



Douglas La Follette, *Secretary of State*  
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Jonathan Barry, *Executive Secretary*

## AGENDA

November 20, 2017

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 7, 2017 (Attachment)
- 3) Approve Loans (Attachment)

**Old Business:** None

### New Business:

- 4) Discuss Draft Legislation (Attachment)

### Routine Business:

- 5) Future Agenda Items
- 6) Executive Secretary's Report (Attachment)
  - Investment Transaction Report – November 13, 2017
  - Results of Sealed Bid Land Sales
- 7) Adjourn

### AUDIO ACCESS INFORMATION

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Toll Free Number: **(888) 291-0079**  
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**BOARD MEETING  
NOVEMBER 20, 2017**

**AGENDA ITEM 2  
APPROVE MINUTES**

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

Board Meeting Minutes  
November 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 |

**ITEM 1. CALL TO ORDER**

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

**ITEM 2. APPROVE MINUTES – OCTOBER 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**

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. Beloit Rock County Application #: 02018052 Purpose: Finance sewer project	Town Rate: 3.00% Term: 2 years	General Obligation	\$6,000,000.00
2. Combined Locks Outagamie County Application #: 02018062 Purpose: Finance road projects	Village Rate: 3.00% Term: 5 years	General Obligation	\$300,000.00
3. Combined Locks Outagamie County Application #: 02018063 Purpose: Refinance WRS prior service pension liability	Village Rate: 3.00% Term: 5 years	General Obligation	\$200,000.00
4. Cutler Juneau County Application #: 02018056 Purpose: Finance bridge project	Town Rate: 3.50% Term: 10 years	General Obligation	\$250,000.00

5.	Fennimore Grant County Application #: 02018058 Purpose: Finance TID property acquisition and development	City Rate: 4.00% Term: 20 years	General Obligation	\$407,000.00
6.	Kiel Calumet and Manitowoc Counties Application #: 02018053 Purpose: Finance TID #4 development incentive	City Rate: 3.50% Term: 10 years	General Obligation	\$300,000.00
7.	Lake Mills Jefferson County Application #: 02018059 Purpose: Finance road projects	Town Rate: 3.00% Term: 2 years	General Obligation	\$276,575.00
8.	Manawa Waupaca County Application #: 02018054 Purpose: Finance tax settlement	City Rate: 4.00% Term: 15 years	General Obligation	\$238,458.38
9.	Mount Morris Waushara County Application #: 02018055 Purpose: Purchase tractor and accessories	Town Rate: 3.50% Term: 10 years	General Obligation	\$110,000.00
10.	Valders Manitowoc County Application #: 02018057 Purpose: Finance TID land acquisition and ancillary expenses	Village Rate: 4.00% Term: 20 years	General Obligation	\$130,000.00
11.	Wayne Washington County Application #: 02018060 Purpose: Purchase tractor and boom mower	Town Rate: 3.00% Term: 5 years	General Obligation	\$110,809.12
12.	Wyocena Columbia County Application #: 02018061 Purpose: Purchase street sweeper	Village Rate: 3.00% Term: 2 years	General Obligation	\$36,000.00
		<b>TOTAL</b>		<b>\$8,358,842.50</b>

**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. DISCUSSION OF POTENTIAL VOTE ON ADOPTING A BOARD POLICY REGARDING ACCEPTANCE OF APPLICATIONS FOR STATE TRUST FUND LOANS FOR SCHOOL ENERGY EFFICIENCY PROJECTS**

Board Chair Schimel explained that language included in the Governor's 2017-2019 budget veto document would suspend a school district's ability to borrow funds to exceed revenue limits for energy efficiency projects without first passing a referendum. The change would be effective January 1, 2018. Staff would like the Board to adopt a policy on this matter should loan applications for this purpose be received before the effective date.

