

Board Meeting Minutes
June 22, 2017

Present were:

Matt Adamczyk, Commissioner	State Treasurer
Brad Schimel, Board Chair	Attorney General
Jonathan Barry, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Richard Sneider, Loan Analyst and Chief Investment Officer	Board of Commissioners of Public Lands
Vicki Halverson, Office Manager	Board of Commissioners of Public Lands
Dan Malven	4490 Ventures

Present via phone was:

Doug La Follette, Commissioner	Secretary of State
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ITEM 1. CALL TO ORDER

Board Chair Schimel called the meeting to order at 10:08 a.m.

ITEM 2. APPROVE MINUTES – JUNE 6, 2017

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

DISCUSSION: Commissioner Adamczyk said that Executive Secretary Barry asked that he make a motion to correct the Executive Secretary’s report. Specifically, his report indicated that \$7.5 million in capital gains had been realized but the correct amount was \$6.6 million.

MOTION TO AMEND: Commissioner Adamczyk moved to amend the minutes to reflect the correct amount; Board Chair Schimel seconded the motion to approve the amended minutes.

VOTE: The motion passed 3-0.

ITEM 3. APPROVE LOANS

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

Municipality	Municipal Type	Loan Type	Loan Amount
1. Clayton Winnebago County Application #: 02017197 Purpose: Purchase land	Town Rate: 3.50% Term: 10 years	General Obligation	\$1,100,000.00
2. Cross Plains Dane County Application #: 02017199 Purpose: Finance road construction	Town Rate: 4.00% Term: 20 years	General Obligation	\$2,300,000.00

3.	Cross Plains Dane County Application #: 02017200 Purpose: Purchase plow truck and accessories	Town Rate: 3.50% Term: 10 years	General Obligation	\$130,000.00
4.	Palmyra Jefferson County Application #: 02017196 Purpose: Finance dam project and related costs	Village Rate: 3.00% Term: 5 years	General Obligation	\$1,183,064.00
5.	Springvale Fond Du Lac County Application #: 02017198 Purpose: Purchase truck	Town Rate: 3.00% Term: 2 years	General Obligation	\$30,000.00
TOTAL				\$4,743,064.00

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

DISCUSSION: None.

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

ITEM 4. PRESENTATION BY 4490 VENTURES (A Madison-based venture capital group)

Richard Sneider, the Board's chief investment officer, reminded the Board that the BCPL Investment Policy includes a 3% allocation of the Common School Fund for venture capital investments, which would be slightly more than \$30 million. While staff has not made investments in this category, they wanted to update the Board on a potential investment opportunity. He added that most institutional asset allocations include venture capital investments because it provides additional diversification and higher returns than public equities (i.e., stock market). He introduced Dan Malven from 4490 Ventures.

Mr. Malven provided an overview of 4490 Venture's 20-year history, he and his partner's investment experience, and the realized historical returns from their 4490 Ventures I fund investments. He explained that he and his partner are lead investors in the private companies they invest in (i.e., retain a seat on the companies' boards; take an active role in company). Their venture capital investment focus is on small, start-up technology and intellectual property driven companies in the Midwest. Capital gains are realized when the company either goes public or is acquired by a public company because then the company's assets are liquid.

Mr. Malven said they are seeking institutional investors for 4490 Ventures II, a \$75 million early-stage technology venture fund. The State of Wisconsin Investment Board (SWIB) and the Wisconsin Alumni Research Fund (WARF) have committed \$25 million and \$20 million, respectively. He and his partner will again take active roles on the companies' boards in which they invest. He explained that the minimum commitment is \$5 million, the fund life is 10 years, and the investment period is five years from initial closing.

The Board thanked Mr. Malven for his presentation.

ITEM 5. LAND BANK PROGRAM UPDATE

Executive Secretary Barry provided a summary of the report. Since inception of Land Bank Authority, the Board has:

- Increased timber base from 27,000 acres to 33,600 acres;
- Sold 15,000 acres of unproductive land; and
- Purchased 12,900 acres of productive timber land.

The report details how Land Bank Authority has helped the agency accomplish the intended purposes of the legislation. When comparing county and state forests with land bases similar to BCPL, the per acre timber sale revenues are comparable. Executive Secretary Barry noted that 21,900 acres of the Board's 75,000 acres are wetlands and 1,200 acres are completely submerged.

Commissioner Adamczyk said he does not support the Board's authority to purchase land granted by Land Bank Authority. He asserted that the revenues from the land do not cover expenses. Executive Secretary Barry replied that prior to Land Bank Authority that was the case but since passage of the legislation, timber sales and revenues have been increasing and have contributed \$6 million in fund assets to the Normal School Fund. Board Chair Schimel noted that Land Bank Authority has given staff the ability to reduce land management costs by divesting itself of lands that are unproductive and costly to manage. The structure of Land Bank has allowed the staff to increase timber management efficiency and reduce fragmentation, which makes managing the Trust Lands less costly.

Commissioner Adamczyk asserted that the "Board pushed this law to be passed." Board Chair Schimel felt that Representative Scott Jensen [the Assembly speaker when Land Bank was passed unanimously in 2006] was probably not "pushed" into passing this legislation but rather made decisions based on what he thought was best for Wisconsin.

Commissioner Adamczyk said he supported the Board selling all of its Trust Lands and investing those funds. Board Chair Schimel noted that one fundamental reality is that the Board cannot sell all its land at once. By finding opportunities to enhance the value of the remaining Trust Lands, staff is able to manage the land more efficiently and revenue from timber sales can also be realized. He noted that the Land Bank legislation stipulates total acres owned by BCPL cannot exceed the total acreage of public lands managed by BCPL at the time of the bill's effective date. He added that the acreage amount owned by BCPL is actually less than when the legislation was passed and the Trust Lands are now more valuable, which fits into the Board's fiduciary responsibilities.

Board Chair Schimel noted that there is a responsibility to periodically report to the Legislature about the Land Bank program.

MOTION: Commissioner La Follette moved that the Board accept the staff's report; Board Chair Schimel seconded the motion.

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

ITEM 6. FUTURE AGENDA ITEMS

The topic of funding energy efficiency projects for school districts and the budget provision of same will be included on a future meeting agenda for discussion, per Commissioner La Follette's request.

ITEM 7. EXECUTIVE SECRETARY'S REPORT

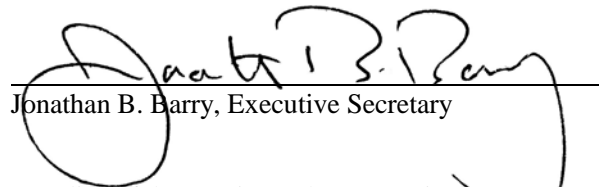
Executive Secretary Barry reported that record earnings totaling \$465,000 from the Normal School Fund had been distributed to the University of Wisconsin. Staff also foresees increased earnings for 2018 based on projected timber revenue and investments.

Executive Secretary Barry also reported that the smoothing fund for the Normal School Fund had been filled. An increase in the smoothing fund amount should be considered given that the distribution will likely increase.

ITEM 8. ADJOURN

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

The meeting adjourned at approximately 11:15 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://doafpt1380.wi.gov/doadocs/BCPL/2017-06-22_BCPL-BoardMtgRecording.mp3