

NORTH DAKOTA NATURAL RESOURCES TRUST
Board of Directors Meeting
ND Game & Fish Department
Bismarck, North Dakota
December 10, 2008

The North Dakota Natural Resources Trust (Trust) Board of Directors fall meeting started at 8:00 a.m., Wednesday, December 10, at the North Dakota Game and Fish Department auditorium, Bismarck, North Dakota. Attending the meeting were Directors Dick Kroger, Duane Liffbrig, Scott Peterson, Jack Olin, Genevieve Thompson, and Gary Melby. Terry Steinwand, ex-officio member, North Dakota Game and Fish Department, also attended. Trust employees Keith Trego, Terry Allbee, Merle Bennett, Karen Kreil, and Linda Roeder were present. Others present were Merri Mooridian, Garrison Diversion Conservancy District; Laura Ackerman, State Water Commission; and Scott Hettinger, Bureau of Reclamation.

Dick Kroger called the meeting to order at 8:00 a.m. Roll call was taken. Gary Melby, the newest board member, was introduced. Gary was appointed by the governor to replace Bruce Adams. Duane Liffbrig moved **“to approve the agenda”** and Genevieve Thompson seconded. A voice vote was taken and the motion carried. Scott Peterson moved **“to approve minutes of the summer meeting”** and Genevieve Thompson seconded. A voice vote was called and the motion carried.

Recommendations/Special Reports

Terry Allbee gave a review of the beginning farmer program as requested by the Board at the December 2007 board meeting. The program was developed to offer beginning farmers up-front conservation payments for activities that would enhance conservation and grassland agriculture. A beginning farmer is considered eligible if they qualify for a Bank of North Dakota beginning farmer loan. The Trust places an up-front payment on the grassland acres, restricting the conversion of grassland to crop land. In addition, the landowner agrees to place development practices such as wetland restoration, crop land seeding to grass, fencing, and water development on the property. A cooperative agreement between the Trust and the ND Game and Fish Department (NDGFD) provides additional up-front access payments to the beginning farmer. These funds are used for down payment of the acquired property, however the increase of land prices since the end of 2005 has decreased the percentage that can be covered by the Trust and NDGFD.

Accomplishments of the program include agreements with eight landowners in five counties. There are grassland leases on 6,500 acres, 86,900 feet of fencing development on grazing systems, 12 restored wetlands (30 acres), and 150 acres have been seeded. The ND Game and Fish Department PLOTS program totals 2,920 acres with public access.

The staff recommends increasing the maximum amount the Trust can provide from \$25,000 and/or increase the per acre rate of \$1, provide flexibility to work with people who do not qualify for the Bank of North Dakota loan program, work to increase the partnership to the project, and find other funding. Currently the Trust budget doesn't allow continuation of the program in 2009.

Discussion followed. Duane Liffbrig moved **“to temporarily suspend the beginning farmer program.”** Dick Kroger seconded the motion. The motion failed 4-2.

Terry also reviewed the easement program. We made ten offers with four landowners accepting offers in Kidder, Logan, Wells, and McHenry Counties. The landowner in Logan County was interested in putting longer term protection on his property and opting out of our program to enroll in the US Fish and Wildlife Service’s permanent easement program. In late June, he bought out of his Trust easement program and entered into the US Fish and Wildlife Service program.

Background was given on the Smith property project adjacent to the Smith Grove WMA. It was Glen Smith’s wish that the ND Game and Fish Department have the first opportunity to acquire this property. The NDGFD purchased the property with the help of other partners from the conservation and energy communities. A dedication is planned for the spring.

Merle Bennett updated the Board on the Big Oxbow project in McKenzie County. An appraisal will be done on one parcel of land to determine its value, then talk with the other landowners before going ahead with the rest of the appraisals. Once the landowners are on board with the land values, the Trust will contact the other partners and continue with the acquisition process.

Dan Devlin, SEI, Inc., reviewed the investment report with the Board. This report is on file at the Bismarck Trust office. Discussion followed on the market crisis, etc.

