



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
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Jonathan Barry, *Executive Secretary*

AGENDA

July 24, 2018
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 (Attachment)
 - July 3, 2018
 - July 6, 2018
- 3) Approve Loans (Attachment)

Old Business:

- 4) Discuss and Vote on Proposed Submerged Lands Lease – City of Ashland (Attachment)

New Business:

Items 5 and 6 have been submitted and included, verbatim, by Commissioner Adamczyk

- 5) Discussion Only (No Vote) regarding Commissioner Adamczyk's concern about the lack of professional investment experience by "BCPL Investment Committee." Attachments to add:
 - According to SWIB attachment from this email
 - Please include any prior work experience investing in stocks/bonds/venture capital if you have any for you/Tom/Rich
- 6) Discussion Only (No Vote) on other options for investment of BCPL Trust Assets, such as how done by the Minnesota School Trust Fund. Discuss having investment firms present to Commissioners how they could investment [sic] some of the \$1.1 billion in assets. (Add other three attachments from this email)

Routine Business:

- 7) Future Agenda Items
- 8) Executive Secretary's Report (Attachment)
 - 2018 Q2 Investment Report – June 30, 2018
 - Monthly Portfolio Report – Fixed Income – June 29, 2018
 - Monthly Portfolio Report – Public Equity Income – June 29, 2018
 - Investment Transaction Report – July 19, 2018
- 9) Adjourn

AUDIO ACCESS INFORMATION

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

**BOARD MEETING
JULY 24, 2018**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the following board meeting minutes:

- July 3, 2018
- July 6, 2018

Board Meeting Minutes
July 3, 2018

Present via teleconference were:

- | | |
|---|--|
| Doug La Follette, Commissioner | Secretary of State |
| Matt Adamczyk, Commissioner | State Treasurer |
| 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, Chief Investment Officer | Board of Commissioners of Public Lands |

ITEM 1. CALL TO ORDER

Commissioner La Follette called the meeting to order at 2:11 p.m. He noted that Board Chair Schimel was not able to be on the teleconference.

ITEM 2. APPROVE MINUTES – JUNE 20, 2018

MOTION: Commissioner La Follette moved to approve the minutes; Commissioner Adamczyk seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 2-0.

In hopes that Board Chair Schimel would be available to join the meeting, Commissioner La Follette delayed the discussion and vote on the approval of the loans (agenda item 3) and staff attendance at an out-of-state conference (agenda item 4).

ITEM 5. DISCUSS AND VOTE ON PROPOSED SUBMERGED LANDS LEASE – CITY OF ASHLAND

Deputy Secretary German explained that per Wisconsin state statutes BCPL is the leasing agent for lake beds and river beds. A portion of Chequamegon Bay on Lake Superior had been filled many years ago and had been used for a number of purposes over the years. The area was designed as a superfund site and requires significant remediation, which is nearly complete.

The city of Ashland wants to lease the property, make improvements, and open the area to the public as a city park, which will provide free and improved access to the bay. In the past, the Board has charged a nominal lease rate to municipalities for similar purposes. The DNR has conducted a Findings of Fact and concluded that the improvements are in the public’s best interest. BCPL staff is asking for the Board’s authority to issue the lease to the city of Ashland.

Commissioner La Follette questioned if it would be appropriate to delay approval of the lease. Deputy Secretary German replied that the city would like to obtain the lease now because DNR funds are available to develop the park. He added that if the DNR had concerns with the site, they would have been included in their Findings of Fact. Deputy Secretary German said if approval of the lease is delayed until September or October, the DNR funding may not be available.

Deputy Secretary German said the term of the lease would be 50 years with an annual lease payment of \$200. The revenues from submerged lands leases accrue to the General Fund and offset the agency’s expenditures.

Commissioner Adamczyk inquired about ownership and management of the submerged lands. Deputy Secretary German explained that, at the time of statehood, the Federal Government granted the bed of navigable waters to

the State of Wisconsin to hold in *trust* for the citizens of Wisconsin. In essence, BCPL is the leasing agent for those navigable waters.

The Commissioners took no action on the submerged lands lease and agreed to include it on the July 24 board meeting agenda.

Board Chair Schimel had not yet joined the meeting. Commissioners La Follette and Adamczyk discussed rescheduling the meeting to Friday, July 6, in order to take action on the remaining agenda items.

Commissioner Adamczyk asked if the agency had ever been audited. Deputy Secretary German said that indeed, BCPL had been audited nearly every year and that the audits were welcomed as they could potentially help the agency improve their operations. Every recent audit has been ‘clean’ in that there have been no significant issues identified for improvement. BCPL’s audit is not reported as a separate, distinct audit but can instead be found in the State Controller’s CAFR (Comprehensive Annual Financial Report).

ITEM 3. APPROVE LOANS

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Conover Vilas County Application #: 02018158 Purpose: Purchase fire equipment	Town Rate: 4.00% Term: 2 years	General Obligation	\$70,000.00
2. Dewey Portage County Application #: 02018163 Purpose: Purchase truck with dump box	Town Rate: 4.00% Term: 4 years	General Obligation	\$46,201.00
3. Lake Michelle Lake District Iron County Application #: 02018157 Purpose: Finance dam replacement	Lake District Rate: 4.25% Term: 10 years	General Obligation	\$75,000.00
4. Reeseville Dodge County Application #: 02018162 Purpose: Replace lead service lines	Village Rate: 4.00% Term: 5 years	General Obligation	\$30,000.00
5. Salem Pierce County Application #: 02018161 Purpose: Purchase truck and attachments	Town Rate: 4.00% Term: 5 years	General Obligation	\$161,265.00
6. Scott Brown County Application #: 02018156 Purpose: Purchase business park land	Town Rate: 4.50% Term: 20 years	General Obligation	\$725,000.00

7.	Tiffany Dunn County Application #: 02018154 Purpose: Purchase plow truck	Town Rate: 4.25% Term: 10 years	General Obligation	\$170,440.00
8.	Tomahawk Lincoln County Application #: 02018159 Purpose: Finance road, stormwater, and bike trail projects	City Rate: 4.25% Term: 10 years	General Obligation	\$840,000.00
9.	Washburn Washburn County Application #: 02018160 Purpose: Finance road projects	County Rate: 4.00% Term: 2 years	General Obligation	\$755,000.00
10.	Whiting Portage County Application #: 02018164 Purpose: Finance water and sewer projects	Village Rate: 4.00% Term: 5 years	General Obligation	\$1,000,000.00
TOTAL				\$3,872,906.00

The Commissioners took no action on approving the loans, so they will be included on the next board meeting agenda.

ITEM 4. DISCUSS AND VOTE ON STAFF ATTENDANCE AT ESRI ANNUAL USER CONFERENCE, SAN DIEGO, JULY 8 – 13

Executive Secretary Barry noted that the employee selected to attend the conference is not able to attend so no further action is required.

ITEM 6. FUTURE AGENDA ITEMS

None.

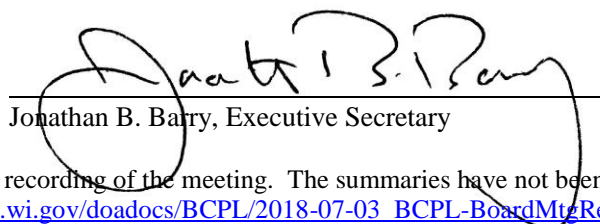
ITEM 7. EXECUTIVE SECRETARY’S REPORT

Executive Secretary Barry referred the board to the investment transaction report that was included in their packet.

ITEM 8. ADJOURN

MOTION: Commissioner La Follette moved to adjourn the meeting and try to reschedule the meeting for Friday, July 6, at 2:00 PM; Commissioner Adamczyk seconded the motion. The motion passed 2-0.

The meeting adjourned at 2:37 PM.


