

**Bank of North Dakota Presentation to
House Government Operations Division
March 11, 2021**



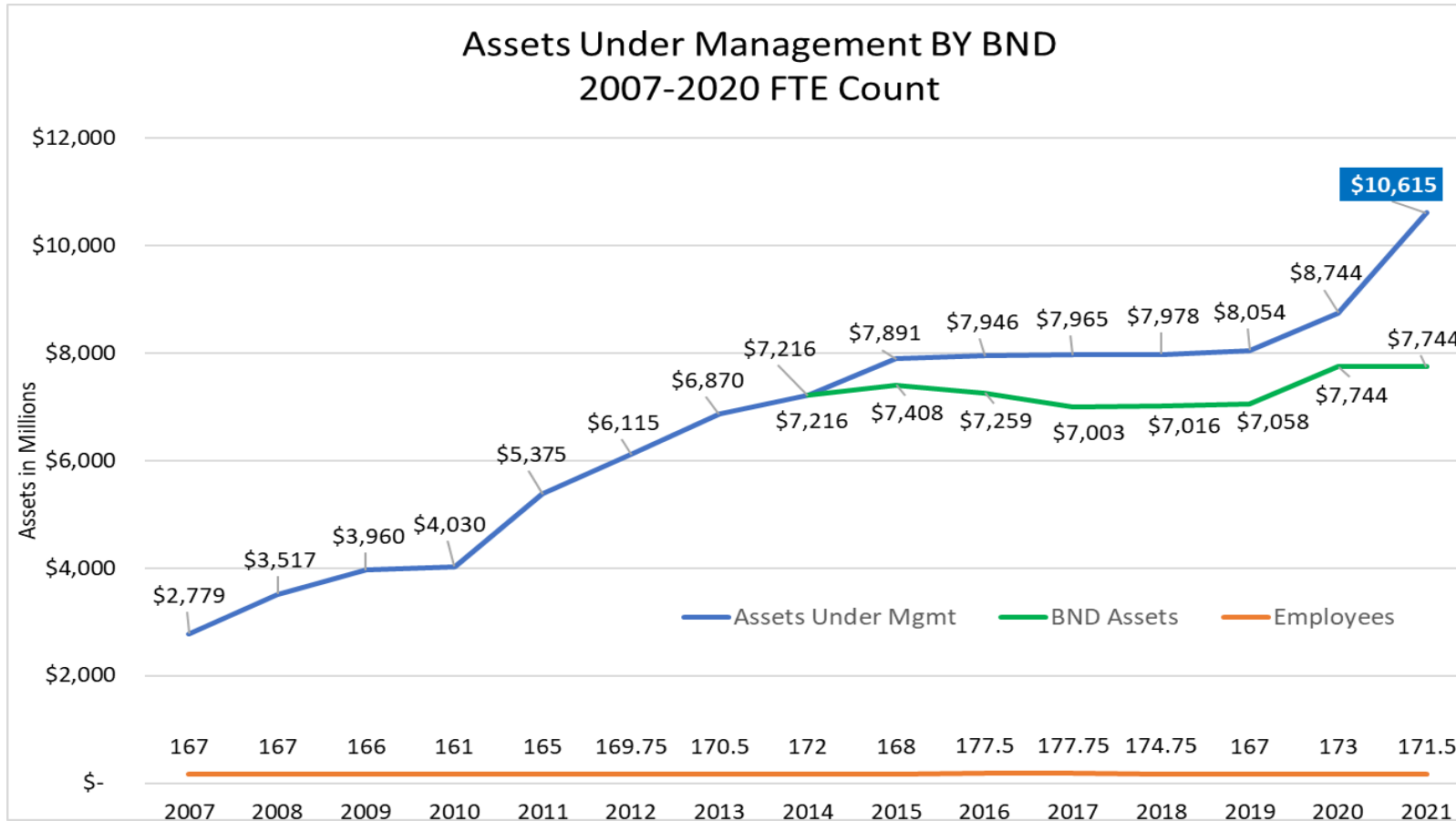
Proposed Operating and Capital Asset Budget