Terry reviewed the 2008 actual to budget statement, as well as the 2009 budget. Keith went over the Trust financial situation with the Board. The current markets have placed the Trust’s accounts below the restricted total in both the federal and state accounts so money cannot be taken from those accounts for day-to-day operations until they exceed the nonspendable amounts. In October, a meeting with the Finance Committee was held to discuss the situation. Money was pulled from the markets and placed in Trust local accounts. This action secured spendable dollars for cash flow needs for several months. Other options are being looked at to secure funds and partnership relationships that will help the Trust until the markets recover. A handout detailing two scenarios was discussed. Duane Liffbrig moved and Jack Olin seconded **“to approve the 2009 budget.”** A voice vote was called and the motion carried 6-0. Duane Liffbrig made a motion **“to keep the entire Board apprised of the progress of resolving our financial problems.”** Gary Melby seconded. A voice vote was called and the motion carried 6-0.

The Board discussed the vice-president opening. Duane Liffbrig moved and Scott Peterson seconded **“to nominate Jack Olin and nominations cease.”** A voice vote was called and the motion carried 5-1.

Another item of business needing Board action was to affirm their electronic vote relating to the ND Action Group (NDAG) income and expenses. Background: Keith Trego had requested the Board approval to accept NDAG funds since Karen Kreil is currently the NDAG coordinator and

to create a separate checking account to track all income and expenses. The funds would be part of the Trust's total financial statement and would be audited annually. All activity would be tracked and recorded by Terry Allbee. All checks would be signed by Keith Trego and Karen Kreil. An electronic motion by Genevieve Thompson and seconded by Scott Peterson 'that the North Dakota Natural Resources Trust agrees to accept the ND Action Group funds of \$9, 861.56 and to provide account administration for these funds. The motion also grants Karen Kreil signing and spending authority for these funds.' An email vote (on file at the Bismarck office) was done and the motion carried 6-0. Jack Olin moved and Duane Liffriig seconded **"to affirm the email action."** A voice vote was taken and the motion carried 6-0.

Greg Link, ND Game and Fish Department, talked about farm bill programs, including CRP, CREP, short-term easement programs, and what the Department offers with these programs.

Jesse Beckers, Pheasants Forever, explained the farmer workshops are held to bring all the agencies and partners together, at one place, so the landowners can learn about any changes and/or new programs they may be interested in.

Nothing new has happened with the 2008 farm bill. Rules have not been written and things seem to be on hold.

Karen Kreil reported on the Corps of Engineers Memorandum of Understanding (MOU) - The original concept was for the Corps to transfer funds to NRCS for Missouri River Recovery efforts and NRCS would contract with the Trust to carry out the work on their behalf. NRCS is unable to enter into this type of contract, so the Trust asked the Corps to consider other agencies. The Trust discussed the possibility of an MOU with the US Fish and Wildlife Service. They indicated they can accept Corps' funding and contract with the Trust to carry out the recovery work along the river.

Spiritwood Project - Great River Energy (GRE) is building a combined heat and power plant. The coal-fired power plant will hopefully incorporate a 10 percent biomass stream along with the coal. GRE received a grant from the Renewable Energy Council to evaluate the feasibility of the biomass stream. The feasibility study should be completed by summer of 2009. The Trust prepared draft Best Management Practices (BMPs) for biomass production and harvest, as well as other conservation practices. The BMPs are currently being reviewed by project partners.

Biomass Plots Study - The Trust received a \$65,000 state CIG grant from NRCS for Phase II of the project which will focus on the economics of perennial bioenergy crop production. Preliminary results from the second harvest of biomass plots conducted in September 2008 indicate yields were lower than in 2007, likely due to drought conditions. Highest yields were from Trailblazer Switchgrass plots at Carrington. As in 2007, switchgrass yields were higher from plots located farther east in the state where more rain is received. Wheatgrass yields were higher in areas located farther west in the state where generally lower precipitation is received.

Genevieve Thompson talked about wind energy and habitat impacts. There is no overall planning and coordination at this time. The Northern Plains Wind Energy Forum was organized to develop guidelines for all wind companies coming into the state so we would know there was some