 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: http://doaftp1380.wi.gov/doadocs/BCPL/2018-07-03_BCPL-BoardMtgRecording.mp3.

Board Meeting Minutes
July 6, 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, Chief Investment Officer	Board of Commissioners of Public Lands

ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 10:00 a.m.

ITEM 2. APPROVE LOANS

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

Municipality	Municipal Type	Loan Type	Loan Amount
1. Conover Vilas County Application #: 02018158 Purpose: Purchase fire equipment	Town Rate: 4.00% Term: 2 years	General Obligation	\$70,000.00
2. Dewey Portage County Application #: 02018163 Purpose: Purchase truck with dump box	Town Rate: 4.00% Term: 4 years	General Obligation	\$46,201.00
3. Lake Michelle Lake District Iron County Application #: 02018157 Purpose: Finance dam replacement	Lake District Rate: 4.25% Term: 10 years	General Obligation	\$75,000.00
4. Reeseville Dodge County Application #: 02018162 Purpose: Replace lead service lines	Village Rate: 4.00% Term: 5 years	General Obligation	\$30,000.00
5. Salem Pierce County Application #: 02018161 Purpose: Purchase truck and attachments	Town Rate: 4.00% Term: 5 years	General Obligation	\$161,265.00
6. Scott Brown County Application #: 02018156 Purpose: Purchase business park land	Town Rate: 4.50% Term: 20 years	General Obligation	\$725,000.00

7.	Tiffany Dunn County Application #: 02018154 Purpose: Purchase plow truck	Town Rate: 4.25% Term: 10 years	General Obligation	\$170,440.00
8.	Tomahawk Lincoln County Application #: 02018159 Purpose: Finance road, stormwater, and bike trail projects	City Rate: 4.25% Term: 10 years	General Obligation	\$840,000.00
9.	Washburn Washburn County Application #: 02018160 Purpose: Finance road projects	County Rate: 4.00% Term: 2 years	General Obligation	\$755,000.00
10.	Whiting Portage County Application #: 02018164 Purpose: Finance water and sewer projects	Village Rate: 4.00% Term: 5 years	General Obligation	\$1,000,000.00
TOTAL				\$3,872,906.00

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 3. FUTURE AGENDA ITEMS

None.

ITEM 4. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry informed the board that Board Chair Schimel had approved payment of an invoice to Northwoods Forestry for timber stand improvement that totaled \$5,600. The contractor cleared small trees and other woody plants to reduce competition with the desirable pine trees that are growing on the Trust Lands.

ITEM 5. ADJOURN

The meeting adjourned at 10:04 a.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/2018-07-06_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
JULY 24, 2018**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Brooklyn Green County Application #: 02019001 Purpose: Finance roadwork	Town Rate: 4.25% Term: 10 years	General Obligation	\$150,000.00
2. Elk Mound Dunn County Application #: 02019004 Purpose: Purchase skidsteer	Village Rate: 4.25% Term: 10 years	General Obligation	\$40,000.00
3. Holland La Crosse County Application #: 02019007 Purpose: Finance fire truck	Town Rate: 4.00% Term: 2 years	General Obligation	\$286,959.67
4. Hortonville Area Outagamie County Application #: 02019002 Purpose: Finance athletic field renovation	School Rate: 4.00% Term: 5 years	General Obligation	\$980,000.00
5. Knapp Jackson County Application #: 02019006 Purpose: Finance highway reconstruction	Town Rate: 4.00% Term: 5 years	General Obligation	\$100,000.00
6. Mercer Iron County Application #: 02019009 Purpose: Purchase tractor	Town Rate: 4.00% Term: 2 years	General Obligation	\$35,000.00
7. Pepin Pepin County Application #: 02019008 Purpose: Finance road project	Village Rate: 4.50% Term: 14 years	General Obligation	\$165,000.00
8. Rutland Dane County Application #: 02019005 Purpose: Finance capital equipment and roadwork	Town Rate: 4.00% Term: 5 years	General Obligation	\$140,000.00

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
9. Wellington Monroe County Application #: 02019003 Purpose: Finance road and bridge projects	Town Rate: 4.00% Term: 5 years	General Obligation	\$75,000.00
TOTAL			\$1,971,959.67

BOARD MEETING

JULY 24, 2018

AGENDA ITEM 4

PROPOSED SUBMERGED LANDS LEASE – CITY OF ASHLAND

- A. The city of Ashland (“Ashland”) desires to enter into a Submerged Lands Lease with the Board of Commissioners of Public Lands for purposes of improving navigation, improving or constructing “harbor facilities” as defined in Wis. Stats. Section 30.01, or for improvement or provision of recreational facilities related to navigation for public use.
- B. Many years ago, fill was placed on the bed of Chequamegon Bay in Lake Superior just north of Ashland. The filled lakebed was used by lumber mills, railroads, and a wastewater treatment plant. A manufactured gas plant was located on adjacent lands for many years. The site was designated as a Superfund Site requiring remediation of groundwater, soils, and sediments. The long-term remediation requires on-going access to and maintenance of certain structures and features that have been, or will be, placed upon the filled land.
- C. In recent years, Ashland has used the filled area as an RV park, beach, playground, boat launch facility, and boat storage facility.
- D. Ashland desires to place fill and improvements on and use the area described in Exhibit A for purposes of improving navigation, improving or constructing harbor facilities, or the provision of recreational facilities related to navigation for public use. Specifically, Ashland wishes to provide boat docking, launching, and storage facilities; fishing facilities; and associated limited term camping, RV camping, beach, park, and related recreational facilities on such filled lands.
- E. Ashland desires to enter into a 50-year lease with the Board of Commissioners of Public Lands for approximately 14.6 acres of submerged lands. The legal description of the proposed lease area is attached as Exhibit A. A map of the proposed lease area is attached as Exhibit B.
- D. The Wisconsin Department of Natural Resources has issued Findings of Fact and Decision (the “Findings”) that concluded, “. . . , the Lease will be consistent with the public interest in the navigable waters of the Chequamegon Bay of Lake Superior provided that it includes and requires the Lessee to comply with all of the following conditions. . . .” A copy of the Findings is attached as Exhibit C.
- E. As Ashland’s proposed use of the proposed lease area is to provide the public with generally free, enhanced access to the waters of Chequamegon Bay. Ashland asserts that it has already invested and will continue to invest many of thousands of dollars on the

clean-up and improvement of Kreher Park area and requests that the annual base rent for the proposed submerged land lease be set at a nominal amount. BCPL staff believes that \$200 per year is a reasonable amount of base rent.

- F. For the above reasons, BCPL staff recommends that the Board authorize a 50-year Submerged Lands Lease with the city of Ashland at a base rental rate of \$200 per year for the purposes of improving navigation, improving or constructing “harbor facilities” or for improvement or provision of recreational facilities related to navigation for public use.

PROPOSED RESOLUTION

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes a fifty-year Submerged Lands Lease with the city of Ashland in accordance with Section 24.39 of the Wisconsin Statutes with a base rental rate of Two Hundred Dollars per year for the purposes of improving navigation, improving or constructing “harbor facilities” or for improvement or provision of recreational facilities related to navigation for public use, on such other 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 transaction.

