



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

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Jonathan Barry, *Executive Secretary*

AGENDA

February 6, 2018

11:30 A.M.

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

Routine Business:

- 1) Call to Order
- 2) Approve Minutes – January 17, 2018 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business:

- 4) Discussion and Vote Regarding Legislation to Eliminate State Trust Fund Loan Program – AB857 and SB713 (Attachments)
- 5) Discussion and Potential Vote Regarding Legislation Prohibiting Third Party Auditors for Unclaimed Property – AB773 and SB645

Routine Business:

- 6) Future Agenda Items
- 7) Executive Secretary's Report
 - Investment Transaction Report – February 2, 2018 (Attachment)
 - Agency Expenses Over \$5,000 Approved by Board Chair
- 8) Adjourn

AUDIO ACCESS INFORMATION

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**BOARD MEETING
FEBRUARY 6, 2018**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the January 17, 2018, board meeting.

Board Meeting Minutes
January 17, 2018

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 |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |
| Richard Sneider, Loan Analyst and
Chief Investment Officer | Board of Commissioners of Public Lands |

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 2:01 p.m.

ITEM 2. APPROVE MINUTES – DECEMBER 5, 2017

MOTION: Board Chair Schimel moved to approve the minutes; Commissioner La Follette 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. Middleton Dane County Application #: 02018101 Purpose: Finance TID #5 economic development incentive	City Rate: 4.00% Term: 18 years	General Obligation	\$1,500,000.00
2. Vandebroek Outagamie County Application #: 02018098 Purpose: Remodel town hall	Town Rate: 4.00% Term: 20 years	General Obligation	\$750,000.00
3. Vandebroek Outagamie County Application #: 02018099 Purpose: Purchase fire truck	Town Rate: 3.50% Term: 7 years	General Obligation	\$120,000.00
4. West Allis Milwaukee County Application #: 02018100 Purpose: Finance TID #11 economic development project	City Rate: 4.00% Term: 20 years	General Obligation	\$5,000,000.00
TOTAL			\$7,370,000.00

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

DISCUSSION: Commissioner Adamczyk said while he does not support the loans in general, he was particularly not in favor of the loan to the city of West Allis. He had contacted the municipality for details on the loan and said half of the \$5 million would be a grant to the developer and the other half would be a loan to the developer.

Executive Secretary Barry explained that the project was part of a Tax Incremental District, will increase the municipality's property tax base, and the taxes generated from the project will pay for the State Trust Fund Loan.

Commissioner Adamczyk replied that the taxpayers of West Allis would be liable for the State Trust Fund Loan if the project does not generate the taxes to pay the loan. Board Chair Schimel pointed out that the loan met the definition of legal public purpose.

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

ITEM 4. RATIFY ADJUSTMENTS TO LOAN PROGRAM INTEREST RATES

Executive Secretary Barry said the recommendation to adjust rates was in response to the changes in the market.

MOTION: Commissioner La Follette moved to ratify the recent adjustments to the State Trust Fund Loan Program interest rates; Board Chair Schimel seconded the motion.

DISCUSSION: No discussion.

VOTE: The motion passed 3-0.

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 3.25% for 2-year loans, 3.50% for 3-5 year loans, 3.75% for 6-10 year loans, and 4.00% for 11-20 year loans.

ITEM 5. PROPOSED LAND BANK SALES TO THE PUBLIC

Executive Secretary Barry said they had been appraised and staff anticipate bids on each parcel. He reported that two other parcels that recently sold via sealed bid each received multiple bids and all were above the appraised value.

Commissioner Adamczyk asked that future maps of proposed land sales include the adjacent landowners' names. His preference is to have the information prior to the board meeting. Executive Secretary Barry said he would discuss the logistics of including that information with staff.

MOTION: Commissioner La Follette moved to approve the sale of the parcels via sealed bid; Commissioner Adamczyk seconded the motion.

DISCUSSION:

VOTE: The motion passed 3-0.