Executive Secretary Barry noted that it was unlikely that loans for this purpose would be received given the timelines involved (i.e., a school district passing such a resolution and BCPL processing/approving the loan before January 1). Commissioner Adamczyk noted that approximately only six weeks remain until the effective date and other financing options are available to school districts.

Commissioner La Follette asked for clarification on the timeline. Deputy Secretary German replied that as long as a school district passes the resolution to borrow before January 1, the loan paperwork could be processed and brought before the Board for consideration after that date. Board Chair Schimel agreed with Deputy Secretary German's assessment. He added that while he voted in favor of such loans in the past, the legislative intent is now clear. Commissioner La Follette felt the board's policy regarding the consideration of these loans should not change until the effective date of January 1. Commissioner Adamczyk expressed concern that a multitude of energy efficiency loans could be received in December, which he would vote against should that happen.

Commissioner La Follette inquired about the legality of the Board denying a properly executed loan that met the definition of public purpose. Deputy Secretary German replied that in the past the Board adopted policies placed dollar limits on certain categories of loans. Commissioner La Follette felt the board should continue accepting these loans under the current law.

**MOTION:** Commissioner La Follette moved that the Board continue its current policy through the end of 2017 of considering energy efficiency loans for approval if the loan meets the definition of proper public purpose and has been properly executed. The motion failed for lack of a second.

**DISCUSSION:** Commissioner Adamczyk said the Board should no longer accept energy efficiency loans and alert school districts of the change. This would allow a school district to finance the borrowing through another entity. Commissioner La Follette reiterated his argument that loans of this nature should be accepted under current law and asked Board Chair Schimel his opinion. Board Chair Schimel replied that there "is the letter of the law and the spirit of the law and it's clear that the spirit of the Legislature and the Governor is that these loans no longer be available." Commissioner La Follette emphasized that the law takes effect on January 1.

Executive Secretary Barry said that at least one school district has contacted staff inquiring whether the Board will approve energy efficiency loans before the end of 2017. His recommendation is that these loans not be accepted due to funding of future projects/investments and processing time constraints. Board Chair Schimel acknowledged that Commissioner La Follette's argument regarding the rule of the law was compelling, but he was also concerned that a rush of these types of loans could deplete funds available for other projects.

**MOTION:** Commissioner Adamczyk moved to adopt a board policy to decline acceptance of State Trust Fund Loan applications for school energy efficiency project for the remainder of 2017; Board Chair Schimel seconded the motion.

**DISCUSSION:** Commissioner La Follette asked that his strong objection to this policy be made a part of the Board's record and he would be voting no. He felt that the Board is "slamming the door in the face of the people who elected us across the state." He hoped that they [the people] would protest this strongly.

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

**ITEM 5. FUTURE AGENDA ITEMS**

None.

**ITEM 6. EXECUTIVE SECRETARY’S REPORT**

Executive Secretary Barry reported that staff recently invested \$30 million in Treasury Inflation Protected Securities (TIPS). Mr. Sneider added that the investment was held for six weeks and generated an \$800,000 profit when the bonds were sold. While staff look for value when making long-term investments, they also take advantage of short-term gains that will increase the annual distribution to the beneficiaries. Board Chair Schimel commended Mr. Sneider.

**ITEM 7. ADJOURN**

**MOTION:** Board Chair Schimel moved to adjourn; Commissioner Adamczyk seconded the motion.

The meeting adjourned at approximately 2:40 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/2017-11-07\\_BCPL-BoardMtgRecording.mp3](ftp://doafpt1380.wi.gov/doadocs/BCPL/2017-11-07_BCPL-BoardMtgRecording.mp3)

