

**NORTH DAKOTA NATURAL RESOURCES TRUST**  
**Board of Directors Meeting**  
**July 8 and 9, 2003**  
**Lonetree WMA**  
**Harvey, North Dakota**

The summer meeting of the North Dakota Natural Resources Trust started at 9:30 a.m. Tuesday, July 8, 2003, at the Lonetree WMA, Harvey. Directors Scott Peterson, Dick Kroger, Jack Olin, Bruce Adams, Duane Liffbrig, Genevieve Thompson, and Ex-officio member Dean Hildebrand attended the meeting. Trust employees present at the meeting were Keith Trego, Linda Roeder, Sharon Clancy, Arnie Kruse, Terry Allbee, and Merle Bennett. Also present were Julie Prescott, State Water Commission; Kip Kovar, Garrison Diversion Conservancy District; Daniel Devlin, SEI, Inc.; Chip Euliss and Robert Gleason, US Geological Survey; Kim Stenehjem, Prairie Public TV; Maria Effertz Hanson, Garrison Diversion Conservancy District; Greg Meyer, graduate student, and Dave Rush, Red River Regional Council.

**Tuesday, July 8, 2003**

Chairman Dick Kroger called the meeting to order at 9:30 a.m. and roll call was taken. Keith Trego requested the auditor selection process, an ethanol and switchgrass discussion, a staff salary amount request, and an update on Trust articles in the *North Dakota Water* magazine be placed on the agenda. Dick also added Board absentee issues under Old Business. Dick then called for a motion to approve the agenda. Scott Peterson moved and Genevieve Thompson seconded **“to approve the agenda.”** A voice vote was called and the motion carried 6-0. Jack Olin moved and Duane Liffbrig seconded **“to approve the Consent Agenda,”** which included minutes of the April 2003 board meeting. A voice vote was called and the motion carried 6-0.

Terry Allbee presented highlights of the 2002 financial report, which was done by Senger, Mahlum, and Goodhart, P.C. This report is on file at the Bismarck office of the ND Natural Resources Trust.

Keith Trego briefed the Board on the history of Trust audits and the auditor selection process. He suggested the Board may want to take a more active role in the audit process and consider full Board participation or have an audit fiscal review committee and become directly involved with the audit selection process. Discussion followed. Genevieve Thompson moved and Duane Liffbrig seconded **“that Bruce Adams and Duane Liffbrig co-chair a committee and work with the staff to develop and get a request for proposal for auditor and that the complete Board will be involved in the selection process. The RFP should be for a 3-year period.”** It was agreed that the RFP would include taxes, as well as the audit, and stay with the same schedule. A voice vote was called and the motion carried 6-0.

Terry Allbee presented the first half of the year financial report. Terry reviewed the grant liability and recommended the Board continue to reduce grant solicitation for this year—\$50,000 to \$100,000—for 2004. Jack Olin moved and Scott Peterson seconded **“to solicit new funds of \$50,000-\$100,000 for the next grant cycle.”** A voice vote was called and the motion carried 6-0.

Daniel Devlin, SEI Investments, Inc., reviewed their history with the Trust and the Trust's investment accounts. The investment report is on file at the Bismarck Trust office. Discussion followed.

Greg Meyer, graduate student, University of North Dakota, reported on his two-year study involving the demonstration farms of the Conservation Agriculture program. The study, "Biological Implications of Surrounding Land Use and Wetland Health, a Conservation Agriculture Analysis," objective was to quantify the health of a wetland depending on the surrounding landscape. A question and answer period followed.

Robert Gleason, Northern Prairie Wildlife Research Center, reported on carbon sequestration.

Kim Stenehjem, Prairie Public TV, presented a project proposal for a documentary concerning water issues in North Dakota. Discussion followed.

Arnie Kruse reported on switchgrass as a potential biomass energy crop. Arnie has been speaking with Dr. Ken Vogel, University of Nebraska, who has worked on this idea for some years. Dr. Vogel suggests the best thing the Trust could do is work towards putting together a coalition of ag and conservation groups to push for a pilot switchgrass ethanol plant in North Dakota and then contact the congressional delegation and USDA. He feels the government will be looking for a location in five years and North Dakota would be an ideal place. Arnie recommended the Trust get actively involved in putting a coalition together. Discussion followed. Duane Liffbrig moved and Jack Olin seconded **"to give staff leeway to check into conversion of switchgrass into ethanol."** A voice vote was called and the motion carried 5-0. (Scott Peterson was absent for the vote.)

Bruce Adams led a discussion on the Trust investment policy. He highlighted important points of the policy concerning investments of the original grant, as well as the duties and responsibilities of the Board in managing the investment process. The Board discussed the need for updating the policy and being aware of changes, additions, and corrections needed in the future. Keith suggested the Board review Terry's updated draft policy, incorporate any Board recommendations/changes, and put it on the December agenda for final action. Duane Liffbrig moved and Genevieve Thompson seconded **"to follow Keith's suggestion."** A voice vote was called and motion carried 6-0.