10	Subdivision 2.			
11		BANK OF NORTH DAKOTA		
12			Adjustments or	
13		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
14	Bank of North Dakota operations	\$62,847,799	\$3,246,572	\$66,094,371
15	Capital assets	<u>1,510,000</u>	<u>0</u>	<u>1,510,000</u>
16	Total special funds	\$64,357,799	\$3,246,572	\$67,604,371
17	Full-time equivalent positions	181.50	(10.00)	171.50



Anticipated Growth / Employee Needs

Assets Under Management BY BND
2007-2020 FTE Count



- BND Transferring 16 Positions to ND ITD
- Retaining 6 positions for net change of 10
 - ✓ Anticipate substantial Administrated Program Increase
 - ✓ Loan volume grew dramatically in 2020
 - ✓ Valuation Service will launch in 2021
 - ✓ Special Assets Division workload increase
 - ✓ Currently filling six open positions

Currently evaluating workload, may need to request additional FTE's.

Proposed BND Dividend / Program Appropriations

SB2014 Section	Amount	Reason
Section 9	\$ 140,000,000	Transfer to General Fund
Section 10	\$ 26,000,000	PACE Program Appropriation
Section 11	\$ 5,000,000	Agriculture PACE Appropriation
Section 12	\$ 1,000,000	BioFuels PACE Appropriation
Section 13	\$ 8,000,000	Beginning Farmer Revolving Loan Fund
SB2014 Approp	\$ 180,000,000	
HB1009 Approp	\$ 3,000,000	Ag Products Utilization Commission
Total BND Dividend	\$ 183,000,000	

Dividend Philosophy / Bank Capital

	Unaudited				
	2017	2018	2019	2020	2021
Assets	\$ 7,003	\$ 7,016	\$ 7,058	\$ 7,744	\$ 6,911
Net Loans	\$ 4,824	\$ 4,491	\$ 4,442	\$ 4,758	\$ 4,538
Deposits	\$ 4,615	\$ 4,770	\$ 5,089	\$ 5,795	\$ 4,535
Capital	\$ 825	\$ 862	\$ 939	\$ 913	\$ 893
C/A Ratio	12.05%	12.25%	13.30%	11.79%	12.92%
Income	\$ 145,284	\$ 158,508	\$ 169,049	\$ 141,826	\$ 126,700
ROE	18%	18%	18%	15%	14%

