkview	K-12	1,263	\$17,957
	56215621	Stoughton Area	K-12	3,913	\$55,633
	64616461	Whitewater	K-12	2,134	\$30,340
Totals			424	56,647	\$805,375

Rep. Jarchow's District about \$264K

Portion of \$16,865,738 given per pupil to all K-12 aged students in Assembly District 28					
CODE	ClientID	SD_NAME	SD_TYPE	Census_4-20	Est_Aid
	1190119	Amery	K-12	1,981	\$28,165
	11201120	Clayton	K-12	440	\$6,256
	11271127	Clear Lake	K-12	861	\$12,241
	19391939	Frederic	K-12	710	\$10,094
	22332233	Grantsburg	K-12	991	\$14,089
	32133213	Luck	K-12	630	\$8,957
	39623962	New Richmond	K-12	3,981	\$56,600
	41654165	Osceola	K-12	2,337	\$33,226
	50195019	Saint Croix Falls	K-12	1,370	\$19,478
	53765376	Siren	K-12	589	\$8,374
	54325432	Somerset	K-12	2,041	\$29,018
	58105810	Turtle Lake	K-12	587	\$8,346
	2380238	Unity	K-12	1,237	\$17,587
	62936293	Webster	K-12	832	\$11,829
Totals			424	18,587	\$264,259

Senator Marklein's District about \$783K

Portion of \$16,865,738 given per pupil to all K-12 aged students in Senate District 17

CODE	ClientID	SD_NAME	SD_TYPE	Census_4-20	Est_Aid
1610161		Argyle	K-12	399	\$5,673
2800280		Baraboo	K-12	4,128	\$58,690
2870287		Barneveld	K-12	512	\$7,279
3640364		Belmont Community	K-12	410	\$5,829
4270427		Benton	K-12	329	\$4,678
22402240		Black Hawk	K-12	516	\$7,336
6090609		Boscobel	K-12	967	\$13,748
9940994		Cassville	K-12	280	\$3,981
12461246		Cuba City	K-12	1,113	\$15,824
12951295		Darlington Community	K-12	1,061	\$15,085
14281428		Dodgeville	K-12	1,735	\$24,667
18131813		Fennimore Community	K-12	1,039	\$14,772
25272527		Highland	K-12	339	\$4,820
25412541		Hillsboro	K-12	1,198	\$17,032
26462646		Iowa-Grant	K-12	901	\$12,810
26602660		Ithaca	K-12	438	\$6,227
59605960		Kickapoo Area	K-12	796	\$11,317
28632863		Lafarge	K-12	598	\$8,502
29122912		Lancaster Community	K-12	1,182	\$16,805
33603360		Mauston	K-12	2,073	\$29,473
36333633		Mineral Point	K-12	954	\$13,563
36823682		Monroe	K-12	3,011	\$42,809
36963696		Monticello	K-12	423	\$6,014
38713871		Necedah Area	K-12	915	\$13,009
39063906		Nekoosa	K-12	1,749	\$24,866
39483948		New Lisbon	K-12	861	\$12,241
20162016		North Crawford	K-12	588	\$8,360
4900490		Pecatonica Area	K-12	700	\$9,952
43684368		Pittsville	K-12	769	\$10,933
43894389		Platteville	K-12	1,767	\$25,122
45294529		Potosi	K-12	464	\$6,597
47534753		Reedsburg	K-12	3,351	\$47,643
48514851		Richland	K-12	2,274	\$32,330
49044904		River Ridge	K-12	749	\$10,649
55235523		River Valley	K-12	1,829	\$26,004
38503850		Riverdale	K-12	850	\$12,085
16731673		Royall	K-12	877	\$12,469
51005100		Sauk Prairie	K-12	3,606	\$51,268
53625362		Shullsburg	K-12	479	\$6,810
24852485		Southwestern Wisconsin	K-12	881	\$12,526
57475747		Tomah Area	K-12	4,462	\$63,438
63546354		Weston	K-12	685	\$9,739
66786678		Wisconsin Dells	K-12	2,214	\$31,477
67136713		Wonegan-Union Center	K-12	602	\$8,559
Totals			424	55,074	\$783,011

Advantages BCPL has in renting to State Agencies

- No need to search for prospective tenants, the State of Wisconsin would be our tenant
- The State of Wisconsin will of course pay the BCPL, guaranteed regular payments
- State agencies are going nowhere, no chance of leaving the state/country
- BCPL would pay no property taxes, which is likely the largest single expense for a developer
- BCPL would have CASH to buy buildings, thus saving on bonding and loan costs to taxpayers
- These state rentals for BCPL could provide stable earnings with virtually no risk

Other Expensive Lease Deals for Taxpayers

1. Dept. of Corrections HQ in Madison



DOC Building in Madison

- On 12/22/2010, two weeks before Gov. Walker was first inaugurated, Gov. Doyle's DOA committed the taxpayers to a lease that ended 10 years in the future (6/30/2021) costing over \$51 million over the decade
- Lease payments went from \$4.6 million in FY 2012 to \$5.697 million by FY 2021
- City of Madison assessed the building in 2016 for \$14.3 million, which means in 3 years the building is paid for at current rental rates
- Treasurer Adamczyk believes the building is worth less than \$10 million, which means in 2 years the building is paid for at current rental rates. (For example, a similarly sized vacant office building on the west side went from \$19.5 million to \$11 million in advertised list price)
- Why would taxpayers pay in rent what it would cost to own in only 2 years?
- Terrible deal for the taxpayers!
- BCPL could have purchased on June 30, 2016 when first lease was set to expire and been in a great bargaining position.