Discussion followed on the risk of placing the original Trust monies in mutual funds. It was suggested the Board meet with Keith and Terry and thoroughly discuss/review the investments of the Trust. After further discussion, it was decided to place the review of investments on the July agenda, at the same time the yearly audit is reviewed.

Keith Trego gave a brief introduction to Dave Rush's presentation on 'Partnering Possibilities in the Red River Valley'. During the April meeting, Keith had provided information on a drain/stream restoration project in Richland County. Dave Rush had written a

letter to the Trust requesting \$7,200 for sponsorship of the project. The Board directed Keith to respond to the request, but discourage any funding. Since that time Keith and Dave have had several discussions and Dave was invited to speak to the Board about Richland County and other potential projects. Dave's presentation centered on partnering possibilities with the Trust for riparian projects in the Red River Valley. The main focus of the Red River Regional Council is the riparian areas and buffers to reduce sedimentation and improve water quality. They also do work with reforestation and riverbank stabilization. Discussion followed.

Scott Peterson, committee chair, gave the executive director evaluation report for the Performance Evaluation Committee. The actual performance evaluation is on file with the committee chair. Genevieve Thompson moved and Scott Peterson seconded **“to accept the executive director evaluation report and recommended salary increase.”** A roll call vote was taken. Bruce Adams, yes; Dick Kroger, yes; Duane Liffrig, yes; Jack Olin, yes; Scott Peterson, yes; and Genevieve Thompson, yes. Motion carried 6-0.

Scott then updated the Board on development of a long-range pay plan for the executive director. This will be a five-step process: 1. concept, 2. position description, 3. conduct an independent salary review, 4. select appropriate salary range based on the salary review, and 5. develop an appropriate pay plan within the salary range selected. The first two steps have been developed and approved by the committee, and work will soon begin on the next step.

Keith Trego discussed staff raises with the Board, requesting an \$8,000 salary budget. Scott Peterson moved and Duane Liffrig seconded **“to approve the \$8,000 request for staff raises.”** A voice vote was called and motion carried 6-0.

Merle Bennett reported on the Walhalla WMA. The reimbursement for land acquisition should reach the Trust by late July. All farmable acres are rented out for this growing season. Restoration work has not been completed due to the extreme wet conditions, but chemical spraying is contracted for. Restoration work on the Robert L. Morgan WMA (Cook Slough) is continuing in most areas. The old farm site buildings and rock piles throughout the property have been buried. Small wetland restorations should go out for bid by mid-July and, weather permitting, the ND Game and Fish Department will do a control burn on former CRP and waste areas. A purchase agreement contract on the Neu property (388 acres) in the Confluence WRP Project has been secured.

Merle reviewed the Trust incentives for the 26<sup>th</sup> CRP sign-up. The Trust will make incentive payments on wetland restorations only. There will not be any cost share on grass seed. There has been little to no interest.

Terry Allbee briefed the Board on midterm easements. The Effertz Key Ranch in McHenry County is the eighth of twelve easement offers. They are the first to select the 30-year option. This easement covers 3,021 acres. The ninth easement is located in Kidder County, north of Tappen. This easement will include 750 acres, with the possibility of an additional 160 acres for public access. This will be a 50-year term option.

Keith Trego updated the Board on the Farm and Ranchland Protection Program (FRPP). FRPP is a component of the farm bill. Its purpose is to protect agricultural land from real estate development. Keith explained that under FRPP, the federal government will cover 50 percent of easement costs (through the Department of Agriculture, Natural Resource Conservation Service [NRCS]), 25 percent is covered by local sponsors, and landowners can donate up to 25 percent. An option with Pat and Mike Wachter has been signed on land north of Bismarck along the Missouri River (Missouri River FRPP). The Trust worked with the US Fish and Wildlife Service on the Wachter easement proposal, with the American Foundation for Wildlife agreeing to be the easement holder. This is a \$1.4 million project involving 113 acres. The Wachter's have agreed to donate 25 percent of the project, leaving \$350,000 (25 percent) needed from local sponsors. This was the first and only proposal submitted under FRPP in North Dakota.

Linda Roeder updated the Board on the web site. A request for proposals was sent to 94 North Dakota newspapers in late February. Two weeks later a second request was sent to the newspapers through the ND Newspaper Association. There were no additional responses. The next step is to choose a designer and proceed with the web site development.

Keith Trego informed the Board about Trust articles appearing in the *North Dakota Water* magazine. A general update of the Trust will appear in the September issue. Extras will be printed for use as handouts and will be included with the next newsletter. A second article is scheduled for the December issue of the magazine.

The meeting adjourned for dinner at the Sage Hill Bed and Breakfast/Country Inn and a tour of the Lonetree Wildlife Management Area. Members of the Board and staff attended the Robert L. Morgan WMA dedication on Wednesday.

Submitted by /s/ Keith Trego  
Keith Trego, Executive Director

Date 12/16/2003

Approved by /s/ Richard Kroger  
Richard Kroger, Chairman of the Board

Date Dec. 16, 2003