Why Bank Capital is Important—It's the Foundation

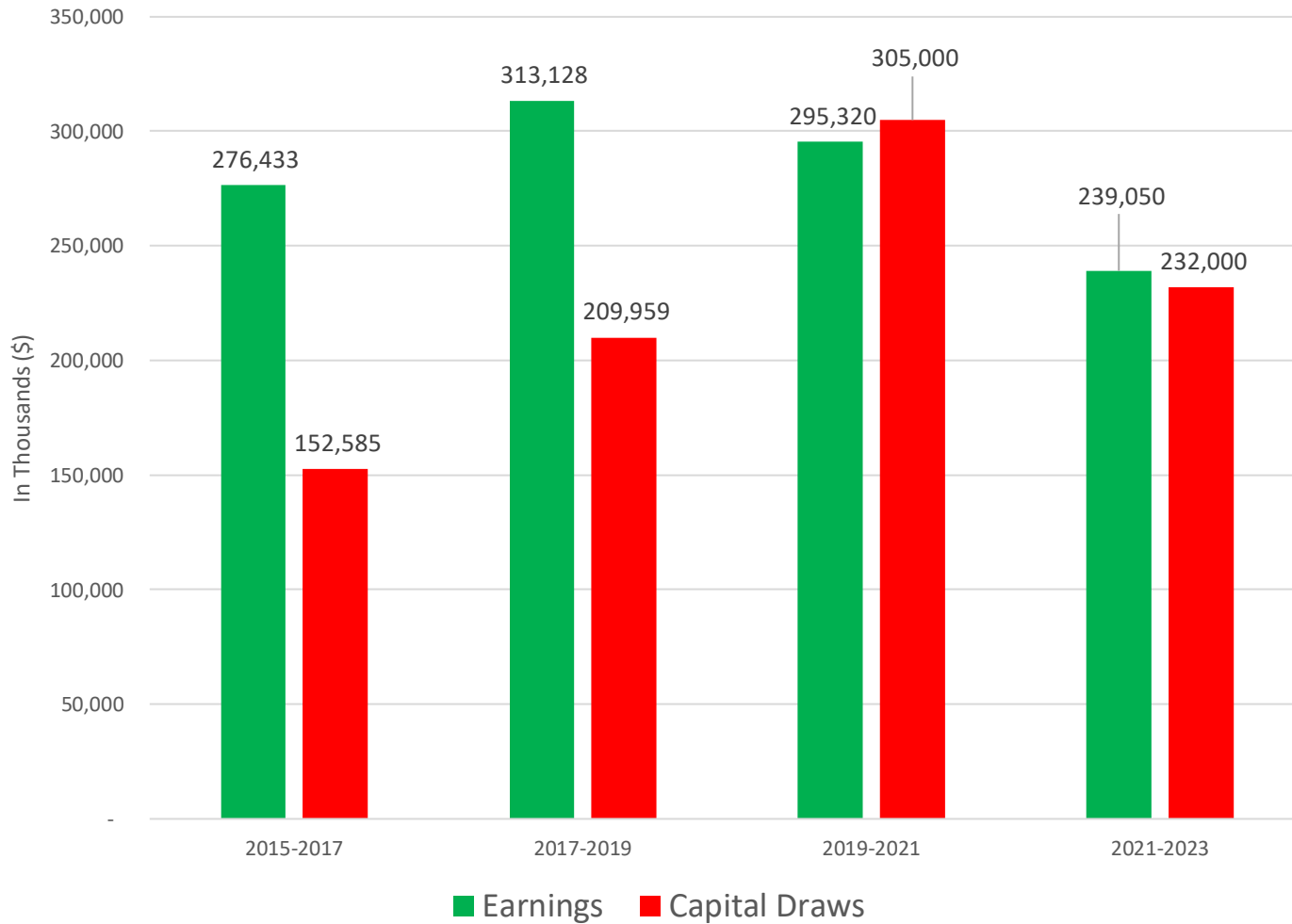
- ✓ Of the \$2B in Loans in 2020--\$404m in Disaster Programs
- ✓ Covid19 Impact on hospitality, multi-family housing, office space and commercial real estate
- ✓ Systemic challenges to BND's commodity-based economy
- ✓ Regulatory required capital levels to sustain S & P rating

Determining BND Capital Requirement

Regulatory Base Capital	6.25%
Strategic Risk	1.25%
-Development of Mission Driven Programs	
Market Risks	1.25%
-Unsecured Fed Funds Lines	
-Letters of Credit	
-Economic Factors	
Operational Risks	1.25%
-Wire Transfer Fraud	
-Data Breach	
Credit Risks	2.00%
-Derivative Counterparty	
-Reverse Repo Counterparty	
-Disaster Loan Portfolio	
-Student Loan Portfolio	
Total Capital Benchmark	12.00%



BND Biennium Earnings & Capital Draws 2015-2023



Capital Draws

2019-2021

\$140,000,000
 \$ 37,000,000
 \$ 20,000,000*
 \$ 20,000,000*
 \$ 15,000,000
 \$ 15,000,000
 \$ 6,000,000*
 \$ 2,000,000