- Exhibit A: Legal Description of area to be leased*
Exhibit B: Map of area subject to proposed new lease
Exhibit C: WI DNR’s Findings of Fact

EXHIBIT A

LEGAL DESCRIPTION OF PROPOSED LEASED AREA

The filled lakebed to be leased are located in Blocks 25, 26, 27, 28, 29, 30, 31, 32 and 33 including vacated Bay Street, portions of Water Street, Ellis Avenue, Fifield Row, Third Avenue East, Prentice Avenue, and adjoining unnamed platted avenues and alleys in Ellis Division and Lots 8 and 9 of Fifield Place all in Government Lot 1 of Section 32 and Government Lot 4 of Section 33, Township 48 North, Range 04 West, in the city of Ashland, Ashland County, Wisconsin, described as follows:

To locate the Point of Beginning, commence at the northwesterly corner of Block 31 of said Ellis Division and run $54^{\circ}39'51''$ W, 183.19 feet to the Point of Beginning; thence from said point of beginning by metes and bounds:

On the existing bulkhead line; N $61^{\circ}15'00''$ E, for 295.0 feet;
thence N $48^{\circ}00'00''$ E for 184.0 feet;
thence N $17^{\circ}00'00''$ E, for 95.0 feet;
thence N $25^{\circ}00'00''$ W, for 234.0 feet;
thence N $40^{\circ}00'00''$ E, for 85.5 feet;
thence N $60^{\circ}00'00''$ E, for 50.0 feet;
thence S $84^{\circ}10'00''$ E, for 96.0 feet;
thence N $52^{\circ}40'00''$ E, for 213.0 feet;
thence N $22^{\circ}00'00''$ E, for 158.50 feet;
thence N $30^{\circ}43'00''$ W, for 209.0 feet;
thence N $45^{\circ}42'43''$ W, for 31.31 feet;
thence N $42^{\circ}05'12''$ W, for 16.47 feet
thence N $48^{\circ}08'43''$ E, for 49.64 feet;
thence N $06^{\circ}10'20''$ E; for 5.46 feet;
thence N $37^{\circ}12'05''$ W, for 55.13 feet;
thence N $53^{\circ}18'47''$ E, for 18.32 feet;
thence S $37^{\circ}14'52''$ E, for 74.29 feet;
thence S $29^{\circ}45'00''$ E, for 346.0 feet to the terminus of the bulkhead line;
thence leaving the bulkhead line, thence S $30^{\circ}30'55''$ W, for 370.74 feet to the Easterly right-of-way line of Prentice Avenue,
thence on said Easterly right-of-way line, S $32^{\circ}21'36''$ E, for 110.89 feet to the approximate ordinary right-of-way line of Lake Superior,
thence leaving said Easterly right-of-way line and on said ordinary high-water mark,
Southwesterly, 145.66 feet on an arc of a curve to the left, having a radius of 1022.17 feet, a central angle of $08^{\circ}09'52''$ and a chord that bears S $39^{\circ}17'55''$ W and measures 145.53 feet.
thence S $36^{\circ}19'46''$ W, 148.38 feet,
thence, Southwesterly, 385.69 feet on an arc of a curve to the right, having a radius of 1577.00 feet, a central angle of $14^{\circ}00'47''$ and a chord that bears S $43^{\circ}20'19''$ W and measures 384.73 feet,
thence S $50^{\circ}20'43''$ W, 108.76 feet
thence Southwesterly, 275.43 feet on the arc of a curve to the left, having a radius of 3507.00 feet, a central angle $04^{\circ}30'00''$ and a chord that bears S $48^{\circ}05'43''$ W, 275.36 feet.
Thence S $45^{\circ}50'43''$ W, 172.46 feet to a point of the Westerly right-of-way line of Ellis Avenue
Thence leaving said approximate ordinary high-water mark line, N $28^{\circ}41'35''$ W, 485.67 feet to the Point of Beginning.

The Parcel contains 636,283 square feet, more or less, which is approximately 14.6 acres, more or less.

MAP OF SURVEY

AREA BETWEEN THE EAST RIGHT-OF-WAY LINE OF PRENTICE AVENUE, THE WEST RIGHT-OF-WAY LINE OF ELLIS AVENUE, THE ORIGINAL ORDINARY HIGH WATER LINE OF LAKE SUPERIOR AND THE BULKHEAD LINE OF THE CITY OF ASHLAND, LOCATED IN GOVERNMENT LOT 4 OF SECTION 33 AND GOVERNMENT LOT 1 OF SECTION 32, T. 48 N., R. 4 W., IN THE CITY OF ASHLAND, ASHLAND COUNTY, WISCONSIN



SURVEYOR'S CERTIFICATE
 I, LARRY T. NELSON, PROFESSIONAL LAND SURVEYOR IN THE STATE OF WISCONSIN, HEREBY CERTIFY:
 THAT ON THE ORDER OF DEB LEWIS, ASHLAND CITY MAYOR, I HAVE MADE A SURVEY OF THE AREA BETWEEN THE EAST RIGHT-OF-WAY LINE OF PRENTICE AVENUE, THE WEST RIGHT-OF-WAY LINE OF ELLIS AVENUE, THE ORIGINAL ORDINARY HIGH WATER LINE OF LAKE SUPERIOR AND BULKHEAD LINE OF THE CITY OF ASHLAND, LOCATED IN GOVERNMENT LOT 4 OF SECTION 33 AND GOVERNMENT LOT 1 OF SECTION 32, T. 48 N., R. 4 W., IN THE CITY OF ASHLAND, ASHLAND COUNTY, WISCONSIN;
 THAT THE LOCATION OF THE STREETS, AVENUES, ALLEYS, BLOCKS AND THE CENTERLINE OF VARIOUS RAILROAD TRACKS ARE BASED ON PREVIOUS SURVEYS AND/OR DIGITIZED FROM EXISTING RAILROAD MAPS AND/OR SURVEY MAPS;
 THAT THIS MAP IS A TRUE REPRESENTATION OF SAID SURVEY;
 THAT I HAVE FULLY COMPLIED WITH THE PROVISIONS OF CHAPTER A-E 7 OF THE WISCONSIN ADMINISTRATIVE CODE; AND
 THAT SAID SURVEY AND MAP ARE CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

LARRY T. NELSON 11/13/18 DATE
 WISCONSIN LAND SURVEYOR 18.5-1276

NOTE:
 THE ORIGINAL ORDINARY HIGH WATER LINE SHOWN IS APPROXIMATE AND FOR REFERENCE PURPOSES ONLY.
 ANY LAND BELOW THE ORDINARY HIGH WATER MARK OF A LAKE OR A NAVIGABLE STREAM IS SUBJECT TO THE PUBLIC TRUST IN NAVIGABLE WATERS THAT IS ESTABLISHED UNDER ARTICLE IX, SECTION 1 OF THE STATE CONSTITUTION.
 NO MONUMENTS WERE SET DURING THE COURSE OF THIS SURVEY.

LEASE AREA
 636,283 SQ. FT.
 14.61 ACRES

<p>LEGEND</p> <p>DESCRIBED AREA</p>	<p>CLIENT: CITY OF ASHLAND JOB NO.: N18/104 SCALE: 1 INCH = 100 FEET APRIL 17, 2013 REVISED FEBRUARY 18, 2014 WEST R/W ELLIS REVISED JANUARY 15, 2018 (CITY LEASE PARCEL)</p>	<p>DRAFTED BY: P. NELSON FILE: N/ASHLAND/ELLIS ACAD/CITY_Lease - Prentice to Ellis Jan 15, 2018 PSDA1A/CITY_RR/WIN2012</p>	<p>NELSON SURVEYING INCORPORATED SURVEYING YOUR NECK OF THE WOODS SINCE 1954</p>	<p>101 W. MAIN STREET SUITE 100 ASHLAND, WISCONSIN 54806 (715) 682-2692 FAX: (715) 682-5100 MAP NO. 4162-B</p>
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**DEPARTMENT OF NATURAL RESOURCES FINDINGS
PURSUANT TO 30.11 WISCONSIN STATUTES
RELATING TO AN APPLICATION FOR LEASE FOR
CITY OF ASHLAND MUNICIPAL PARK IMPROVEMENTS**

The Department of Natural Resources (“Department”) has been notified of the proposed Submerged Land Lease (“Lease”) submitted to the State of Wisconsin Board of Commissioners of Public Lands (“Lessor”) by the City of Ashland (“Lessee”) as required under Section 24.39 and 30.11, Wis. Statutes, and hereby makes these findings:

- A. The proposed project (“Project”) involves physical alterations and continued use of existing filled lakebed extending between approximately 300 to 800 feet from shore based on the 1854 Original Government Land Survey and along approximately 2500 feet of shoreline on Chequamegon Bay in Lake Superior, in the City of Ashland, Ashland County, Wisconsin. The placement of a sheet pile wall and maintenance of the area will be to facilitate a cleanup and to encourage development of recreational facilities to access Chequamegon Bay, all of which are in the public interest.
- B. On February 7, 2018, the Department issued a written letter notifying the Ashland County Clerk, City of Ashland Clerk, and the United States Army Corps of Engineers of the Application by the City of Ashland of the pending review of a proposed submerged land lease (of filled lakebed) on Chequamegon Bay, Lake Superior. The February 7, 2018 letter satisfies the notice requirement under Wis. Stat. 30.11(5). There were no comments received in response to the notice.
- C. Without authorization from the State of Wisconsin, fill was placed into waters of Chequamegon Bay of Lake Superior in the State of Wisconsin. The fill, placed historically, was completed by 1960. The filled lakebed was used by a number of lumber mill operations through the 1930s. Wisconsin Central railroad operated loading and shipping on the filled land. The filled lakebed was the location of a wastewater treatment plant from the 1950s – 1990s for the City of Ashland. Adjacent to the lakebed fill (south) a manufactured gas plant (MGP) operated from the 1880s through 1947. Wastes in the form of oils, tars and wastewater and other wastes were discharged to the filled lakebed as well as to sediments of Chequamegon Bay. Subsequently, the site was designated as the Ashland/NSP Lakefront Superfund Site requiring significant remediation of groundwater, soils and sediments. The long-term remediation requires on-going access to and maintenance of certain remediation structures and features that have, or will be, placed upon and within the filled land.
- D. The Department reviewed the intent to place sheet pile and maintain the shoreline associated the cleanup of contamination at the Superfund Site and for the development of recreational facilities on the city of Ashland’s waterfront. Public recreational amenities shall include access to Chequamegon Bay (e.g.,

boat launch), associated recreational structures (e.g., pavilions, boat storage, restrooms, safe room), campsites, public roadways, and city marina boat storage.

- E. The Lease will be consistent with the public interest in the navigable waters of the Chequamegon Bay of Lake Superior provided that it includes and requires the Lessee to comply with all of the following conditions:
1. The development and use of the filled lakebed area shall not interfere with the remediation of the property and the remediation of the actual lake bed adjacent to the property (or the long-term operation and maintenance of the remedy and its associated structures and features) by Northern States Power Company, a Wisconsin corporation doing business as Xcel Energy (NSPW), and shall be consistent with, (i) U.S. Environmental Protection Agency (EPA) Consent Decrees signed in 2012 and 2016, (ii) EPA's Record of Decision, and (iii) future operation, maintenance and monitoring plans and institutional controls/continuing obligations required by EPA and the Department. The Lessee shall agree to any other conditions that the U.S. EPA and the Department determine are reasonable and necessary to ensure that U.S. EPA, the Department or NSPW can adequately respond to the discharge or the operation, monitoring and maintenance of the remedy and its associated remedial structures and features. The Lessee shall ensure that its activities will not interfere with or otherwise undermine the integrity of the remedy or exacerbate site conditions. The Lessee will grant access to and cooperate with NSPW to implement and maintain any remedial action or remediation infrastructure on the leased area consistent with s. 292.13, Wis. Stats. The Lessee agrees to avoid any interference with action undertaken to respond to the discharge and to avoid actions that worsen the discharge (s. 292.13(1m)f Wis. Stats.). Future use cannot interfere with these remedial actions, remedial features or infrastructure. Remedial actions must be approved by state and federal agencies. Remedial actions at the site may require that within the filled lakebed area the following infrastructure may be constructed and maintained to support the remediation and protect human health and the environment.
 - a. Sheet Pile Wall (Shoreline)
 - b. Slurry Wall
 - c. Groundwater/NAPL Extraction System
 - d. Groundwater Remediation Injection System
 - e. Groundwater monitoring system
 - f. Cap System
 - g. Cap Vent System
 - h. Electrical Services
 - i. Contaminated Water Conveyance Systems and Piping
 - j. Water Conveyance Systems and Piping
 - k. Water Discharge Piping and Outfall
 - l. Temporary Soil/Sediment Treatment/Storage Facility
 - m. Temporary Paved Working Areas and Roads

- n. Natural Gas Services
 - o. Lighting
 - p. Sewer and Water Utilities
 - q. Other infrastructure deemed necessary or appropriate by the U.S. EPA, the Department to the success of the remediation
- r. The construction of buildings on the area covered by this lease requires an exemption and approval for development at a Historic Fill Site from the Department. No building or structure or improvement may be constructed or placed on the filled land or on the area covered by the Lease without the prior written approval of the Department and EPA, after an opportunity for review and comment by NSPW.
- s. If the Lessee, or anyone acting on Lessee's behalf, excavates soil in the leased area in the future, it must sample and analyze the excavated soil to determine if contamination remains. If sampling confirms that contamination is present, the Lessee shall determine whether the material is considered solid or hazardous waste and ensure that any storage, treatment or disposal are in compliance with applicable standards and rules. Contaminated soil may be managed in accordance with ch. NR 718, Wis. Adm. Code, with prior Department approval and must be managed according to the Soil Management Plan (SMP) and Institutional Control Implementation and Assurance Plan (ICIAP) for the Superfund Site.
2. All uses and activities in the submerged land lease area (filled lakebed) shall remain consistent with the improvement or provision of recreational facilities related to public navigational uses as described in s. 24.39, Wis. Stats.
 3. Stationary docking of ships shall be for a reasonable duration not to exceed one year unless prior written approval has been provided by the Department.
 4. Upon reasonable notice, the Lessee shall allow access to the Project site during reasonable hours any Department employee who is investigating the Project's construction, operation, maintenance or compliance.
 5. The Lease is valid for a period of no more than 50 years.
- F. The filled lakebed to be leased are located in Blocks 25, 26, 27, 28, 29, 30, 31, 32 and 33 including vacated Bay Street, portions of Water Street, Ellis Avenue, Fifield Row, Third Avenue East, Prentice Avenue, and adjoining unnamed platted avenues and alleys in Ellis Division and Lots 8 and 9 of Fifield Place all in Government Lot 1 of Section 32 and Government Lot 4 of Section 33, Township 48 North, Range 04 West, in the City of Ashland, Ashland County, Wisconsin, described as follows:

To locate the Point of Beginning, commence at the northwesterly corner of Block 31 of said Ellis Division and run $54^{\circ}39'51''$ W, 183.19 feet to the Point of Beginning; thence from said point of beginning by metes and bounds:

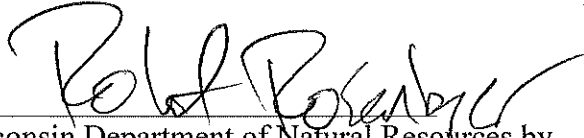
On the existing bulkhead line; N $61^{\circ}15'00''$ E, for 295.0 feet;
thence N $48^{\circ}00'00''$ E for 184.0 feet;
thence N $17^{\circ}00'00''$ E, for 95.0 feet;
thence N $25^{\circ}00'00''$ W, for 234.0 feet;
thence N $40^{\circ}00'00''$ E, for 85.5 feet;
thence N $60^{\circ}00'00''$ E, for 50.0 feet;
thence S $84^{\circ}10'00''$ E, for 96.0 feet;
thence N $52^{\circ}40'00''$ E, for 213.0 feet;
thence N $22^{\circ}00'00''$ E, for 158.50 feet;
thence N $30^{\circ}43'00''$ W, for 209.0 feet;
thence N $45^{\circ}42'43''$ W, for 31.31 feet;
thence N $42^{\circ}05'12''$ W, for 16.47 feet
thence N $48^{\circ}08'43''$ E, for 49.64 feet;
thence N $06^{\circ}10'20''$ E; for 5.46 feet;
thence N $37^{\circ}12'05''$ W, for 55.13 feet;
thence N $53^{\circ}18'47''$ E, for 18.32 feet;
thence S $37^{\circ}14'52''$ E, for 74.29 feet;
thence S $29^{\circ}45'00''$ E, for 346.0 feet to the terminus of the bulkhead line;
thence leaving the bulkhead line, thence S $30^{\circ}30'55''$ W, for 370.74 feet to the Easterly right-of-way line of Prentice Avenue,
thence on said Easterly right-of-way line, S $32^{\circ}21'36''$ E, for 110.89 feet to the approximate ordinary right-of-way line of Lake Superior,
thence leaving said Easterly right-of-way line and on said ordinary high water mark, Southwesterly, 145.66 feet on an arc of a curve to the left, having a radius of 1022.17 feet, a central angle of $08^{\circ}09'52''$ and a chord that bears S $39^{\circ}17'55''$ W and measures 145.53 feet.
thence S $36^{\circ}19'46''$ W, 148.38 feet,
thence, Southwesterly, 385.69 feet on an arc of a curve to the right, having a radius of 1577.00 feet, a central angle of $14^{\circ}00'47''$ and a chord that bears S $43^{\circ}20'19''$ W and measures 384.73 feet,
thence S $50^{\circ}20'43''$ W, 108.76 feet
thence Southwesterly, 275.43 feet on the arc of a curve to the left, having a radius of 3507.00 feet, a central angle $04^{\circ}30'00''$ and a chord that bears S $48^{\circ}05'43''$ W, 275.36 feet.
Thence S $45^{\circ}50'43''$ W, 172.46 feet to a point of the Westerly right-of-way line of Ellis Avenue
Thence leaving said approximate ordinary high water mark line, N $28^{\circ}41'35''$ W, 485.67 feet to the Point of Beginning.

- G. The Parcel contains 636,283 square feet, more or less, which is approximately 14.6 acres, more or less.

- H. The Department has determined that the ordinary high water mark of Chequamegon Bay at the project location is the meander line as platted by the 1854 Original Government Land Survey and shown on the property survey identified in Finding F.

- I. The Department hereby determines on the basis of the findings listed above, that the existing fill and proposed physical alterations in the navigable water of the Chequamegon Bay of Lake Superior, as a result of the execution of a submerged lands lease, are consistent with the public interest upon compliance with the conditions specified in Findings E.

Dated this 20 day of June, 2018.

A handwritten signature in black ink, appearing to read "Robert Rosenbly". The signature is written in a cursive style with a large initial "R".

Wisconsin Department of Natural Resources by
Waterways and Wetlands Deputy Bureau Director
Bureau of Watershed Management
Division of External Services

**BOARD MEETING
JULY 24, 2018**

**AGENDA ITEM 5
DISCUSSION ONLY (NO VOTE) REGARDING COMMISSIONER ADAMCZYK'S
CONCERN ABOUT THE LACK OF PROFESSIONAL INVESTMENT EXPERIENCE
BY "BCPL INVESTMENT COMMITTEE"**

Discussion Only (No Vote) regarding Commissioner Adamczyk's concern about the lack of professional investment experience by "BCPL Investment Committee." Attachments to add:

- According to SWIB attachment from this email
- Please include any prior work experience investing in stocks/bonds/venture capital if you have any for you/Tom/RichAttached for discussion is a one-page document submitted by Commissioner Adamczyk.

Attached for discussion is a one-page document submitted by Commissioner Adamczyk.

Submitted by
Commissioner
Adamczyk

According to SWIB:

SWIB as of 6/20/18, SWIB has 71 investment management staff, of which, 44 are CFA charterholders. There are also a handful of other staff who also have a CFA.

**BOARD MEETING
JULY 24, 2018**

AGENDA ITEM 6

DISCUSSION ONLY (NO VOTE) ON OTHER OPTIONS FOR INVESTMENT OF BCPL TRUST ASSETS, SUCH AS HOW DONE BY THE MINNESOTA SCHOOL TRUST FUND. DISCUSS HAVING INVESTMENT FIRMS PRESENT TO COMMISSIONERS HOW THEY COULD INVESTMENT [sic] SOME OF THE \$1.1 BILLION IN ASSETS. (ADD OTHER THREE ATTACHMENTS FROM THIS EMAIL)

Attached for discussion are documents submitted by Commissioner Adamczyk.



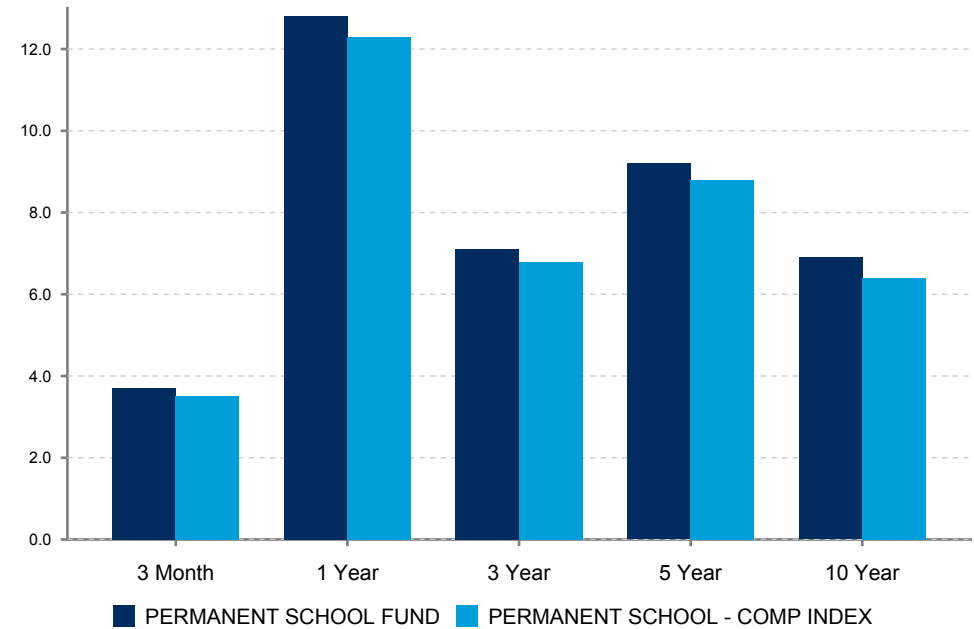
Non-Retirement

Permanent School Fund

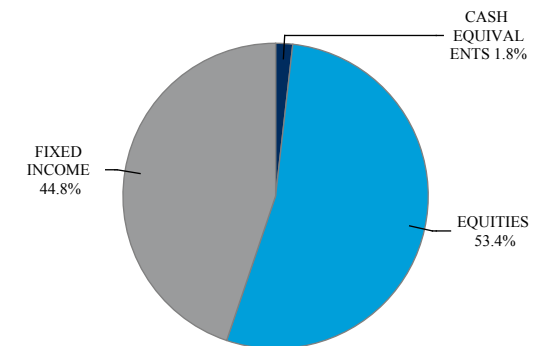
The investment objective of the Permanent School Fund is to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity. The income from the portfolio is transferred to the school endowment fund and distributed to Minnesota's public schools.

The Permanent School Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

The stock segment is passively managed to track the performance of the S&P 500. The bond segment is actively managed to add incremental value through sector, security and yield curve decisions. The fixed income benchmark is the Bloomberg Barclays U.S. Aggregate. The total fund benchmark is a combination of the fixed income and equity benchmarks, weighted according to the total fund asset allocation targets of 2% cash, 50% equity, and 48% fixed income. The actual asset mix will fluctuate and is shown in the graph below.



