

**NORTH DAKOTA NATURAL RESOURCES TRUST  
FINANCE COMMITTEE MEETING  
JANUARY 13<sup>TH</sup>, 2023  
TEAMS VIDEO CONFERENCE & NDNRT MEETING ROOM – BISMARCK, ND**

Board members present were Duane Hauck, Finance Committee Chairman, Dave Dittloff, President and Randy Renner, Vice-President. Trust staff members present were Keith Trego, Terry Allbee, and Brenda Newton. Guests present were John Hagan and Tom Harvey from SEI Institutional Group and Rebecca Blevins and Brenda Newton from Bancorp.

12:00 PM

Rebecca Blevens and Brenda Newton from Bancorp reviewed the terms for the proposed line of credit. Bancorp provide the Trust with two line of credit options. The options included variable rate at 6.5% and a fixed rate at 7.25% for 36 months. Rebecca explained that there are no nonuse fees and no minimum length of use. The committee was expecting the rate to be lower. There was discussion about how the amount of credit can affect the rate. Rebecca and Brenda are going to submit a higher limit to their pricing committee and get back to the Trust by the following Tuesday. The committee decided they would make a recommendation to the full board go ahead with a line of credit but will wait to see the new rates and decide at the board meeting whether to go with a fixed or variable rate.

John Hagan presented the Trust's fourth quarter portfolio performance review. The Consolidated Portfolio was up 6.1% for the quarter, but down 11.4% YTD. 2022 income was lower than expected due to down markets. John also presented SEI Investments capital market review, highlighting overall market performance, inflation and global outlook.

Tom Harvey presented the asset allocation study with the proposed account changes from the December finance committee meeting. The overall yield expectation from the study would be at 4.2%, this would provide \$1.4 million of annual income. Other asset allocation changes included having fixed income funds rebalanced to reflect longer duration funds. Also consolidating the Trust Main account and Retained Earnings accounts. SEI will also standardize all accounts to a 60/40 asset class allocation. John would like to formally revisit the portfolio annually to ensure funds are well positioned to deliver as expected.

If the suggested asset allocation changes are made to the SEI accounts this will require updates to the Trust's current investment policy. The current investment policy was reviewed. Suggested changes were marked up in the document. John also mentioned that the desired long-term rate of return statement needs to be adjusted from 5% to 3% or expressed over a longer length of time. With the current market, a 5% return rate above inflation is not achievable. The committee decided to recommend a motion at the full board meeting to change the investment policy to reflect the needed changes and empower the finance committee to review and approve the final policy after updates are made.

Terry presented the actual to budgeted information for 2022. The first item discussed was the significant increase in annual expenditures by year. The last three years level of expenditures were higher than the previous seven years combined. In 2022, the Trust had the highest expenditures to date at \$6.1 million. Randy noted that a net cost line on the chart would be nice to add. Terry then presented the 2022 budget highlights.

Terry next presented the 2023 proposed budget. Consistent with last year's income pattern, there will be a high level of grant reimbursements that will be coming in the first part of the 2023 year. He also noted many budget items that relate directly to the 2023-2027 Strategic Plan. The committee liked the reference to these items and would like them also highlighted for the full board next week. The committee supports the 2023 budget Terry presented and will recommend it at the board meeting.

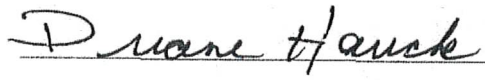
Keith reviewed salary surveys. He recommended a change to Brenda's salary to more accurately reflect her current duties. Staff will analyze and update comparable positions and a recommendation will be made to the finance committee at the end of the first quarter of 2023. He also noted that inflation numbers are high, at 8%, and this will reflect a significant increase in overall salary cost for 2023. Keith also touched on staffing levels. He would like more feedback from the board on their thoughts on staffing levels especially in relation to the new strategic plan. The committee agreed that it would be good to have these discussions as well as strategic plan implementation discussions and a 2-day spring retreat should be brought up at the board meeting.

Terry presented a chart that showed the 2022 cash flow for the year. He noted that more cash was needed in the fourth quarter as due to delays in grant reimbursements. To alleviate this, the remaining income from 2021 that was left in the SEI income account was utilized. A change in fiscal date was also discussed. The committee was in favor of whatever fiscal date is easiest for staff to manage.

Randy motioned "to adjourn the meeting at 3:03 PM." Dave seconded; motion carried.

  
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Keith Trego, Executive Director

4/12/23  
Date

  
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Duane Hauck, Finance Committee Chair

4-11-2023  
Date

### January 2023 Finance Committee Action Items

- Review new line of credit rate and decide if we want the fixed or variable terms. Motion decision at January board meeting.
- Motion for board approval to change Investment Policy and have Finance Committee approve the final edits.
- Discuss next steps/implementation of strategic plan and how that reflects on staffing levels, possibly at a 2-day spring retreat.