

**North Dakota Natural Resources Trust
Board of Directors Meeting
January 17th, 2023 at 8:30am
Teams Video Conference Call/NDNRT Conference Room – Bismarck, ND**

Attendees: Board members Jerry Doan, Randy Renner, Duane Hauck, Dave Dittloff, Gene Veeder and Kristal Stoner were present. Ex-officio representative Scott Peterson, Deputy Director of ND Game and Fish Department, was present for Jeb Williams. Trust staff present were Keith Trego, Terry Allbee, Jesse Beckers, Eric Rosenquist, Heather Husband and Brenda Newton. Others in attendance include John Hagan and Tom Harvey of SEI Investment Company, Marshall Johnson of the National Audubon Society and Sarah Tunge from Mercer County Soil Conservation District.

8:30am

Dave called the meeting to order. Roll call was taken. Dave asked for any announcements. Hearing none, Dave introduced the newest board member, Kristal Stoner, appointed by Audubon. Kristal gave a summary of her current and past employment and her new role at Audubon. All the board members welcomed her. Next, Dave called for changes to the agenda. Hearing none, Dave asked for a motion **“to approve the agenda.” Randy moved and Kristal seconded. All were in favor, motion carried.** Dave asked for any additions or corrections to the August Board Minutes, October Strategic Planning Retreat Minutes, December Finance Committee Minutes and January Finance Committee Minutes. Hearing none, Dave called for a motion **“to approve the minutes.” Gene motioned and Randy seconded. All were in favor, motion carried.**

Tom Harvey, Director of SEI Advisory Team, presented the recommendation from the Trust spending study. SEI recommended changing the current asset allocation to a modified risk management allocation which will provide a more predictable annualized return of investment income. The changes will rebalance the credit and duration exposure within the risk management, be more defensive by increasing managed volatility, and increase probability of annual income distributions. The study shows an anticipated income return of \$1.4 million annually; this does not reflect any additional capital gains distributions. All the Trust accounts, including Federal Designated, Federal Operating Reserve, State Designated, Retained Earnings and ConservND, will all have the same standardized asset allocation moving forward.

John Hagan presented the Trust’s fourth quarter investment portfolio performance review and the overall market performance for the year. The Trust’s Consolidated Portfolio was up 6.1% for the quarter, but down 11.4% YTD. John noted that 2022 saw both the fixed income and equity market having down years, which hasn’t happened since 2008. The Trust’s Multi Asset Real Return fund helped protect the portfolio during a bad market. Commodities were the only asset class that had a positive return for 2022.

Duane reviewed the Finance Committee meeting the week prior and discussed SEI account changes. The board gave additional review to the asset allocation recommendations from the spending study by SEI. These recommendations fall within the current investment policy allocation ranges, but the investment policy will need additional updates to bring the policy current. SEI will work with the Trust to provide investment policy adjustments. Additional account changes include the combining of the Main and Retained Earnings accounts. Gene motioned **“to approve the account and policy changes**

recommended by SEI.” Duane seconded. There was no discussion. **All were in favor, motion carried.** The changes will take effect mid-February, so there will be time to formalize a new investment policy.

Duane presented the opportunity of obtaining a line of credit from The Bancorp Company. Duane explained the Finance Committee met with Brenda Newton and Rebecca Blevins from Bancorp, to discuss details and options for a line of credit. The board discussed borrowing a line of credit and when it might be needed. The Bancorp Company is independent of SEI Investments but does have a partnership with SEI on the utilization of SEI investments shares as collateral for clients. John Hagan explained that using a line of credit would allow the Trust to obtain money without having to sell shares, which would affect earnings at the end of the year. Duane motioned **“to approve a line of credit at \$5 million with the variable rate of 6.25%.” Randy seconded.** Dave called for discussion. Hearing none, a vote was cast. **All were in favor, motion carried.** Keith will send a note to Bancorp letting them know the board’s decision and ask about next steps.