	<u>Ending Market Value</u>	<u>Last Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
PERMANENT SCHOOL FUND	\$1,389,727,448	3.7%	12.8%	7.1%	9.2%	6.9%
CASH EQUIVALENTS	25,106,914	0.3	1.0	0.5	0.4	0.6
EQUITIES	741,932,645	6.6	21.9	11.4	15.8	8.5
FIXED INCOME	622,687,888	0.5	4.0	2.7	2.8	4.6
PERMANENT SCHOOL - COMP INDEX		3.5	12.3	6.8	8.8	6.4
Excess		0.2	0.5	0.3	0.4	0.5
S&P 500		6.6	21.8	11.4	15.8	8.5
BBG BARC US Agg		0.4	3.5	2.2	2.1	4.0



Note: Since 12/1/2017 the equity segment has been managed by Mellon and the fixed income segment by Prudential. Prior to 12/1/2017 both segments were managed internally by SBI staff. Prior to 7/1/97 the Fund allocation was 100% fixed income.

BCPL Fixed Income Summary

1st Quarter 2018

as of March 31, 2018

Portfolio Summary		Total Assets	Expected Yield ¹	SEC Yield ²	Average Credit Quality ³	Weighted Avg Maturity
Total BCPL-Managed Fixed Income Assets		\$ 1,078,386,698	3.54%	3.56%	Aa1	9.58
Benchmark Performance ⁴				3.27%	A1	8.78
BCPL Fixed Income Investments						
	% of Total BCPL Managed Assets					
Bonds	50.99%	\$ 549,839,297	3.77%	3.80%	Aa1	14.89
BCPL State Trust Fund Loans	41.77%	\$ 450,483,580	3.64%	3.64%	Aa1	4.76
Cash and Cash Equivalents ⁵	7.24%	\$ 78,063,821	1.21%	1.21%	Aaa	0.00
Total BCPL Managed Fixed-Income Investments		\$ 1,078,386,698	3.54%	3.56%	Aa1	9.58
Benchmark Components						
	Weighting					
S&P Long Intermediate Term Taxable Municipal Bond Index ⁶	60.00%		3.48%	4.04%	Aa3	9.50
S&P U.S. Treasury Bill Index ⁷	10.00%		1.65%	1.39%	Aaa	0.08
Wisconsin Tax-Exempt Bond Mutual Funds (combined) ⁸	30.00%	\$ 325,800,001	N/A	2.37%	Baa1	10.23
Total Benchmark				3.27%	A1	8.78
Important Notes on Following Page						
Prepared by Richard Sneider, CFA, CIPM						

Submitted by
Commissioner
Adamczyk

LISTS > BANKING AND FINANCE  SUBSCRIBER CONTENT


Largest Milwaukee-area investment managers

Ranked by Managed assets as of Dec. 31, 2014, local

Locally Researched by: Barbara Zaferos, Milwaukee Business Journal Aug 21, 2015, 5:00am CDT

The list of largest Milwaukee-area investment managers is ranked by assets managed locally as of Dec. 31, 2014.

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SORT: RANK ↑



Rank	Company	Managed Assets As Of Dec. 31, 2014, Local	% Instit., Corporate	% Individ.	Investment Strategy, Style	Top Local Executive
1	Artisan Partners 875 E. Wisconsin Ave. Suite 800 Milwaukee, WI 53202 414-390-6100 artisanpartners.com	\$107.9 billion	63%	6%	Global investment management firm that provides a broad range of high value-added investment strategies	Dean Patenaude, EVP, global distribution
2	Baird Advisors 777 E. Wisconsin Ave. Suite 2500 Milwaukee, WI 53202 414-298-1060 bairdadvisors.com	\$29.07 billion	90%	10%	Structured, short, intermediate, taxable and tax-exempt, core fixed income including	Mary Ellen Stanek, Managing director/CIO

Submitted by
Commissioner
Adamczyk

Rank	Company	Managed Assets As Of Dec. 31, 2014, Local	% Instit., Corporate	% Individ.	Investment Strategy, Style	Top Local Executive
					long duration customized benchmarks	
3	Fiduciary Management Inc. 100 E. Wisconsin Ave. Suite 2200 Milwaukee, WI 53202 414-226-4545 fiduciarymgt.com	\$21.99 billion	75%	25%	Equity strategies applying a value discipline, with a focused approach firmly rooted in fundamental research.	Ted Kellner, Executive chairman Patrick English, CEO/CIO John Brandser, President/COO/CCO
4	Heartland Advisors Inc. 789 N. Water St. Milwaukee, WI 53202 414-347-7777 heartlandadvisors.com	\$5.4 billion	82%	18%	Long-only, independent investment firm with an actively managed, value equity focused product suite	Will Nasgovitz, CEO/Portfolio manager
5	Nicholas Co. Inc. 700 N. Water St. 10th Floor Milwaukee, WI 53202 414-272-4650 nicholasfunds.com	\$5.33 billion	NA	NA	Investing in growth companies focused on valuation, downside risk and a long-term investment horizon	Albert Nicholas, CEO/Portfolio manager

Two ways to get all **25 Largest Milwaukee-area investment managers** in this List.

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Submitted by
Commissioner
Adamczyk

https://madison.com/ct/news/local/education/university/uw-system-transfers-million-trust-accounts-to-state-of-wisconsin/article_9f858155-ba4d-5b55-86be-bf1d83f7dbda.html

UW System transfers \$560 million trust accounts to State of Wisconsin Investment Board

By Pat Schneider Apr 6, 2018

TRY 1 MONTH FOR 99¢



The UW Board of Regents is finalizing the transfer of management of more than \$500 million in trust funds to the State of Wisconsin Investment Board.

BUY NOW

PHOTO BY SAIYNA BASHIR

The University of Wisconsin is completing the transfer of its half-billion dollar trust funds to the highly rated State of Wisconsin Investment Board for management.

SWIB is assuming management of some \$560 million in funds which have been bequeathed, gifted or granted to the university.

A committee of the UW System Board of Regents Thursday recommended approval of an Investment Policy Statement to govern investment and management of the system's trust funds, which previously were managed in-house. The full board is expected to act on the matter Friday.

Submitted by
Commissioner
Adamczyk

Gerald Whitburn, chair of the Business and Finance Committee, said that transferring management of the funds grew out of a desire to fully meet the Board of Regents' fiduciary responsibility.

"As we move to SWIB, we are moving our trust funds to one of the largest funds in the world, with \$117 billion under management, and one of most highly respected money management organizations anywhere in the country," Whitburn said. "We thought that at the end of the day, this step is in the state's best interest and the university's best interest."

The Board of Regents in November approved researching a transfer to SWIB.

Potential savings to the university soon were identified, said Regent Bryan Steil.

"We started with a focus on fiduciary duty and ended up with a win-win in implementing the transfer in a cost-effective way," Steil said.

UW staff estimates the system will save \$1.8 million annually in management and administrative fees with its trust funds under SWIB.

Under the new investment policy, asset allocation targets and decisions are under the control of SWIB, which also will set performance benchmarks and investment principles and guidelines.

Submitted by
Commissioner
Adamczyk

There will be no change in the spending policy of the long term endowment fund of 4 percent annually.

The gifts to the university are held in more than 3,000 accounts, almost all of which have some restriction on where and how the funds can be spent, university staff members said.

A management agreement with SWIB has been signed, effective April 1.

Sean Nelson, vice president of finance for UW System, said that the trust fund accounts were liquidated March 29 at the end of the trading day. While he had been concerned about the volatility of the market, the values at the time of sale were good, Nelson said. New funds were purchased Monday and Tuesday.