**BOARD MEETING  
NOVEMBER 20, 2017**

**AGENDA ITEM 3  
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Catawba Price County Application #: 02018066 Purpose: Finance sewer project	Village Rate: 3.00% Term: 10 years	General Obligation	\$25,000.00
2. Kennan Price County Application #: 02018064 Purpose: Finance sewer project	Village Rate: 3.50% Term: 10 years	General Obligation	\$25,000.00
3. Lawrence Brown County Application #: 02018069 Purpose: Finance TID #1 land acquisition	Town Rate: 4.00% Term: 20 years	General Obligation	\$4,229,642.00
4. Mentor Clark County Application #: 02018068 Purpose: Purchase dump and pickup trucks	Town Rate: 4.00% Term: 15 years	General Obligation	\$220,000.00
5. Oregon Dane County Application #: 02018067 Purpose: Purchase property	Village Rate: 4.00% Term: 20 years	General Obligation	\$600,000.00
6. Sheboygan Falls Sheboygan County Application #: 02018065 Purpose: Finance infrastructure projects	City Rate: 3.50% Term: 10 years	General Obligation	\$161,672.70
<b>TOTAL</b>			<b>\$5,261,314.70</b>

**BOARD MEETING  
NOVEMBER 20, 2017**

**AGENDA ITEM 4  
DISCUSS DRAFT LEGISLATION**

Below is an analysis by staff of the attached draft legislation:

- 1) The provision whereby all Normal School Fund distributions above \$500,000 must go towards a merit scholarship program is a policy decision that the legislature may make.
- 2) The provision changing appraisal timing to allow that Trust Lands need not be appraised before being offered for sale has severe mechanical drawbacks. Presently, BCPL is required to conduct an appraisal before offering a parcel of land for sale and that appraisal sets the 'minimum' price below which the land may not be sold. However, the upfront appraisal also provides certainty to potential buyers that the offered land will indeed be sold as long as the winning bid is at or above the appraised value. A sale process that, in essence, sets a reserve price that is unknown to both parties of the transaction prior to bidding injects more uncertainty into the transaction. Appraisals are expensive. Allowing for land to be appraised after it is offered for sale may lead to any person who may be considering buying a parcel, or several parcels, to effectively force BCPL into conducting many costly appraisals without actually having serious buyer intent. Moreover, it is the BCPL Board that today decides which lands may be surplus and the appraiser works for the Board.
- 3) The "may *only*" language of the original land bank legislation was chosen for two reasons: To preserve the tax-exempt status of Stewardship bonds used by the DNR to purchase BCPL School Trust Lands; and to push BCPL to consolidate its School Trust Land portfolio into consolidated, accessible, and productive blocks of timberland.
- 4) The language of the bill will raise concerns for any future DNR purchases of BCPL School Trust Lands in that that the Stewardship bonds used to fund such purchases will not qualify for tax exempt status as the School Trust Lands acquired by DNR may not be deemed "new Lands" within the definition of the internal revenue code.
- 5) The proposed language will remove the direction to proceed with the consolidation of the School Trust Land portfolio. It also raises the question as to whether land sale proceeds can ever be invested in timberland once they are invested in some other type of investment.



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-3844/1  
EHS/EVM/MDK:jld&emw

**2017 BILL**

1     **AN ACT to amend** 20.285 (1) (rm) (title), 24.08 (1), 24.08 (2), 24.605, 36.49 (title)  
2             and 36.49 (3); and **to create** 36.49 (4) of the statutes; **relating to:** appraisal  
3             requirements for and permitted uses of the proceeds from the sale of public  
4             lands owned by the Board of Commissioners of Public Lands; merit  
5             scholarships for certain University of Wisconsin System students; and making  
6             an appropriation.

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***Analysis by the Legislative Reference Bureau***

This bill removes a limitation on the purposes for which the Board of Commissioners of Public Lands may use the proceeds of the sale of public lands, changes appraisal requirements for public lands sold by BCPL, and requires the Board of Regents of the University of Wisconsin System to award merit scholarships to certain students.

***Board of Commissioners of Public Lands.*** Under current law, BCPL manages the common school fund, the normal school fund, the university fund, and the agricultural college fund (trust funds). The trust funds were established from the proceeds of the sale of most of the land granted to this state by the federal government at the time of statehood. BCPL manages the remaining lands granted by the federal government to this state and also administers a state trust fund loan program under which it makes loans, from moneys belonging to the trust funds, to school districts, local governments, and certain other public entities for certain public purposes.

