

Board Meeting Minutes  
November 20, 2017

Present via teleconference were:

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| 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<br>Chief Investment Officer | Board of Commissioners of Public Lands |

**ITEM 1. CALL TO ORDER**

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

**ITEM 2. APPROVE MINUTES – NOVEMBER 7, 2017**

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

**DISCUSSION:** None.

**VOTE:** The motion passed 3-0.

**ITEM 3. APPROVE LOANS**

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

Municipality	Municipal Type	Loan Type	Loan Amount
1. Catawba Price County Application #: 02018066 Purpose: Finance sewer project	Village Rate: 3.00% Term: 10 years	General Obligation	\$25,000.00
2. Kennan Price County Application #: 02018064 Purpose: Finance sewer project	Village Rate: 3.50% Term: 10 years	General Obligation	\$25,000.00
3. Lawrence Brown County Application #: 02018069 Purpose: Finance TID #1 land acquisition	Town Rate: 4.00% Term: 20 years	General Obligation	\$4,229,642.00
4. Mentor Clark County Application #: 02018068 Purpose: Purchase dump and pickup trucks	Town Rate: 4.00% Term: 15 years	General Obligation	\$220,000.00

5.	Oregon Dane County Application #: 02018067 Purpose: Purchase property	Village Rate: 4.00% Term: 20 years	General Obligation	\$600,000.00
6.	Sheboygan Falls Sheboygan County Application #: 02018065 Purpose: Finance infrastructure projects	City Rate: 3.50% Term: 10 years	General Obligation	\$161,672.70
<b>TOTAL</b>				<b>\$5,261,314.70</b>

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

**DISCUSSION:** Commissioner Adamczyk asked if the loan to the town of Lawrence was a pass-through loan. Staff replied that it was not.

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

#### **ITEM 4. DISCUSS DRAFT LEGISLATION**

Staff provided the Board with an analysis of draft legislation that would modify when appraisals may be conducted on Trust Lands which are offered for sale; modify how the proceeds from Trust Land sales can be used; and modify how the UW Board of Regents funds the UW-Stevens Point's environmental programs and awards scholarships from the income earned on the Normal School Fund.

Executive Secretary Barry said he did not see an issue with the proposed legislation relating to how the UW Board of Regents distributes the Normal School Fund earnings.

Deputy Secretary German said that draft legislation relating to when appraisals are conducted would be problematic. Current legislation requires an appraisal be conducted on Trust Lands *prior* to the Board offering them for sale via the sealed bid process. The proposed legislation states that the appraisal may be conducted after the land is offered for sale and before the sale is final. This would invite offers on Trust Lands without any idea of the value of those lands. It also injects uncertainty into the process for both the potential buyer and BCPL because neither party knows the value of the land until an appraisal is obtained.

Commissioner Adamczyk stated that the proposed change to the Normal School Fund distributions was a "top priority" of UW System President Ray Cross and a "key priority" of Rep. Tyler August. He added that the remainder of the proposed legislation provided the Board with options. He then compared the Board's process of selling Trust Lands to that of an individual receiving an offer on their home. Rather than the Board spending money for appraisals before the land is offered for sale, the appraisal could be conducted after an offer is received. Executive Secretary Barry countered that the Board is a public entity and is required to have transparency.

Board Chair Schimel asked why the current legislation requires an appraisal prior to the land being offered for sale. Deputy Secretary German replied that in the past many Trust Lands had been sold below market value and then resold at a higher value by the purchaser, which benefited the speculators and not the Trust Funds.

Board Chair Schimel noted that the proposed legislation would not reduce expenses associated with land sales because an appraisal would still need to be conducted prior to the sale being finalized. Commissioner Adamczyk questioned why staff would not conduct the appraisal rather than paying an appraisal company. Board Chair Schimel questioned whether this would constitute a conflict of interest. Executive Secretary Barry added that

having an appraiser on staff would likely be more expensive than the cost of the appraisals and would constitute a conflict.