ITEM 5A. S1806 – BOOT JACK LAKE ROAD 80, ONEIDA COUNTY

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the sale of the Property pursuant to a sealed bid process. The minimum acceptable bid for the Property shall be the appraised value as determined by the independent appraiser as set forth above. Such sale shall be conducted 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 transactions.

ITEM 5B. S1807 – 40 EAST OF WILLOW RIVER, ONEIDA COUNTY

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the sale of the Property pursuant to a sealed bid process. The minimum acceptable bid for the Property shall be the appraised value as determined by the independent appraiser as set forth above. Such sale shall be conducted 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 transactions.

ITEM 6. FUTURE AGENDA ITEMS

Commissioner Adamczyk asked that the Executive Secretary share information concerning matters involving the Board in a timelier manner. He expressed concern that Executive Secretary Barry had not shared, until recently, a letter dated January 5 from the Three Lakes School District requesting to purchase Trust Lands near the school for a shooting range and Mr. Barry's subsequent reply. He said that he contacted the school district administrator (Dr. George Karling) for further details and got the impression that staff were not being helpful.

Board Chair Schimel asked Commissioner Adamczyk why he felt the need to get involved in the day-to-day operations of the agency. He also clarified that the school district was requesting that the land be donated, not purchased as Commissioner Adamczyk stated.

Commissioner Adamczyk said that he had contacted Dr. Karling that morning and told him "to give us a price and if we appraise it and it's in the same ballpark, we can sell it." Board Chair Schimel questioned why Commissioner Adamczyk contacted the school district on the matter. He added that the Board should not be speaking with multiple voices. Commissioner Adamczyk asked what he meant by "multiple voices." Board Chair Schimel explained that staff had provided information to the school district and he [Commissioner Adamczyk] had then communicated a different message.

Commissioner La Follette said that the Board's Executive Secretary, Deputy Secretary, and professional staff were hired to manage the day-to-day affairs of the agency. It is the Board's responsibility to make decisions and act on matters that are brought before them, not be involved in the day-to-day affairs. He felt there was no need to discuss the matter further.

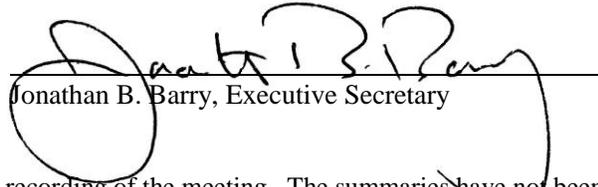
ITEM 7. EXECUTIVE SECRETARY'S REPORT

Investment returns for the Board's portfolio were strong for 2017 with an investment return of almost 1% above the benchmark in the fourth quarter. The Common School Fund's (CSF) smoothing fund is over 50% filled and the first addition to CSF principal from the investments other than fees, fines, forfeitures and unclaimed property was also realized – the first time in the history of the Fund. The 2018 distributions to public school libraries will be the second highest in the Board's history.

Assembly Bill 773 was recently introduced that would eliminate the use of third-party audits relating to unclaimed property, which will affect deposits to the Common School Fund. Executive Secretary Barry reported that he recently testified for informational purposes at a hearing. Amendments to the bill may be introduced and could potentially address stakeholders' concerns.

ITEM 8. ADJOURN

The meeting adjourned at approximately 2:23 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://doaf1380.wi.gov/doadocs/BCPL/2018-01-17_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
FEBRUARY 6, 2018**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Orfordville Rock County Application #: 02018102 Purpose: Finance road projects	Village Rate: 3.00% Term: 5 years	General Obligation	\$275,000.00
2. Somers Kenosha County Application #: 02018103 Purpose: Finance TID #1 development incentives and ancillary costs	Village Rate: 4.75% Term: 15 years	TID Revenue	\$1,000,000.00
TOTAL			\$1,275,000.00



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State of Wisconsin

Board of Commissioners of Public Lands

**BOARD MEETING
FEBRUARY 6, 2018**

**AGENDA ITEM 4
DISCUSSION AND VOTE REGARDING LEGISLATION TO
ELIMINATE STATE TRUST FUND LOAN PROGRAM – AB857 and SB713**

Attached for discussion are the following documents:

