

**NORTH DAKOTA NATURAL RESOURCES TRUST  
FINANCE COMMITTEE MEETING  
DECEMBER 20<sup>TH</sup>, 2022  
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, Tom Harvey and Amy Modica from SEI Institutional Group.

10:00 AM

John Hagan summarized the Trust's portfolio performance through the end of November. Cap gains income history will have lower returns than last year.

Tom Harvey reviewed the spending study SEI has been conducting, to help predict year end income for future budgeting. SEI ran two scenarios, one with a 60/40 equities/fixed income asset allocation and another with an 80/20 allocation. SEI recommends that the Trust stay with the 60/40 allocation with an expected return of approximately \$1.5 million each year. Ten years ago, the Trust's expected return was 700-800 thousand. SEI will conduct this return study annually to help keep the Trust at its target goal.

Terry reviewed all the Trust accounts with the committee. He presented a chart that explained all the financial accounts, their asset allocations, a description of each and any recommended changes. He recommended the Trust combine the SEI Main and Retained Earnings accounts, as they serve the same purpose. He also recommended that asset allocation be rebalanced to 60/40, for the accounts that are different.

Terry also presented a document that shows a spending sequence the Trust can use when cash reserves are low. In recent years, expenditures in October and November have been very high, while expected income has been low due to delayed reimbursements from grants. Keith and Terry reviewed different scenarios of what the Trust can do if cash holding become low. One of the scenarios in the spending sequence is to utilize a line of credit. Because of this, and as discussed at the August board meeting, the Trust examined the use of a line of credit. Terry explained that he and Keith have been in contact with Bancorp. Bancorp will hold a line of credit for the Trust at no charge. The committee decided to review the terms from Bancorp before motioning on a recommendation for the full board. Terry also noted that the Trust had to use some money from the Income Sweep account this fall, as cash reserves were too low to cover expenses. The money that was in the Income Sweep account was left over earnings from 2021 that was never deposited into our checking account.

Terry revisited the recommended changes to the Trust's portfolio, combining the Retained Earnings and Main accounts and rebalancing all account allocations to be 60/40, to be in line with SEI spending study. John also noted that SEI at the Trust's portfolio right before the January board meeting, to look at the individual equity compositions to eliminate the ones that aren't producing any yields. Duane motioned **"to recommend to the board to move the Operating Reserve account a 60/40 asset allocation and combine the Trust Main and Retained Earnings accounts into one account with a 60/40 asset allocation."** Dave moved to implement the motion and Randy seconded. All were in favor, motion carried. John said this would take place once the full board approves the changes. Terry explained that these changes would need to be made in our fiscal and investment policies. The policy changes will be discussed more at the January Finance Committee meeting.

Keith reviewed the amount of outstanding grant reimbursements that will come in at the beginning of the year. The Trust is waiting to receive close to \$2 million in reimbursements from 12 grants. The committee wanted to know if this will be reflected in the 2023 budget. Terry said he will include an accounts receivable column to address this. This issue is expected to be an ongoing issue, due to the timing of grant reporting.

Duane gave approval to Randy to sign the annualized audit engagement letter.

The next finance committee meeting was scheduled for January 13<sup>th</sup> at 1:00 pm.

The meeting adjourned at 11:27 AM.

  
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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