

NORTH DAKOTA NATURAL RESOURCES TRUST
Board Meeting
Bottineau, North Dakota
July 21-22, 2005

The summer meeting of the North Dakota Natural Resources Trust Board of Directors started at 1:00 p.m. Thursday, July 21, 2005, at the Quilt Inn & Suites, Lake Metigoshe, Bottineau, North Dakota. Directors present were Bruce Adams, Dick Kroger, Duane Liffbrig, Jack Olin, and Genevieve Thompson. Directors Scott Peterson and Dean Hildebrand were absent. Trust employees attending were Sharon Clancy, Arnie Kruse, Keith Trego, Terry Allbee, and Linda Roeder. Merri Meridian, Garrison Diversion Conservancy District, was also present.

Thursday, July 21, 2005

Dick Kroger called the meeting to order at 1:00 p.m. Roll call was taken and announcements were made. Keith noted Terry had made arrangements to visit two wetlands in the area on the way to the International Peace Gardens visit on Friday. Dick called for a motion to approve the agenda. Duane Liffbrig moved and Jack Olin seconded **“to approve the agenda.”** A voice vote was called and the motion carried 4-0. Bruce Adams moved and Duane Liffbrig seconded **“to approve the minutes as presented at the April 2005 board meeting.”** A voice vote was called and the motion carried 4-0. (Genevieve Thompson was absent during voting.)

Recommendations/Special Reports

Terry Allbee presented the first half-of-year financial report to the Board. Terry went over the investment and project income. He then went over grant expenditures, noting several large grants will come due the second half of 2005. In 2006, four grants will be ending, but the grantees could submit new grant applications. Keith Trego asked the Board to clarify their position on funding demonstration projects and continuous funding of those same projects. Discussion followed and the Board agreed that demonstration projects funded by the Trust for five or more years should seek funding from other sources.

Trust projects were reviewed next. Arnie Kruse noted ten whole farm and ranch contracts would be cancelled. He will give his final report at the December meeting.

Terry talked about the Midterm Conservation Easement Program, noting there hasn't been any interest or activity. He recommended transferring the easement line item of \$13,000 to the Beginning Farmer Program. Dick Kroger briefly reviewed the beginning farmer program and suggested the Trust evaluate the program's long-term future. He stated the Trust had funded several farmers and that interested farmers should look to the other partners to secure funding. Duane Liffbrig moved and Jack Olin seconded **“to modify the budget to reflect the midterm easement line item dollars (\$13,000) are moved to the beginning farmer project for up-front payments.”** A roll call vote was taken and the motion carried 4-0.

Dan Devlin joined the meeting via telephone and reviewed the investment status report with the Board. This report is on file at the Trust office in Bismarck. A question and answer period followed. The Board voiced concerns about investment losses because of the long-term fixed securities mandate that the Trust has.

Keith Trego updated the Board on working with the Bureau of Reclamation (Bureau) to gain flexibility over Trust asset allocations before continuing the discussion with Dan. The original Bureau/Trust agreement resulting from the Garrison Diversion Reformulation Act of 1986 dealt with the establishment of a new organization (ND Wetlands Trust). Terms from the original agreement were used to write the revised Bureau/Trust agreement for the ND Natural Resources Trust as described in the DWRA of 2000. Keith reviewed the Trust attorney's opinion on the current investment language and the suggested language he provided to the Bureau. The Trust and the Bureau did background research, and nothing was found that placed any investment limitations on the Trust. Keith has requested modification to the Bureau/Trust agreement that would provide flexibility to the Board to exercise full fiduciary responsibility over Trust investment decisions. Discussion followed.

Duane Liffrig voiced his concerns with mutual funds and his thoughts on balanced funds. He feels if the Trust is going to go to balanced funds, we should look at the management and call for an RFP.

Keith reviewed the schedule he and Terry had put together for DWRA investment limitations. The hope is to have recommendations to the full Board in December and to start investment changes in January based on the Board's decisions.

Terry Allbee told the Board the 2005 contribution from the Bureau in the amount of \$307,000 was deposited into the federal account, and the 2006 contribution looks positive.

Arnold Kruse gave his biomass project report. Partners for his project include the ND Department of Commerce, ND Farmers Union, Stutsman/Jamestown Development Corporation, ND Game and Fish Department, and Dakota West and Dakota Prairie RC&Ds. He has a confirmed budget of \$140,000, which is enough to begin preparation work this fall. Seeding will be done in the spring at six experiment stations: Hettinger, Williston, Minot, Langdon, Streeter, and Carrington. The Agriculture Research Service, Northern Great Plains Research Center in Mandan, will be doing the carbon sampling and analysis. Trust membership with the Renewable Energy Partnership has been renewed.