\$255,000,000
 \$ 50,000,000*
\$305,000,000

General Fund Transfer
 Buy Down Programs
 NDUS Deferred Maintenance
 SIRN
 ND Development Fund Transfer
 LIFT Program
 Skilled Workforce
 APUC Fund Transfer
Appropriated Capital Draws
 Small Employer Loan Fund (SELF)
Total Biennium Capital Draw

2021-2023—Anticipated Capital Draw

\$140,000,000
 \$ 40,000,000
 \$ 52,000,000*
\$232,000,000

Anticipated for General Fund
 Buy Down Programs
 IRLF Transfer (Remaining of \$100m)

* Funds not totally Drawn



With the projected \$140,000,000 dividend to the general fund, \$40,000,000 to support PACE programs, \$3,000,000 to APUC and remaining transfers to the Infrastructure revolving loan fund this will once again take 100% of BND's projected 2-year profits.

PACE Program Request

BND Buy Down Program	BND Capital Allocation: 2019-2021 Bien.	Actual Use July 2019 - December 2020	Remaining: 2019-2021 Bien.	PACE Program Appropriation 2021-2023
PACE	\$10,000,000	\$4,800,000	\$5,200,000	\$10,000,000
Flex Pace	\$16,000,000	\$15,000,000	\$1,000,000	\$16,000,000
Affordable Housing	\$0	\$0	\$0	
Bio-Fuels	\$1,000,000	\$1,000,000	\$0	\$1,000,000
Agriculture PACE	\$4,000,000	\$2,000,000	\$2,000,000	\$5,000,000
Beginning Farmer	\$6,000,000	\$5,500,000	\$500,000	\$8,000,000
Total	\$37,000,000	\$28,300,000	\$8,700,000	\$40,000,000
School Construction	5,000,000	4,000,000	1,000,000	1,000,000

Infrastructure Revolving Loan Fund Proposed Changes

Essential Infrastructure Definition--Existing Revolving Loan Fund

For purposes of this section, "essential infrastructure projects" means capital construction projects for the following:

- a. The Red River valley water supply project;
- b. New or replacement of existing water treatment plants;
- c. New or replacement of existing wastewater treatment plants;
- d. New or replacement of existing sewer lines and water lines; and
- e. New or replacement of existing storm water and transportation infrastructure, including curb and gutter construction.

Definition & Term	Proposed Policy Changes				
	Existing IRLF	HB1431	1431 H2O IRLF	SB2014	HB1425
Interest Rate	2% ←	2% to 5%	2%	2%	2%
Pol Subdivision Term	30 Years			30 Years	30 Years
Road and Bridge Term	30 Years			30 Years	30 Years
Maximum Term to Water Supply	30 Years		Not Specified	40 Years	30 Years
Maximum Loan to Political Sub	\$15,000,000			\$40,000,000	\$ 40,000,000
Maximum Loan to Road and Bridge	\$15,000,000			TBD	TBD
Maximum Loan to Flood Control	Not Supported		Not Specified	TBD	TBD
Proposed Appropriation		\$ 50,000,000	\$ 61,000,000	\$ -	\$ 300,000,000