Commissioner Adamczyk referred to the recent land sales highlighted in the Board's meeting packet and the cost of the appraisals associated with them. Executive Secretary Barry pointed out that all of those properties sold for an amount higher than the appraised value.

Commissioner Adamczyk offered a scenario whereby an interested party makes an offer to purchase Trust Lands that have not yet been offered for public sale by the Board. At that time, an appraisal would be conducted in this scenario. Deputy Secretary German replied that an appraisal and public notice of the sale would still need to be conducted, which is no different than the current process. In addition, there would be no guarantee that the individual making that initial offer would still be interested. Commissioner Adamczyk then referred to the Board's website listing surplus property and the minimum bid on each. He questioned why the minimum bid was published. Executive Secretary Barry replied that all the properties had been appraised in prior years and there were no bids submitted, which then makes them available for private sale.

Commissioner Adamczyk directed the discussion towards the current legislation requiring that any land sales proceeds "may only" be invested in purchasing other land. The proposed legislation would eliminate the word "only" so the funds would not be limited to land purchases. Board Chair Schimel expressed concern about the potential loss of the tax-exempt status of Stewardship bonds being used to purchase BCPL lands. Deputy Secretary German replied that DOA's bond counsel insisted that the tax-exempt status be included in the legislation. Executive Secretary Barry also questioned whether funds from land sales deposited into the Trust Fund could be withdrawn later for a land purchase if the legislation is passed. He added that other states with programs similar to BCPL's Land Bank Authority establish a specific timeframe for those proceeds to be used for land purchases. If the funds are not used within the timeframe, they remain in the trust fund.

Commissioner Adamczyk understood the argument regarding the tax-exempt status but said he would prefer the Board have more options for investing the land sale proceeds. Executive Secretary Barry said the purpose of the analysis was to alert the Board to mechanical issues that relate to the appraisal language and the "may" and "shall" language on Stewardship bonds used to purchase BCPL lands. Commissioner Adamczyk offered that the language could be amended to retain the tax-exempt status of the Stewardship bonds for BCPL land purchases. Deputy Secretary German replied the language would have to be included, at a minimum, to address that issue. Commissioner Adamczyk said he would relay that to Rep. August.

#### **ITEM 5. FUTURE AGENDA ITEMS**

Commissioner La Follette requested that the next meeting agenda include a discussion by the Board to request an audit of the unclaimed property program. Commissioner Adamczyk thought that the Department of Revenue was to provide staff with information on the expenses associated with the program. He added that he "was not auditing Governor Walker's agency." He questioned whether the Board had any audit authority. Commissioner La Follette replied that the Board could request an audit by the Legislative Audit Bureau. Executive Secretary Barry said he would contact DOR on the matter and report back to the Board.

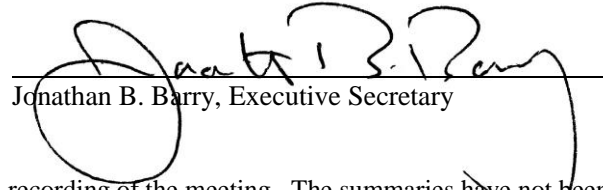
#### **ITEM 6. EXECUTIVE SECRETARY'S REPORT**

Chief Investment Officer Sneider reported that possible changes to federal tax law could affect the sale of tax-exempt bonds in the portfolio so that is being monitored.

Executive Secretary Barry reported that three recent sealed bid land sales resulted in bids that exceeded each of the appraised value for the properties.

**ITEM 7. ADJOURN**

The meeting adjourned at approximately 2:40 p.m.



Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim.  
Link to audio recording: [ftp://doafpt1380.wi.gov/doadocs/BCPL/2017-11-20\\_BCPL-BoardMtgRecording.mp3](ftp://doafpt1380.wi.gov/doadocs/BCPL/2017-11-20_BCPL-BoardMtgRecording.mp3)