“I was never so thankful the market tanked on Monday. We fared pretty well,” Nelson said.

Regents will review investment reports annually for their adherence to the newly adopted policy.

**BOARD MEETING
JULY 24, 2018**

**AGENDA ITEM 8
EXECUTIVE SECRETARY'S REPORT**

Attachments

- 2018 Q2 Investment Report – June 30, 2018
- Monthly Portfolio Report – Fixed Income – June 29, 2018
- Monthly Portfolio Report – Public Equity Income – June 29, 2018
- Investment Transaction Report – July 19, 2018

BCPL Trust Fund Investment Report – Second Quarter 2018

Executive Summary

BCPL fixed-income investment performance continues to exceed benchmark returns. The yield in BCPL-managed fixed-income portfolios was **0.65% greater** than benchmark yields in the first quarter. When adjusted for differences in credit quality and maturity, the BCPL-managed portfolio provided a yield 0.91% better than the benchmark. Over the course of a year, this means that the BCPL-managed portfolio would provide over **\$9,750,000 more to beneficiaries** than a benchmark portfolio of similar quality.

In continuing efforts to diversify the CSF portfolio in accordance with the Board-approved Investment Policy Statement, Staff accomplished the following during the second quarter:

- Acquired an additional \$9 million in public equity ETF assets, which now total \$22 million for slightly over 2% of CSF assets.
- Closed on a commitment to investing up to \$15 million in Venture Investors Health Fund 6. BCPL has not received any capital calls to date from this commitment.
- Closed on the purchase of a \$25.6 million WHEDA bond backed by a portfolio of five multifamily mortgage loans. The loan package provides an initial average net yield of 4.75% with most loans including an interest rate reset periodically during the loan term.

Fixed Income

The benchmark 10-year Treasury rate was extremely volatile during the second quarter, rising from 2.73% to 3.11% before settling back down to around 2.86%. Staff took advantage of this volatility by buying and selling bonds to generate capital gains and improve the overall yield of the bond portfolio. Trades included the selling of inflation-protected securities (TIPs) after a short holding period to generate gains of \$254,000, along with the sale of \$33.5 million in lower yielding securities during the quarter to accomplish the following:

- Generate an additional \$440,000 in long-term capital gains;
- Improve the average holding period return of these securities from 3.50% to 4.02%;
- Provide funds to reinvest in higher yielding bonds currently available (generally above 4%).

Public Equities

Staff believes that risk levels inherent in the public equity markets have increased in recent weeks due to escalating rhetoric and executive actions on trade, tariffs and foreign investment. Domestic stock prices have not responded to this change in risk, and Staff has therefore reduced the pace of public equity acquisitions. The Investment Committee continues to maintain vigilance regarding current and expected market conditions and the pace of ETF acquisitions.

BCPL Fixed Income Summary

2nd Quarter 2018

as of June 30, 2018

Portfolio Summary	Total Assets	Expected Yield ¹	SEC Yield ²	Average Credit Quality ³	Weighted Avg Maturity
Total BCPL-Managed Fixed Income Assets	\$ 1,073,512,398	3.71%	3.77%	Aa2	9.55
Benchmark Performance ⁴		3.06%	3.34%	A1	8.78
BCPL Returns Compared to Benchmark		+ 0.66%	+ 0.43%	++	+ .77 Yrs
BCPL Fixed Income Investments					
	% of Total BCPL Managed Assets				
Bonds	52.78%	\$ 566,578,097	3.87%	3.98%	Aa1 14.60
BCPL State Trust Fund Loans	44.98%	\$ 482,894,050	3.62%	3.62%	Aa1 4.10
Cash and Cash Equivalents ⁵	2.24%	\$ 24,040,251	1.88%	1.88%	Aaa 0.00
Total BCPL Managed Fixed-Income Investments	100.00%	\$ 1,073,512,398	3.71%	3.77%	Aa2 9.55
Benchmark Components					
	Weighting				
S&P Long Intermediate Term Taxable Municipal Bond Index ⁶	60.00%		3.63%	4.14%	Aa3 9.45
S&P U.S. Treasury Bill Index ⁷	10.00%		1.80%	1.58%	Aaa 0.09
Wisconsin Tax-Exempt Bond Mutual Funds (combined) ⁸	30.00%	\$ 316,400,001	2.32%	2.32%	Baa1 10.25
Total Benchmark	100.00%		3.06%	3.34%	A1 8.78
Important Notes on Following Page					
Prepared by Richard Sneider, CFA, CIPM					

Notes to BCPL Benchmark Comparison:

¹ **Expected Yield** is the weighted average yield to the redemption date for each bond, and assumes that issuers will redeem bonds at the earliest possible date, when it is in their best interest given current market interest rates. Also called 'yield-to-worst', this number is equal to the lower of the 'yield to call' and 'yield to maturity' for each investment in the portfolio.

² **SEC Yield** - The SEC yield should not be confused with the expected yield on invested funds. The SEC yield will vary substantially with market conditions because it is calculated using the current market value of assets, and the value of fixed income assets fluctuates with market interest rates. For example, although interest payments produced by an individual bond remain constant following the issuance of the bond, the SEC yield on this bond will increase with market interest rates solely because the value of the bond decreases (yield = income/value). If all bonds are held to maturity, the actual return to the investor would equal the "yield to maturity at cost". This calculation is not provided for benchmark components and is therefore not included in this comparison. Many investors prefer to use "yield to worst", which calculates the return using the lower of the "yield to call" and "yield to maturity". The most appropriate method to compare bond portfolios is to look at Total Return, which combines both income and changes in the market value of the underlying assets (see note 8 below). BCPL does not have the ability to use Total Return as a method of comparison because the Trust Fund Loan Portfolio has never been valued. Rather, the SEC Yield is used for comparison because it is a standardized methodology for calculating yield as required by the Securities and Exchange Commission for all mutual funds and provides a means to compare BCPL managed funds to a simple benchmark. The SEC yield is a close approximation to the net yield to maturity of the fund using the current market value of the fund, and is calculated as the yield to the investor (after fund expenses and fees) during the previous 30 days assuming all bonds are held to maturity. The SEC Yield for the State Investment Fund is for the most recent month available.

³ **Average Credit Quality** - Except for the BCPL loan portfolio, all average credit quality ratings shown equal the weighted average credit rating of individual securities held within each portfolio. A rating for the loan portfolio is provided to improve the ability to compare BCPL managed funds to other funds. The Aa1 rating presumed for the loan portfolio is considered reasonable, as there has not been a single default in the State Trust Fund loan program since inception in 1871, and BCPL has the statutory right and requirement to cure any future default by intercepting state aid otherwise due the borrower. Mutual Fund credit quality is provided by Morningstar. The global long-term rating scale of Moody's Investor Services begins at 'Aaa' for obligations judged to be of the highest quality, subject to the lowest level of risk. The ranking in order from highest to lowest quality then includes: Aa, A, Baa, Ba, B, Caa, Ca, and C. Ratings from Aa to Caa are modified with 1,2, or 3 to provide a high, middle and low ranking within each alphabetic category. 'Investment-grade' securities have ratings of Baa3 or higher.

⁴ **Benchmark Components and Weighting** - Due to the unique set of BCPL authorized investments consisting primarily of the BCPL State Trust Fund Loan Program, and bonds issued by the State of Wisconsin and Wisconsin municipalities and school districts, there are no managed funds that perfectly match the characteristics of the BCPL portfolio. However, the chosen benchmark components provide the best opportunity to compare BCPL investments to funds managed by other professionals. The justifications of including individual benchmark components are provided below. Component weighting begins with an estimate of average liquidity levels required throughout the year, with additional factors including an estimate of the proportion between taxable and tax-exempt project funding, and the use of current taxable and tax-exempt bond yields in developing program interest rates.