1. Wisconsin Ethics Commission Listing of Bill Registrations
2. Trustee Duty of Loyalty – Wis. Stat. § 701.802
3. Link to Legislative Hearing Materials – 69 pages

https://docs.legis.wisconsin.gov/misc/lc/hearing_testimony_and_materials/2017/sb713/sb0713_2017_01_31.pdf

4. DPI – General School Aids and Revenue Limits – Page 557
5. Investment Firms as submitted by Commissioner Adamczyk

Legislative Bill/Resolution

2017-2018 Legislative Session

Senate Bill 713

Relating to: the authority of the Board of Commissioners of Public Lands to make trust fund loans and delegate authority to invest trust fund moneys, the use of common school fund income moneys, and making an appropriation. (FE)

1

Association of Wisconsin School Administrators

 **Against**

Notified Date: 1/30/2018

2

Association of Wisconsin Tourism Attractions

 **Against**

Notified Date: 1/31/2018

3

League of Wisconsin Municipalities

 **Against**

Notified Date: 1/22/2018

4

Professional Fire Fighters of Wisconsin Inc

 **Against**

Notified Date: 2/1/2018

5

WiRSA

 **Against** 

Notified Date: 1/30/2018

6

Wisconsin Association of School Boards Inc

 **Against**

Notified Date: 1/31/2018

7

Wisconsin Association of School Business Officials

 **Against**

Notified Date: 1/30/2018

8

Wisconsin Association of School District Administrators

 **Against**

Notified Date: 1/30/2018

9

Wisconsin Association of School Personnel Administrators

 **Against**

Notified Date: 1/30/2018

10

Wisconsin Bankers Association

? Undisclosed

Notified Date: 1/30/2018

11

Wisconsin Council for Administrators of Special Services

↓ Against

Notified Date: 1/30/2018

12

Wisconsin Dells Visitors and Convention Bureau

↓ Against

Notified Date: 1/31/2018

13

Wisconsin Economic Development Association

↓ Against

Notified Date: 1/25/2018

14

Wisconsin Educational Media and Technology Association

↓ Against

Notified Date: 1/21/2018

15

Wisconsin Library Association

↓ Against

Notified Date: 1/25/2018

16

Wisconsin Rural Water Association

↓ Against

Notified Date: 1/26/2018

17

Wisconsin Towns Association

↓ Against

Notified Date: 1/22/2018

18

Wisconsin Transportation Builders Association

↓ Against

Notified Date: 2/2/2018

TRUSTEE DUTY OF LOYALTY

- 701.0802 - a trustee shall administer the trust solely in the interests of the beneficiaries.

*

TABLE 3
General and Categorical School Aid by Funding Source
2014-15 Base Year Compared to Act 55