Sharon Clancy handed out the Conservation Agriculture (CA) final report to all Board members and Trust staff. She reviewed the contents of the press packet and who had received it, as well as the report. Sharon also reported on the CA funding for the first six months, stating we are at the break even point. Altria funded a \$25,000 grant for the CA project; other applications were denied. Sharon requested discretionary funds from different sources, but hasn't been successful. Expenses as of June 30 were \$62,759 with \$129,780 committed. Total receipts amount to \$128,195. An additional \$30,000 is needed for expenses after July. These expenses include finishing the remaining professional papers (both the soil and economic reports in the Soil and Water Conservation Journal, the Resource Analysis Team concept in the Journal of Renewable Agriculture, and the graduate student's report in the Prairie Naturalist). The funds are also needed to close out farm meetings, hold a final partner meeting in December, and possible attendance to the Agricultural Summit this fall to present CA.

Keith Trego reported on the Missouri River FRPP. An application was submitted through NRCS for the third easement. The application was accepted. Keith pointed out the biggest issue is fund raising and is extremely slow. The American Foundation for Wildlife (easement holder) has offered \$10,000 to contract with or hire someone to work on a day-to-day follow-up with individuals/groups plus do other related work. The Trust is working with the Audubon Society to write a capacity building grant to the Bremer Foundation, with the chance of a partnership between the Bremer and Bush Foundations. Keith has also contacted the ND Conservation Fund (Fund), who could accept the money and find someone to contract with. Keith asked the Board if they would accept the \$10,000 in lieu of the ND Conservation Fund and coordinate that activity if the Fund didn't accept. Discussion followed. Bruce Adams moved **“that Keith accept the \$10,000 and continue with his work if it becomes available and the other organization doesn't take it.”** Duane Liffbrig seconded the motion. A voice vote was called and the motion carried 5-0.

Genevieve Thompson read the performance evaluation committee report. Bruce Adams reported the committee is planning to rewrite one of the accountability factors. For 2005, the overall ranking for the performance of the executive director was 3.8. The actual evaluation is on file with the committee chair and is available for review upon request.

The meeting adjourned for the day to tour the lake, hosted by Carolyn and Bruce Adams, and have dinner.

Friday, July 22, 2005

Old Business

Terry Allbee updated the Board on the sweep account process. The audit report showed concerns that our account periodically exceeds the \$100,000 FDIC insurance amount. Terry is working with the accounts manager at Bank Center First on a process to develop a seamless movement of money so our account doesn't exceed the FDIC insurance limitation. The process would move money to a separate holding account that would have new FDIC insurance limitations and then sweep it back into the checking account (up to \$100,000). The bank is working on this now and checking with their Board of Directors. They think by the end of the year it will be approved and become available.

The next item of business was pursuing the investment flexibility. Duane Liffbrig moved and Bruce Adams seconded **“to let Keith proceed with negotiations with the Bureau of Reclamation to change the contract we have or the stipulation from them as to how we can invest money.”** A voice vote was called and the motion carried 5-0.

New Business

The next item Chairman Kroger brought to the Board's attention was the Conservation Agriculture Program. Sharon Clancy had told the Board the program was at an end point and

she would need additional funds of \$30,000 to close out the program and continue with reports for professional publications. Discussion followed concerning additional dollars and the importance of publishing her findings. Bruce Adams moved **“to stick to our budgeted amounts per conservation agriculture and end the project when that money runs out.”** Discussion continued after the motion. Jack Olin seconded the motion. Discussion continued. A roll call vote was taken. Genevieve Thompson - no; Jack Olin - yes; Duane Liffbrig - yes; Dick Kroger - no, and Bruce Adams - yes. Motion carried 3-2.

Dick Kroger turned his chairmanship over to Bruce Adams so he could make a motion **“that we try to contract with Sharon for the amount of \$5,000 to prepare a generic article for the Farm Bureau, Farmers Union, Farm Ranch and Guide, whatever; prepare an article for them and also one for the Journal of Renewable Ag, and participate in the farm summit with a presentation or whatever that takes.”** Genevieve Thompson seconded the motion. Bruce called for discussion. Discussion continued. Dick added a friendly amendment to his motion **“to attend and make a presentation.”** More discussion. Dick made a friendly amendment to his motion, stating **“that we’re directing Keith to contract with Sharon and if, for some reason or another she doesn’t want to do it, feels offended, or whatever and she refuses, that Keith has authority to use up to \$5,000 to get the job done.”** Genevieve Thompson seconded the motion. A roll call vote was called. Bruce Adams - yes; Duane Liffbrig - yes; Jack Olin - yes; Genevieve Thompson - yes, and Dick Kroger - yes. The motion carried 5-0. Bruce Adams turned the chair back over to the chairman.

Keith asked the Board for clarification on a couple points discussed and the meeting adjourned for lunch and two wetland tours before a tour of the game warden museum at the International Peace Gardens.

For Good of the Order

The fall meeting of the Board of Directors will be held in Bismarck, December 14-15, 2005.

Submitted by /s/ Keith Trego Dated 12/15/2005
Keith Trego, Executive Director

Approved by /s/ Richard Kroger Dated Dec. 15, 2005
Richard Kroger, President