Terry presented the 2022 actuals to budget. The Trust had record earnings from 2021 that supplied income for the 2022 activity. Highlights of 2022 included the hiring of Heather Husband, the Meadowlark Initiative Coordinator, reappointment of Rick Warhurst to NAWCA staff, strategic planning, office remodel completion, habitat program level increases, and having funded over \$4.6 million of on-the-ground habitat projects for the year. The Trust had a record level of expenditures for the year at \$6.1 million. Terry presented a chart showing expenditure levels over the past 10 years. The last three years had a level of expenditures much higher than the previous seven years combined. He noted that 2022 activities and expenditures were accomplished using a smaller portion of investment income, with more funding from project related grants.

Next, Terry presented the 2023 budget highlights. The Trust’s SEI income earnings from 2022 were \$1.6 million. These funds have already been moved to the bank for utilization. The Trust is short on income carryover this year and 2023 expenditures are expected to be high again. An income concern for the past year and upcoming year is the grant reimbursement from our Outdoor Heritage Fund (OHF) grants. There is over \$1.8 million in grant payables from OHF. Keith mentioned that this year there will be an effort to utilize the new strategic plan, work on efficiencies, track accomplishments and work on reporting and record keeping. Terry then stepped through each budget category with the board, highlighting items that relate directly to the new strategic plan. The 2023 budget is projected to have \$11.5 million in potential expenditures, with actuals expected to be closer to \$6 million.

Brenda reviewed the Small Grant Program progress. In 2022, 8 grants were completed and nearly \$80,000 was paid out. There is currently \$93,217.27 outstanding, with the majority being from 2022 grants, which are expected to be completed by the end of 2023. For the 2023 grant round, the staff is recommending \$90,000, where \$9,100 has already been allocated toward two 2-year grants. Brenda plans to make adjustments to application and reporting questions, to help gather more clarity on budgets and data on grant accomplishments. Brenda also plans to send the RFP to a wider network, utilizing contacts from the Meadowlark Initiative network.

Jesse presented on the energy activities. For the carbon capture study, two sites have been selected; one in Burleigh county and one in McKenzie county. The study is being paid for through an Oil & Gas Research Program grant, NFWF grant and Hess contributions. Jesse has also been continuing work with Terracon on reclamation sites in northwestern ND through the Bakken I and Bakken II programs. The sites are being reclaimed back to grazing lands. Jesse is also continuing to maintain and gain new energy company contacts.

Eric reviewed The Nature Conservancy carbon report that was released in late 2022. The Trust, NDGLC and Dr. Rebecca Phillips contributed to the report. The governor's office positively received the report, which identifies on the ground practices that aid in biological carbon capture. The board liked how the report offers defensible talking points about biological carbon capture. The board discussed ways the Trust could continue the message to producers and industry, possibly through coalition building.

Keith reviewed Outdoor Heritage fund activities. A new conservation-at-large board member was appointed last year and governance processes are getting better. Reimbursements from OHF are still slow due to recent staff turnover, but the Trust has seen improvements in the last few months. Terry mentioned that the Trust does not plan to apply for any grants in the spring round but will likely submit two proposals in the fall round.

In Rick's absence, Randy reviewed NAWCA activities. Congress appropriated \$50 million, the highest ever. The cap for standard grants moved from \$2 million to \$3 million and the small grants cap increased from \$100,000 to \$250,000. Randy noted there is a lot of money available, and he hopes the Trust and other entities in ND continue to contribute match on projects.

Sarah Tunge presented on the Dakota Legacy Initiative. The initiative was started through a CCG grant from NRCS. Originally there were 6 collaborators, which has now increased to 20. The Dakota Legacy Initiative is a website that producers can utilize to find reliable programs and resources to help their operations. Sarah noted that they wanted the site to be neutral and focused on outreach and education for producers. Sarah would eventually like to post online learning classes, created by the contributors, where each would focus on a specific education topic. Sarah also mentioned there is a calendar that partners can submit events to.