Proposed Appropriation

Essential Infrastructure Definition Adopted in SB2014 and HB1425

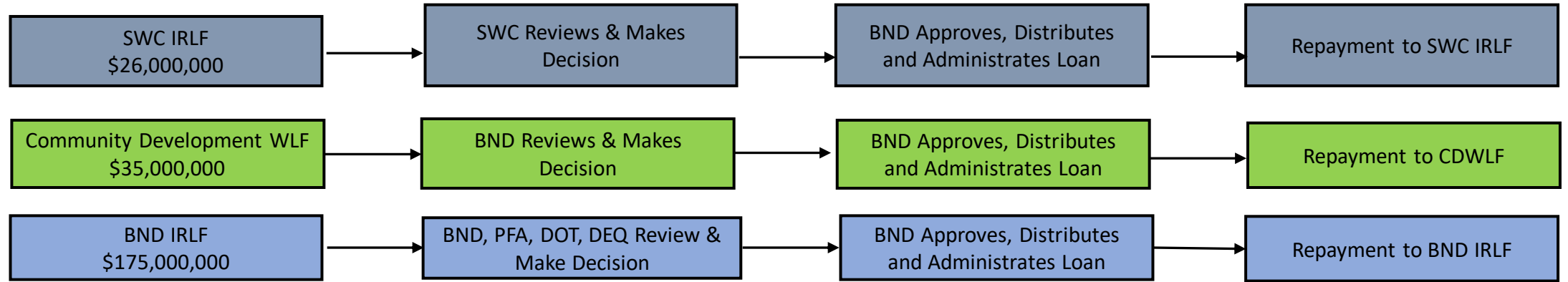
Eligible infrastructure projects under this subsection are capital projects to construct new infrastructure or to replace infrastructure and which provide the fixed installations necessary for the function of a political subdivision and are in the interest of the public.

Capital construction projects include:

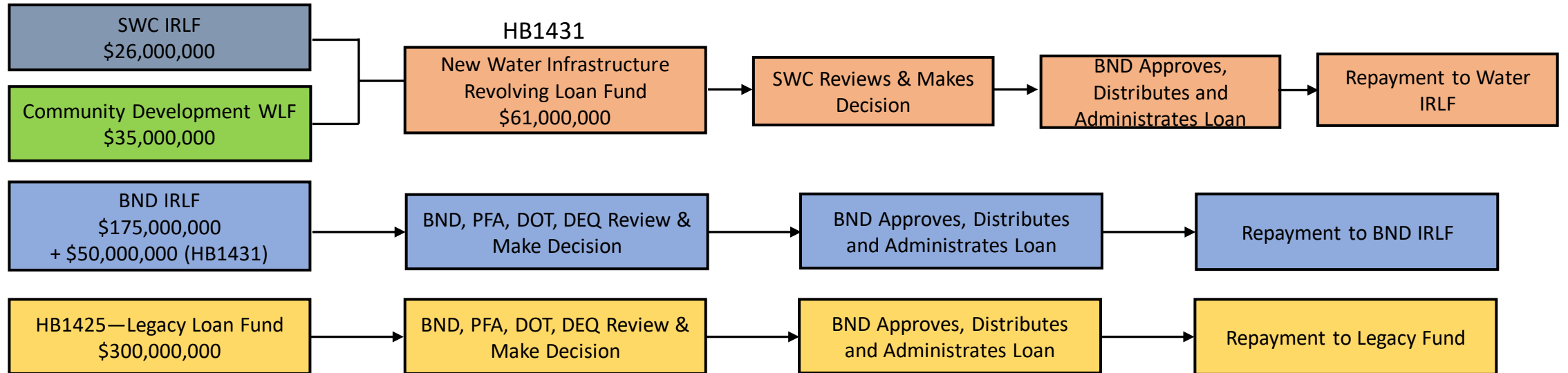
- a. Water treatment plants;
- b. Wastewater treatment plants;
- c. Sewer lines and waterlines, including lift stations and pumping stations;
- d. Water storage systems, including dams, water tanks, and water towers;
- e. Storm water infrastructure, including curb and gutter construction;
- f. Road and bridge infrastructure, including paved and unpaved roads and bridges;
- g. Airport infrastructure;
- h. Electricity transmission infrastructure;
- i. Natural gas transmission infrastructure;
- j. Communications infrastructure;
- k. Emergency services facilities, excluding hospitals;
- l. Essential political subdivision building and infrastructure; and
- m. The Red River valley water supply project

- Also includes the "Useful Life" in the definitions
- Enables DOT to set criteria and approve road and bridge projects
- Enables SWC to set criteria and approve water projects

Existing Water and Infrastructure Funding Process



Proposed Water and Infrastructure Funding Process



Questions