Agency	Type and Purpose of Aid	2014-15 Base Year	Act 55		2015-17 Change over 2014-15 Doubled	
			2015-16	2016-17	Amount	Percent
General Aid						
DPI	General School Aids	\$4,475,960,500	\$4,475,960,500	\$4,584,098,000	\$108,137,500	1.2%
	High Poverty Aid	16,830,000	16,830,000	16,830,000	0	0.0
	Total General Aid	\$4,492,790,500	\$4,492,790,500	\$4,600,928,000	\$108,137,500	1.2
Categorical Aid--GPR Funded						
DPI	Special Education	\$368,939,100	\$368,939,100	\$368,939,100	\$0	0.0%
	High-Cost Special Education Aid	3,500,000	3,500,000	8,500,000	5,000,000	71.4
	Supplemental Special Education Aid	1,750,000	1,750,000	1,750,000	0	0.0
	Spec. Ed. Transitions Incentive Grants	0	0	100,000	100,000	N.A.
	Per Pupil Aid	126,975,000	126,842,300*	211,248,200	84,140,500	33.1
	SAGE***	109,184,500	109,184,500	109,184,500	0	0.0
	SAGE -- Debt Service	133,700	133,700	133,700	0	0.0
	Pupil Transportation	23,703,600	23,954,000	23,954,000	500,800	1.1
	High Cost Transportation	5,000,000	7,500,000	7,500,000	5,000,000	50.0
	Sparsity Aid	13,453,300	17,674,000	17,674,000	8,441,400	31.4
	Bilingual-Bicultural Education	8,589,800	8,589,800	8,589,800	0	0.0
	Tuition Payments	8,242,900	8,242,900	8,242,900	0	0.0
	Head Start Supplement	6,264,100	6,264,100	6,264,100	0	0.0
	Educator Effectiveness Grants	5,746,000	5,746,000	5,746,000	0	0.0
	School Lunch	4,218,100	4,218,100	4,218,100	0	0.0
	County Children with Disabilities Educ. Boards	4,067,300	4,067,300	4,067,300	0	0.0
	Career and Technical Education Grants**	3,000,000	0	0	-6,000,000	-100.0
	School Breakfast	2,510,500	2,510,500	2,510,500	0	0.0
	Peer Review and Mentoring	1,606,700	1,606,700	1,606,700	0	0.0
	Four-Year-Old Kindergarten Grants	1,350,000	1,350,000	1,350,000	0	0.0
	School Day Milk	617,100	617,100	617,100	0	0.0
	Aid for Transportation--Open Enrollment	434,200	434,200	434,200	0	0.0
	Cooperative Educational Service Agencies	260,600	0	0	-521,200	-100.0
	Gifted and Talented	237,200	237,200	237,200	0	0.0
	Supplemental Aid	100,000	100,000	100,000	0	0.0
	Aid for Transportation--Youth Options	17,400	17,400	17,400	0	0.0
DOA	Debt Service -- Tech. Infrastructure Bonding	2,052,300	1,458,400	1,085,900	-1,560,300	-38.0
	Total Categorical Aid--GPR Funded	\$701,953,400	\$704,937,300	\$794,070,700	\$95,101,200	6.8%
Categorical Aid--PR Funded						
DPI	AODA	\$1,284,700	\$1,284,700	\$1,284,700	\$0	0.0%
	Tribal Language Revitalization Grants	222,800	222,800	222,800	0	0.0
	Total Categorical Aid--PR Funded	\$1,507,500	\$1,507,500	\$1,507,500	\$0	0.0%
Categorical Aid--SEG Funded						
DPI	School Library Aids	\$34,000,000	\$36,000,000	\$38,000,000	\$6,000,000	8.8%
DOA	Educational Telecommunications Access Support	11,105,100	9,105,100	10,105,100	-3,000,000	-13.5%
UW	Environmental Education--Forestry	200,000	200,000	0	-200,000	-50.0
	Environ. Educ. -- Environmental Assessments	130,500	0	0	-261,000	-100.0
	Total Categorical Aid--SEG Funded	\$45,435,600	\$45,305,100	\$48,105,100	\$2,539,000	2.8%
	Total Categorical Aid--All Funds	\$748,896,500	\$751,749,900	\$843,683,300	\$97,640,200	6.5%
	Total School Aid--All Funds	\$5,241,687,000	\$5,244,540,400	\$5,444,611,300	\$205,777,700	2.0%

*Per pupil aid for 2015-16 enrollments would be paid on a one-time delayed basis in July of 2016.