**BILL**

Under current law, BCPL must have public lands appraised before they are offered for sale or sold, and the appraiser must be employed by BCPL. Under this bill, the appraisal may be conducted after the public land is offered for sale and before the sale is final, and may be appraised by a person employed by BCPL, the Department of Natural Resources, or a county.

Under current law, BCPL may use the proceeds from the sale of public lands that are required by law to be deposited in the trust funds only to invest in land and to pay expenses necessarily related to investing in land. Under this bill, the use of these proceeds is not limited to these purposes.

***Wisconsin Merit scholarships.*** The bill requires the Board of Regents to award merit-based, annual \$5,000 scholarships to students enrolled in two-year or four-year UW schools who have graduated from an in-state high school or been granted a high school diploma by the administrator of an in-state, home-based private educational program. The scholarships are called "Wisconsin Merit scholarships." The bill requires the Board of Regents to determine student merit based on performance on standardized college entrance examinations and, if applicable, cumulative high school grade point averages. Under current law, income and interest from the normal school fund is appropriated to the Board of Regents to do the following annually: 1) make need-based grants totaling \$100,000 to students at the Nelson Institute for Environmental Studies who are members of underrepresented groups; 2) provide scholarships totaling \$100,000 to students enrolled in the sustainable management degree program through the UW-Extension; and 3) award the balance to the UW-Stevens Point for environmental programs. Under the bill, the Board of Regents must provide \$300,000 annually to the UW-Stevens Point for environmental programs and award the balance in the scholarships required under the bill.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

- 1           **SECTION 1.** 20.285 (1) (rm) (title) of the statutes is amended to read:
- 2           20.285 (1) (rm) (title) *Environmental program grants and scholarships;*
- 3           *Wisconsin Merit scholarships.*
- 4           **SECTION 2.** 24.08 (1) of the statutes is amended to read:
- 5           24.08 (1) LANDS APPRAISED. Every parcel of public land that was never
- 6           appraised, every parcel of public land forfeited to the state under s. 24.28, and every

**BILL**

1 parcel of land mortgaged to secure any loan of trust funds and bid in by the state at  
2 a sale of that land under the mortgage shall be appraised under this section before  
3 ~~it is offered or reoffered for sale~~ sold at public auction, or at private sale or exchanged  
4 for other lands. The appraisal may be conducted after the land is offered for sale and  
5 before the sale is final. These lands may be reappraised whenever necessary.

6 **SECTION 3.** 24.08 (2) of the statutes is amended to read:

7 24.08 (2) APPRAISER. The board may make and enter in its minutes an order  
8 that any parcel or parcels of the public lands be appraised, describing the lands,  
9 appointing an appraiser, and stating the reasons why the appraisal is deemed  
10 necessary. So far as practical the appraiser shall be a person in the employ of the  
11 board, a county, or the department, of good character, approved integrity, sound  
12 judgment and well acquainted with the public lands; but the board may employ  
13 under contract any competent appraiser if it deems it necessary.

14 **SECTION 4.** 24.605 of the statutes is amended to read:

15 **24.605 Accounts in trust funds for deposit of proceeds from sale of**  
16 **certain lands.** The board shall establish in each of the trust funds an account to  
17 which are credited the proceeds from the sale of any public lands on or after May 3,  
18 2006, that are required by law to be deposited in the funds. Moneys credited to the  
19 accounts in the funds may ~~only~~ be used to invest in land under s. 24.61 (2) (a) and  
20 for the payment of expenses necessarily related to investing in land under s. 24.61  
21 (2) (a).

