

101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Jonathan Barry, *Executive Secretary*

AGENDA

July 16, 2019

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 - July 2, 2019 (Attachment)
- 3) Approve Loans (Attachment)

Old Business: None

New Business: None

Routine Business:

- 4) Chief Investment Officer's Report (Attachment)
- 5) Executive Secretary's Report
- 6) Board Chair's Report
 - a) Report on Agency Goals, Initiatives and Strategies
- 7) Future Agenda Items
- 8) Adjourn

AUDIO ACCESS INFORMATION

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**BOARD MEETING
JULY 16, 2019**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the July 2, 2019, board meeting.

Board Meeting Minutes
July 2, 2019

Present in person were:

Sarah Godlewski, Board Chair	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

Present via teleconference were:

Josh Kaul, Commissioner	Attorney General
Doug La Follette, Commissioner	Secretary of State

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:03 p.m.

ITEM 2. APPROVE MINUTES - JUNE 18, 2019

MOTION: Commissioner La Follette moved to approve the minutes; Board Chair Godlewski seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

Municipality	Municipal Type	Loan Type	Loan Amount
1. Brandon Fond Du Lac County Application #: 02019139 Purpose: Finance park sanitary sewer relay	Village Rate: 3.75% Term: 5 years	General Obligation	\$115,000.00
2. Elmwood Pierce County Application #: 02019141 Purpose: Finance roadwork	Village Rate: 3.75% Term: 10 years	General Obligation	\$214,000.00
3. Lamartine Fond Du Lac County Application #: 02019147 Purpose: Purchase plow truck	Town Rate: 3.75% Term: 5 years	General Obligation	\$100,000.00
4. Lawrence Brown County Application #: 02019140 Purpose: Finance infrastructure project	Town Rate: 3.75% Term: 5 years	General Obligation	\$3,875,000.00

5.	Port Washington Ozaukee County Application #: 02019150 Purpose: Finance business development loan	City Rate: 4.00% Term: 15 years	General Obligation	\$150,000.00
6.	Superior Douglas County Application #: 02019149 Purpose: Construct new fire hall	Town Rate: 4.00% Term: 20 years	General Obligation	\$1,800,000.00
7.	Suring Oconto County Application #: 02019142 Purpose: Refinance BCPL loan #2019086	Village Rate: 4.25% Term: 2 years	General Obligation	\$45,000.00
8.	Two Rivers Manitowoc County Application #: 02019145 Purpose: Refinance WRS pension liability	City Rate: 3.75% Term: 10 years	General Obligation	\$500,000.00
9.	Two Rivers Manitowoc County Application #: 02019146 Purpose: Finance TID #12 development incentive	City Rate: 4.00% Term: 20 years	General Obligation	\$750,000.00
10.	Verona Area Dane County Application #: 02019148 Purpose: Finance referendum projects	School Rate: 3.75% Term: 5 years	General Obligation	\$6,280,000.00
11.	Whiting Portage County Application #: 02019144 Purpose: Finance water service installation	Village Rate: 3.75% Term: 5 years	General Obligation	\$250,000.00
TOTAL				\$14,079,000.00

MOTION: Commissioner La Follette moved to approve the minutes; Board Chair Godlewski seconded the motion.

DISCUSSION: Staff gave an overview of the loans and made special note of the municipalities that were borrowing for economic development projects (i.e., loans 4, 5, and 9 above). Over the past ten years, BCPL has loaned approximately \$250 million for such projects. Another loan of interest was the refinancing of a pension liability loan for the city of Two Rivers.

Staff explained that the loan to the village of Suring is an extension of the existing loan at the same interest rate as the original loan.

VOTE: The motion passed 3-0.

ITEM 4. CHIEF INVESTMENT OFFICER'S REPORT

Staff has reduced investments in equities due to market conditions.

ITEM 5. EXECUTIVE SECRETARY'S REPORT

Executive Secretary Barry reported that the agency's Office Manager, Vicki Halverson, has resigned and will be departing on July 5. He is working with the Division of Personnel Management to hire a limited-term employee until such time that a comprehensive recruitment can be conducted.

In addition, he would also like to hire a limited-term employee to provide backup to the accountant. The duties of the position have increased greatly with the expansion of the Board's investment opportunities. While the accountant processes all financial transactions and performs reconciliations, best practices would have a separation of those duties between two individuals.

ITEM 6. BOARD CHAIR'S REPORT

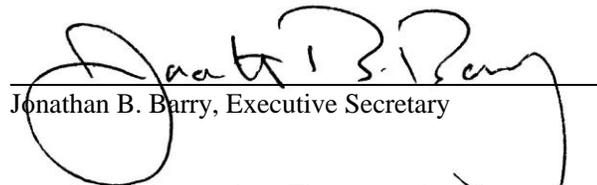
Board Chair Godlewski expressed her appreciation to Ms. Halverson for her service to the agency and wished her the best of luck.

ITEM 7. FUTURE AGENDA ITEMS

Board Chair Godlewski requested that a discussion of the agency's goals and initiatives be added to the next meeting agenda.