**Funding for this purpose may be available to school districts from the Department of Workforce Development.

***Renamed the Achievement Gap Reduction (AGR) program under 2015 Act 53.

Rank	Business Name	Assets Managed As Of Dec. 31, 2015, Local	Assets Managed Most Recent Quarter, Local	% Of Clients That Are Institutional/Corporate	% Of Clients That Are Individual	Number Of Employees, Local	Investment Strategy, Style
1	Artisan Partners 875 E. Wisconsin Ave. Suite 800 Milwaukee, WI 53202 4143906100 artisanpartners.com	\$99.85 billion	\$94.96 billion	95%	5%	230	Artisan Partners is a global investment management firm that provides active investment strategies.
2	Baird Advisors 777 E. Wisconsin Ave. Suite 2500 Milwaukee, WI 53202 414-298-1060 bairdadvisors.com	\$36.58 billion	\$43.11 billion	90%	10%	45	Structured, short, intermediate, taxable and tax-exempt, core fixed income including long duration customized benchmarks
3	Fiduciary Management Inc. 100 E. Wisconsin Ave. Suite 2200 Milwaukee, WI 53202 414-226-4545 fiduciarymgt.com	\$21.73 billion	\$22.21 billion	NA	NA	27	Equity strategies applying a value discipline, with a focused approach firmly rooted in fundamental research
4	Dana Investment Advisors Inc. 15800 W. Blue Mound Rd. Suite 250 Brookfield, WI 53005 262-782-3631 danainvestment.com	\$6.63 billion	\$7.28 billion	65%	35%	32	Disciplined relative value, large, small and social equity strategies; high quality, low risk fixed income
5	Nicholas Co. Inc. 700 N. Water St. Suite 1010 Milwaukee, WI 53211 414-272-4650	\$5.77 billion	\$5.52 billion	60%	40%	20	Advises mutual funds and separate accounts for benefit plans, foundations, corporations, and

**BOARD MEETING
FEBRUARY 6, 2018**

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

- Investment Transaction Report – February 2, 2018 (Attachment)
- Agency Expenses Over \$5,000 Approved by Board Chair

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Investment Transaction Report February 2, 2018

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
FFCB	Aaa	02/02/18	\$5,000,000	\$4,925,000	3.50%	02/01/21	4.04%	02/01/33	3.63%

Bond Sales

Staff has not sold bonds since the most recent Investment Transaction Report of 01/11/18.

Equity Purchases

ETF Symbol	Description	Initial Allocation	Trade Date	# Shares	Share Price	Total Purchase
VTI	Vanguard Total Stock Market	25%	01/29/2018	1,702	\$146.31	\$249,019
VYM	Vanguard High Dividend Yield	15%	01/29/2018	1,656	\$90.58	\$149,992
VIG	Vanguard Dividend Appreciation	5%	01/29/2018	460	\$108.49	\$49,904
VNQ	Vanguard REIT	5%	01/29/2018	635	\$78.64	\$49,936
VEU	Vanguard FTSE All-World ex-US	25%	01/29/2018	4,289	\$58.28	\$249,984
VYMI	Vanguard International High Dividend Yield	15%	01/29/2018	2,096	\$71.49	\$149,843
VIGI	Vanguard International Dividend Appreciation	5%	01/29/2018	717	\$69.70	\$49,975
VNQI	Vanguard Global ex-US Real Estate	5%	01/29/2018	780	\$64.11	\$50,002

The CSF Investment Policy approved on November 1, 2016, includes an allocation to public equities of 15% of assets, a total that reaches nearly \$160 million today. The stock market has set many new records, but volatility is expected to increase. Economic growth is expected to continue at least through 2018. In this environment, the BCPL Investment Committee determined that it was prudent to begin a strategy of slowly purchasing ETFs to provide exposure to the broad equities market, but with a strong tilt towards dividend-producing stocks.

The pace of these purchases is expected to range from \$500,000 to \$1,000,000 per week at the outset, but will be flexible in accordance with market conditions. At an average pace of \$750,000 per week, it will take more than four years to reach the target allocation. This slow pace of entry is considered prudent because it will provide some exposure to a market that may continue to improve, but also leaves considerable ammunition available to take advantage of possible future corrections.

The BCPL mission is to maintain significant, stable and sustainable distributions to Trust Fund beneficiaries. During this continuing period of relatively low interest rates, the tilt towards dividend-paying stocks will produce additional income that will help BCPL succeed in this mission.

The individual funds chosen include passively-managed index funds that will provide important diversification and income at a low management cost. The current average dividend yield of the chosen funds is over 2.70%, and the average management expense is 0.13%.