⁵ **Cash** - Cash and cash equivalents includes all investments in the State Investment Fund and Farm Credit adjustable rate notes, and all funds managed by ADM in FDIC-insured deposit accounts.

⁶ **S&P Long Intermediate Term Taxable Municipal Bond Index** - This taxable municipal bond index is included as a benchmark component because it properly reflects the investment strategies of BCPL managed Trust Funds, including both the direct investment in taxable municipal bonds and the influence of taxable bond yields on the development of loan program interest rates. The S&P Long Intermediate Term Taxable Municipal Bond Index matches the weighted average maturity and duration of total BCPL managed funds fairly well, although BCPL maintains better average credit quality. This index is comprised of all taxable bonds issued by any state (including the Commonwealth of Puerto Rico and U.S. territories such as the U.S. Virgin Islands and Guam) with an investment grade rating (minimum S&P BBB- or Moody's Baa3), a minimum par amount of \$1 million, and remaining maturity between 5 and 15 years. Average credit quality level is not published by S&P, but was calculated at the weighted average rating of amounts held within the separate S&P AAA, AA, A, and BBB Rated Taxable Municipal Bond Indices using a formula developed by Schwab Portfolio Center, the portfolio analysis software used by BCPL. Overall, a weighting of 60% is appropriate given the average levels of cash and tax-exempt investments held by the Trust Funds throughout the year.

⁷ **S&P U.S. Treasury Bill Index** - The U.S. Treasury Bill Index represents the average cash position held by the Trust Funds throughout the year, and is included because BCPL maintains significant levels of liquidity needed to fund expected trust fund loan demand over the next 3-6 months. The amount of portfolio liquidity (cash) varies significantly throughout the year, and is impacted by factors including the interest rate environment, the absence of prepayment penalties within the loan program, and the statutory payment structure requiring annual loan payments on March 15 each year. The S&P U.S Treasury Bill index is a market weighted index that includes all U.S. Treasury Bills with maturities ranging from 0-12 months. Because an index is not a managed portfolio, but only a collection of securities within a specific set of criteria, management expenses are not included. Overall, a weighting of 10% for this benchmark component is appropriate given the average levels of cash held by the Trust Funds throughout the year.

⁸ **Wisconsin Tax-Exempt Bond Funds** - Tax-exempt bond funds are included as a benchmark component for three reasons: BCPL invests directly in tax-exempt bonds when available at acceptable terms; a significant portion of loans made through the BCPL State Trust Fund Loan Program fund projects that would qualify as tax-exempt; and current tax-exempt bond yields are an important factor in the construction of loan program interest rates. There are three bond mutual funds that invest primarily in Wisconsin State and Municipal Bonds, investments that are similar to the securities approved for BCPL investment. These funds are sponsored by Wells Fargo, Nuveen and Nationwide Ziegler, and there are significant differences between the management of these mutual funds and BCPL trust funds. All three mutual funds are limited to tax-exempt investments, a universe of securities that generally provide lower yields than the taxable instruments favored by BCPL. On the other hand, all three of these funds invest substantial amounts in bonds that have considerable default risk including bonds issued by the Commonwealth of Puerto Rico, community development revenue bonds, hospital revenue bonds, and other bonds types not available within the risk parameters of the BCPL investment authority. Overall, a weighting of 30% for this benchmark component is appropriate given the level of Trust Fund investment in tax-exempt instruments and the influence of tax-exempt bond rates on the interest rates charged within the loan program.

⁹ **Total Return Analysis** - A total return analysis including the periodic change in asset values in addition to earnings would provide a more comprehensive and accurate comparison between the returns generated by BCPL managed funds and our benchmark. However, total return analysis requires accurate asset valuation in order to provide a reasonable basis for measuring management performance. A significant portion of BCPL managed assets are invested in loans to municipalities and school districts through the BCPL State Trust Fund Loan Program. BCPL has never sold a trust fund loan and has always held these investments to maturity. There is currently no formula or model available to determine an accurate market value of the loan portfolio. Should BCPL sell loans in the future and establish a secondary market in BCPL State Trust Fund Loans, total return analysis may provide an improvement over the current method of yield comparison as the model for measuring BCPL investment performance against the appropriate benchmarks.



BCPL Fixed Income Portfolio

As of 06/29/2018

<u>Description</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>Weight</u>	<u>Expected Yield</u>	<u>Yield to Maturity at Cost</u>	<u>Modified Duration (years)</u>	<u>Cost Basis</u>	<u>Estimated Current Value</u>	<u>Estimated Unrealized Gain (Loss)</u>	<u>Annual Income</u>
Treasury and Agency Securities	Aaa	AA+	51.8%	3.56%	3.56%	11.81	290,288,088	282,059,822	(8,228,266)	10,255,016
Wisconsin and State Agency	Aa2	AA-	26.0%	4.18%	4.20%	10.38	139,297,351	141,843,367	2,546,015	5,957,792
Municipal/School District	Aa3	AA-	22.2%	3.89%	3.92%	8.94	120,414,517	120,684,561	270,044	4,818,460
	Aa1	AA	100.0%	3.80%	3.80%	10.80	549,999,957	544,587,750	(5,412,207)	21,031,268



BCPL Public Equity Portfolio

As of 06/29/2018

<u>Symbol</u>	<u>Description</u>	<u>Quantity</u>	<u>Avg Cost</u>	<u>Cost Basis</u>	<u>Current Price</u>	<u>Current Value</u>	<u>Weight</u>	<u>Unrealized Gain (Loss)</u>	<u>Percent Gain (Loss)</u>	<u>Current Yield</u>	<u>Projected Annual Dividends</u>
Domestic Equities											
VTI	Vanguard Total Stock Market ETF	39,895	137.77	5,496,514	140.430	5,602,455	25.8%	105,941	1.9%	1.7%	96,291
VYM	Vanguard High Dividend Yield ETF	39,453	83.60	3,298,274	83.050	3,276,572	15.1%	(21,702)	-0.7%	3.0%	99,453
VNQ	Vanguard REIT ETF	14,504	75.82	1,099,737	81.450	1,181,351	5.4%	81,614	7.4%	3.6%	42,456
VIG	Vanguard Dividend Appreciation ETF	10,820	101.59	1,099,213	101.620	1,099,528	5.1%	316	0.0%	2.2%	24,483
Global Equities											
VEU	Vanguard FTSE All World ex-US ETF	101,605	54.11	5,498,001	51.840	5,267,203	24.3%	(230,798)	-4.2%	4.7%	249,135
VYMI	Vanguard International High Dividend ETF	50,009	65.95	3,297,967	62.230	3,112,060	14.3%	(185,907)	-5.6%	6.1%	189,574
VIGI	Vanguard International Div Appreciation ET	16,936	64.91	1,099,283	64.760	1,096,775	5.1%	(2,508)	-0.2%	3.4%	37,544
VNOI	Vanguard Global ex-US Real Estate ETF	18,266	60.19	1,099,509	58.080	1,060,889	4.9%	(38,620)	-3.5%	5.5%	58,484
		<u>291,488</u>		<u>21,988,498</u>		<u>21,696,834</u>	<u>100.0%</u>	<u>(291,664)</u>	<u>-1.3%</u>	<u>3.7%</u>	<u>797,421</u>



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

**Investment Transaction Report
July 19, 2018**

Bond Purchases

Issuer	Credit Rating	Trade Date	Par Value	Price Paid	Coupon	Call Date	Yield to Call	Maturity Date	Yield to Maturity
FHLB	Aaa	07/16/18	\$5,000,000	\$5,000,000	4.00%	1/24/19	4.00%	07/24/29	4.00%

Bond Sales

Staff has not sold bonds since the last Investment Transaction Report.

Public Equity Purchases

Staff has not purchased public equities since the last Investment Transaction Report.