ITEM 8. ADJOURN

Commissioner La Follette moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 2:20 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: https://bcpl.wisconsin.gov/Shared%20Documents/Board%20Meeting%20Docs/2019/2019-07-02_BoardMtgRecording.mp3

**BOARD MEETING
JULY 16, 2019**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Cambria - Friesland Columbia and Green Lake Counties Application #: 02020004 Purpose: Finance locker room renovation	School Rate: 3.75% Term: 10 years	General Obligation	\$400,000.00
2. Denmark Brown County Application #: 02019152 Purpose: Refinance municipal garage debt	Village Rate: 4.00% Term: 18 years	General Obligation	\$910,000.00
3. Ettrick Trempealeau County Application #: 02019153 Purpose: Purchase trucks and equipment	Town Rate: 3.75% Term: 3 years	General Obligation	\$97,000.00
4. Kewaunee Kewaunee County Application #: 02020001 Purpose: Finance River Road infrastructure projects	City Rate: 4.00% Term: 20 years	General Obligation	\$1,000,000.00
5. Muskego Waukesha County Application #: 02019151 Purpose: Finance development incentive	City Rate: 3.75% Term: 10 years	General Obligation	\$1,444,690.00
6. Reedsburg Sauk County Application #: 02020003 Purpose: Finance development incentive	City Rate: 4.00% Term: 19 years	General Obligation	\$535,000.00
7. Vesper Wood County Application #: 02020002 Purpose: Finance utility upgrades	Village Rate: 4.00% Term: 20 years	General Obligation	\$300,000.00
TOTAL			\$4,686,690.00

BOARD MEETING**JULY 11, 2019****AGENDA ITEM 4****CHIEF INVESTMENT OFFICER'S REPORT - JUNE**

June was relatively quiet from the standpoint of portfolio management, with the market in full anticipation of a Federal Reserve interest rate cut in July. The 10-year benchmark Treasury rate gradually declined to 2.00% at month-end, while equity markets posted solid gains.

Many leading economists are projecting flat earnings growth over the next year. With stocks at all-time highs, there is increasing economic uncertainty fueled by lower global growth expectations amid continuing trade-war rhetoric. Staff now believes there is more downside risk than upside potential in both the public stock and bond markets.

In this financial market, cash remains a reasonable alternative to acquiring additional stocks or bonds at current prices. Opportunity costs remain low with SIF paying near 2.5%.

The BCPL Investment Committee is nearing the commitment stage on open-ended real estate funds. Real estate investments are expected to increase distributable income to current beneficiaries, while providing long-term capital gains to benefit future generations. The real estate allocation is expected to increase long-term portfolio returns while decreasing overall risk because of a low correlation to the returns on public equities and bonds.

Due diligence reports are expected shortly regarding potential commitments to venture capital funds including Gener8tor and Baird Venture Partners V.

As discussed in prior reports, staff anticipates providing the Board with recommended changes to the Investment Policy in August.

Attachments

1. Investment Transaction Report
2. Month-End Portfolio Report - Public Bonds
3. Month-End Portfolio Report - Public Equities

Investment Transaction Report
As of July 12, 2019

Transactions since the most recent report dated June 28, 2019 include:

Bond Purchases None

Bond Sales None

Public Equity Purchases None



BCPL Public Bond Portfolio

As of 06/30/2019

<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+	47.0%	3.62%	3.62%	12.49	183,565,134	183,553,607	(11,527)	6,630,603
Wisconsin and State Agency	Aa2	AA-	28.5%	4.18%	4.22%	10.41	106,908,150	111,403,218	4,495,068	4,643,133
Municipal/School District	Aa3	A+	24.5%	4.09%	4.13%	9.40	91,444,965	95,582,410	4,137,445	3,870,568
	Aa1	AA	100.0%	3.89%	3.91%	11.14	381,918,249	390,539,235	8,620,986	15,144,304



BCPL Public Equity Portfolio

As of 06/30/2019

Symbol	Description	Quantity	Avg Cost	Cost Basis	Current Price	Current Value	Weight	Unrealized Gain (Loss)	Percent Gain (Loss)	Current Yield	Projected Annual Dividends
Domestic Equities											
VTI	Vanguard Total Stock Market ETF	89,766	135.57	12,169,631	150.090	13,472,979	20.9%	1,303,348	10.7%	1.8%	246,857
VYM	Vanguard High Dividend Yield ETF	110,207	82.84	9,129,076	87.380	9,629,888	14.9%	500,812	5.5%	3.1%	296,457
VIG	Vanguard Dividend Appreciation ETF	29,951	103.40	3,096,907	115.160	3,449,157	5.3%	352,251	11.4%	1.8%	61,699
VNQ	Vanguard REIT ETF	34,965	78.42	2,742,099	87.400	3,055,941	4.7%	313,842	11.4%	4.1%	123,776
VXF	Vanguard Extended Market	23,724	114.57	2,718,018	118.580	2,813,192	4.4%	95,174	3.5%	1.3%	37,247
		288,613		29,855,730		32,421,157	50.3%	2,565,426	8.6%	2.4%	766,035
Global Equities											
VEU	Vanguard FTSE All World ex-US ETF	260,108	50.02	13,009,938	50.990	13,262,907	20.6%	252,968	1.9%	2.9%	384,960
VYMI	Vanguard International High Dividend ETF	155,359	61.13	9,497,461	61.380	9,535,935	14.8%	38,474	0.4%	4.2%	396,165
VIGI	Vanguard International Div Appreciation ET	50,081	62.08	3,109,215	68.043	3,407,646	5.3%	298,432	9.6%	1.4%	46,575
VNQI	Vanguard Global ex-US Real Estate ETF	52,814	56.74	2,996,836	59.000	3,116,026	4.8%	119,190	4.0%	3.4%	107,212
EEMS	Ishares MSCI Emerging Mkt Small Cap	31,086	43.55	1,353,714	44.370	1,379,286	2.1%	25,571	1.9%	2.6%	35,438
SCZ	Ishares MSCI EAFE Small Cap	23,889	56.90	1,359,237	57.400	1,371,229	2.1%	11,991	0.9%	2.8%	38,461
		573,337		31,326,402		32,073,029	49.7%	746,627	2.4%	3.1%	1,008,812
		861,950		61,182,133		64,494,186	100.0%	3,312,053	5.4%	2.8%	1,774,848