12:52 pm

After lunch, Heather gave an overview of her Meadowlark Initiative activities. Heather has made initial contacts with 106 landowners; 32 of those have been engaged. The first RCPP batching period yielded 1,189 acres of native grass plantings and 479 acres of native/tame mixed plantings. The results of the second batching period will be discussed with NRCS next week. Heather has been to numerous events promoting the Meadowlark Initiative. She has also had multiple interviews for articles and featured on the NDGF podcast. Heather has been working with NDGF on marketing campaigns and created a conservation marketing group where ideas can be shared across organizations. She has also completed two-thirds of the NRCS Conservation Planning Certification course. She is waiting on gaining access to NRCS software to complete the remaining course.

Terry presented on the Clairmont Family Conservation Park, located in Bismarck. The park ownership was turned over to the Bismarck Park Board at the end of 2022. Restoration and management plans will take place in 2023. Terry also updated the board on the Hecht family property, located 5 miles south of Washburn. The Trust is helping purchase the property to aid in flood control and add to the adjacent Painted Woods WMA. The purchase by American Foundation for Wildlife was approved by the Non-profit Corporation Agricultural Land Acquisition Advisory Committee at the end of December. Terry is currently raising funds for the purchase. Flood structures and various management practices will be placed on the property before donating it to the NDGF.

For old business, Keith reviewed the Board Vacancies Procedure and Staffing Changes Policy documents the staff created, as discussed at the 2022 August board meeting. The board agreed with the documents and liked that the Finance Committee was included in the Staffing Changed Policy as part of the procedure. Gene motioned **"to approve the policies."** Duane seconded. There was no discussion. **All were in favor, motion carried.**

Brenda updated the board on inquiring with the state Boards and Commission office regarding documents needed for board appointments and renewals. The Boards and Commissions office has an inquiry into the Secretary of State office regarding the question. In the meantime, non-gubernatorial appointees do not need to provide a statement of interest form or an oath of office. Brenda also presented a document that shows the steps a new or renewing board member needs to undergo. The document will be posted in the board portal of the website.

Terry notified the board that we are on the fifth year of our five year contract with Haga-Krommer for auditing services. The Trust has been using Haga-Krommer for 15 years. Terry asked the board if they prefer to put out an RFP or continue with our current provider. The board decided to have Haga-Krommer present a 5-year price proposal at the spring board meeting. The board will reassess then.

Keith presented the 2023-2027 Strategic Plan for board approval. He reviewed the process the Trust went through. Dave opened the plan up for board discussion. The mission statement update was discussed. The board decided to add the word 'creation' after 'restoration'. The vision statement was discussed. The board decided to add the word 'conservation' after 'profitable'. Next, Dave reviewed the proposed strategies. For private land conservation, the board decided to add the word 'restoration' after 'retention'. Then, each goal was discussed. For goal A, the board decided to add 'restoration' to each sentence. There was discussion if wetland acres amounts should be added separately or lumped with the total. The board decided to keep it the way it was written. Goal B was addressed next. The board discussed how to implement this goal. They decided to add 'increasing the awareness and appreciation of natural systems and' before 'intention of'. No changes were made for goals C & D. For goal E, the board decided to change the word 'we' to 'the Trust'. The board decided to discuss next steps in new business. Randy motioned **"to approve the strategic plan with the changes discussed."** **Kristal seconded.** There was no discussion. **All were in favor, motion carried.** The staff will make the discussed changes to the Strategic Plan and any formatting edits.