Other Expensive Lease Deals for Taxpayers

2. Doyle Proposed sale of DOA building in 2007



DOA Building in Madison

- In 2007, the State of Wisconsin was in a budget crunch. Thus, Gov. Doyle proposed selling the DOA headquarters to free up cash
- Sale price was to be for about \$30 million, minus other commissions
- This was a terrible idea. It had bipartisan opposition.
- The building sale was never approved as the sale was under investigation for fraud
- If the building sale wasn't caught in a scandal, it very well might have been sold
- It would have been a much better idea to let the BCPL buy as an investment and rent back to the state, thus eliminating any possibility of fraud.
- BCPL could have bought in 2007 to help with state finances.
- I'm not necessarily advocating that the DOA building was sold at all, just that it would have been a much better option to sell to the BCPL than private sale.

Future Space Needs

New DOJ Crime Lab in Milwaukee

Milwaukee Laboratory



DOJ Crime Building in Milwaukee

- A new DOJ Crime Lab has been in the works for a few years
- DOA recently has been working on a RFP for a new DOJ crime lab with the money going to a developer
- A new DOJ crime lab could be built by the BCPL and rented back to the state DOJ
- If BCPL builds a new crime lab, the state taxpayers will not lose rent money as all income earned by the BCPL must constitutionally be given back to all K-12 schools on a per pupil basis

Summary

- Saves Taxpayer money and invests in Schools
 - State saves money by not paying for expensive leases
 - State saves money by not bonding for buildings
 - BCPL increases payments to schools by renting to the State of Wisconsin
- BCPL has excess cash (Up to \$200 million) making little to no money on interest
- BCPL provided with stable and safe revenues
- The more money BCPL makes, the more money all K-12 public schools get

**BOARD MEETING
MARCH 8, 2017**

**AGENDA ITEM 7
EXECUTIVE SECRETARY'S REPORT**

Attached for review is the following report:

- Investment Transaction Report – March 2, 2017

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Madison, WI 53708-8943

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Jonathan Barry, *Executive Secretary*

Investment Transaction Report March 2, 2017

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
La Crosse	AA	02/17	\$260,000	\$255,944	3.30%	03/01/27	3.49%	03/01/30	3.45%
La Crosse	AA	02/17	\$100,000	\$98,357	3.40%	03/01/27	3.60%	03/01/31	3.55%
La Crosse	AA	02/17	\$285,000	\$281,720	3.50%	03/01/27	3.64%	03/01/32	3.60%
Franklin SD	Aa2	02/17	\$3,695,000	\$3,652,803	3.50%	04/01/26	3.65%	04/01/34	3.59%
Franklin SD	Aa2	02/17	\$4,245,000	\$4,166,806	3.50%	04/01/26	3.74%	04/01/35	3.64%
Franklin SD	Aa2	02/17	\$815,000	\$795,024	3.50%	04/01/26	3.82%	04/01/36	3.68%
FHLB	Aaa	02/28	\$5,000,000	\$5,000,000	3.80%	03/16/18	3.80%	03/16/42	3.80%
State of Wis	Aa3	03/01	\$2,700,000	\$2,700,000	3.57%	05/01/27	3.57%	05/01/30	3.57%
State of Wis	Aa3	03/01	\$3,885,000	\$3,885,000	3.62%	05/01/27	3.62%	05/01/31	3.62%
FFCB	Aaa	03/02	\$5,900,000	\$5,845,189	3.41%	03/08/18	4.37%	03/08/32	3.49%
			\$26,885,000						

Bond Sales

Since the last report, staff has sold bonds with a total par value of \$16.3 million and realized long-term capital gains of over \$1,480,000 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 capital gains realized upon the sale of these bonds improved the average annual return on the investment to 7.5%.

Current Holdings

Combined Trust Fund Bond Portfolios Current Holdings as of March 2, 2017

Investment Type		
State of Wisconsin Bonds		\$186,591,694
Wisconsin Municipal Bonds		\$231,500,923
Agency Bonds		<u>\$97,100,538</u>
Total Bond Investments	(at cost)	\$515,193,155
	(at market value)	<u>\$525,990,531</u>
Unrealized Gains		\$10,797,376