22 **SECTION 5.** 36.49 (title) of the statutes is amended to read:

23 **36.49 (title) Environmental program grants and scholarships;**  
24 **Wisconsin Merit scholarships.**

25 **SECTION 6.** 36.49 (3) of the statutes is amended to read:



**BOARD MEETING  
NOVEMBER 20, 2017**

**AGENDA ITEM 6  
EXECUTIVE SECRETARY'S REPORT**

Attached for review are the following reports:

- Investment Transaction Report – November 13, 2017
- Results of Recent Sealed Bid Land Sales



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## Investment Transaction Report November 13, 2017

### Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
FFCB	Aaa	11/10/17	\$2,345,000	\$2,342,655	3.74%	10/30/18	3.85%	10/30/42	3.75%

### Bond Sales

Since the previous Investment Transaction Report, staff has sold a total of \$33,625,000 (par value) of bonds, including \$30,000,000 in recently acquired Treasury Inflation Protected Securities (TIPS) and \$3,625,000 in tax-exempt Sun Prairie School District bonds acquired at a discount earlier in 2017. **Total profits of nearly \$1 million** were all classified as a short-term capital gains and will be partially distributed to beneficiaries in accordance with the IPS, with the remainder reserved in the CSF smoothing account.

The TIPS were held for an average of **44 days** and the sale captured an internal rate of return (IRR) of over 24%. The price on these bonds had increased significantly over the past few weeks from an increase in demand due to higher inflation expectations created by the current news cycle. The high volatility of market expectations for future inflation, and the resulting cycle in TIPS pricing, is expected to present similar opportunities in the future.

The sale of the tax-exempt bonds captured an increase in value that could be affected by possible changes in federal tax law. The IRR on this investment was nearly 11%.

The Trust Funds managed by BCPL are permanent in nature and we are responsible to future generations in managing those assets. As such, the investment horizon the Trust Funds is very long-term, and individual investments are not made with short-term profits as the primary goal. However, there are times when short-term profits outweigh the expected future earnings of an investment, and it makes sense to seize on an opportunity created by changing market conditions. It is important for staff to take advantage of changing market conditions to protect and increase returns available for beneficiaries.

**Net profit realized on the sale of bonds totals over \$9.925 million to date in 2017**, and these gains will be allocated in accordance with the IPS.



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### Results of Recent Sealed Bid Land Sales

At its October 4 board meeting, the commissioners unanimously approved the sale of three Trust Land parcels via sealed bid. Per Wis. Stats. § 24.09(a)(d), a class 3 legal notice was published in a newspaper in the county where the lands are situated.

Bids on the parcels were due by 11:00 AM on Monday, November 13. Below are the results of the sales:

#### **Parcel #1 – S1708**

**Parcel ID: 50-010-2-39-01-02-3 03-000-10000**

**Minimum bid: \$17,000 – High Bid: \$21,006**

The SW ¼ of the SW ¼ of Section 2, Township 39 North, Range 1 West, Fifield Township, Price County, Wisconsin. A driveway permit issued by WisDOT provides legal access to this 40-acre parcel located along Highway 70, two miles west of Fifield. The southeast corner of the parcel contains approximately three acres of upland and the remainder of the parcel is lowland. The topography is generally level and the parcel is covered with a mix of deciduous and coniferous trees.

#### **Parcel #2 – S1801**

**Parcel ID: SU 292**

**Minimum bid: \$13,750 – High Bid: \$14,007**

The NE ¼ of the NE ¼ of Section 22, Township 38 North, Range 9 East, Sugar Camp Township, Oneida County, Wisconsin. This 40-acre parcel is landlocked and has level topography. Most of the parcel is forested wetland, covered primarily with swamp conifers.

#### **Parcel #3 – S1802**

**Parcel ID: SU 206**

**Minimum bid: \$9,950 – High Bid: \$12,500**

The NW ¼ of the SW ¼ of Section 16, Township 38 North, Range 9 East, Sugar Camp Township, Oneida County, Wisconsin. This 40-acre parcel is landlocked and has level topography. Most of the parcel is scrub/shrub wetland, covered primarily with evergreen shrubs and swamp conifers.