The Board moved on to New Business. The election of officers was first. Randy nominated Dave for president. Dave mentioned that he would be willing to be president for one more year. No further nominations were made. Randy motioned **"to elect Dave as president."** **Duane seconded. All were in favor, motion carried.** Next, Duane nominated Randy for vice-president. No more nominations were made. Duane motioned **"to elect Randy as vice-president."** **Dave seconded. All were in favor, motion carried.** Jerry nominated Duane for secretary/treasurer. No more nominations were made. Jerry motioned **"to elect Duane as secretary/treasurer."** **Randy seconded. All were in favor, motion carried.** The new board of director officers are as stated, Dave Dittloff as president, Randy Renner as vice-president and Duane Hauck as secretary/treasurer.

Next, committee members for the finance and eval committees were discussed. Duane, secretary/treasurer, sits as chair of the Finance Committee. Dave appointed Randy and Kristal to the Finance Committee. The president sits as chair of the Eval Committee. Dave appointed Jerry, Gene and Scott to the Eval Committee.

The 2023 Budget approval was addressed next. Dave called for a motion to approve the proposed budget. **Jerry moved "to approve the 2023 proposed budget."** **Duane seconded.** Dave called for discussion. Keith noted that money for cooperative agreements and contractual staffing support and extra staffing is contained in the budget. Terry reviewed the amounts. Keith mentioned that all additions tie to the strategic plan. **All were in favor, motion carried.**

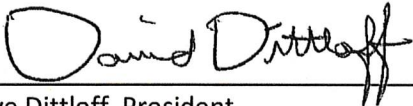
Brenda discussed the annual Conflict of Interest form and reminded the board and staff to fill it out and return to her. The board and staff are required to fill out the form each year to disclose any money received for services rendered.

Keith started the discussion on strategic plan implementation. He explained that the staff plan to spend the next several months working on how current activities fit into the new plan. He also mentioned that staff are going to be more selective on future opportunities this year. Keith explained that the staff are maxed out on their current workloads. The board discussed how to keep the plan alive and the best ways to report accomplishments. It was suggested that arranging the board meeting agenda according to plan goals might be an effective way to report. The board discussed Goal B of the new plan, suggesting the creation of a 1-year ad hoc committee to address grassland retention. The committee would create a group of stakeholders to discuss opportunities and strategies and bring more attention to the issue. Dave will follow up with an email to the board in one week regarding the committee creation. Keith also addressed staffing levels with the board. He wanted their thoughts on what staffing numbers should look like in the next ten to twenty years. The board decided to discuss this at the spring meeting, setting aside two hours or so to address the issue. They would like the staff to create a fact sheet that reports 1) How much money is needed to run the Trust at current staffing levels and 2) How much of the current staffing cost is being covered through grants. The factsheet will be reported to the Finance Committee who will work with staff to make a recommendation to the board. The board noted that the new strategic plan is growth minded and if more staff is necessary, that will need to be addressed.

The board discussed future meeting dates. It was decided to have a 1-day spring meeting and a one and a half day fall meeting. The half day will be used to have more strategic planning discussions. The spring tentative date was decided to be May 16. The fall tentative date was decided to be August 22 and 23. It was not decided which date was to be the half day. That will be decided at the spring meeting. Dave called for a motion to end the meeting. **Duane moved "to adjourn the meeting at 4:18pm." Randy seconded. All were in favor, motion carried.**

Submitted by 
Keith Trego, Executive Director

Dated 6/20/23

Approved by 
Dave Dittloff, President

Dated 6/6/2023

Action items:

- Make changes to Investment Policy before mid-February when account changes take effect. SEI will have recommended policy changes for us.
- Work with Bancorp on the LOC
- Staff to make changes to the strategic plan as approved.
- Ask H-K to present a 5-year proposal for auditing and tax return services at the spring meeting.
- Create an ad hoc committee to address grassland retention. Dave will follow up with an email to the board in one week regarding the committee creation and who wants to be part of it. Possibly have a video call.
- Staff to create a fact sheet that reports 1) How much money is needed to run the Trust at current staffing levels and 2) How much of the current staffing cost is being covered through grants. The factsheet will be reported to the Finance Committee who will work with staff to make a recommendation to the board.