

PROGRAM NARRATIVE**Date:** 12/23/2014**471 Bank of North Dakota****Time:** 12:57:48**Program:** Bank of North Dakota Operations**Reporting level:** 00-471-100-00-00-00-00000000**Program Performance Measures**

In meeting BND's performance, there are three areas that we believe should be monitored: Financial performance, achieving BND's mission, and meeting legislative expectations.

1. Financial Performance - The Department of Financial Institutions (DFI) evaluates the safety and soundness of banks utilizing the "CAMELS" rating system. CAMELS is an acronym standing for: Capital, Asset Quality, Management, Earnings, Liquidity and funds management, and Sensitivity.
2. Meeting the Mission - To deliver quality, sound financial services that promote agriculture, commerce, and industry. We measure our success in achieving our mission by the quality and usage of our programs.
3. Meeting Legislative expectations - ND legislature has two distinct expectations of BND. They expect that BND will continue to be a major player in the economic evolution of the State of North Dakota and that BND can be a source of revenue for the State's General Fund and a funding source for special project and/or program needs as they arise. We believe that if we meet our mission and financial performance objectives, we will fulfill the expectations of the legislature.

Performance Measurement Tools:

Return on Average Assets: Return on assets for 2013, 2012, and 2011 were 1.44%, 1.45%, and 1.48%.

Return on Average Equity: Return on average equity for 2013, 2012, and 2011 were 18.44%, 19.22%, and 19.32%.

Leverage Ratio: The leverage ratio for 2013, 2012, and 2011 were 8.42%, 7.59%, and 7.70%. BND's benchmark is 8%.

Program Statistical Data

Lending services loan portfolio grew from \$3.0 billion at December 31, 2011 to \$3.48 billion at December 31, 2013. This represents a 6% growth rate in loans over the two year period. We provide lending services in four major areas: business, agriculture, student and home lending. All of these areas support diversification as BND's loan portfolio remains well-balanced with commercial loans accounting for 40 percent, student loans 32 percent, residential loans 18 percent and agricultural loans 10 percent.

Treasury services provides a federal funds program to approximately 106 North Dakota financial institutions. Treasury services provides safekeeping services to 102 financial related institutions with over \$9.3 billion of securities in custody. Treasury services also provides bond accounting for 47 North Dakota financial institutions. Within the Treasury services area, BND also provides trust services on 50 accounts with assets of \$311 million, and transfer agent, registrar, and other agency services to approximately 1,100 accounts.

Banking services provide check clearing and correspondent bank account services to North Dakota financial institutions, state agencies, and political subdivisions. ACH and wire transfer services are also provided to correspondent banks.

PROGRAM NARRATIVE

471 Bank of North Dakota

Date: 12/23/2014**Time:** 12:57:48**Program:** Bank of North Dakota Operations**Reporting level:** 00-471-100-00-00-00-00000000**Explanation of Program Costs**

BND is a development and wholesale bank which generates revenue to fund its cost of operations and provide a return to the general fund.

Program Goals and Objectives

BND objectives:

1. Develop partnerships that deliver quality programs and services to expand the economy of North Dakota.
2. Maintain capital strength and financial integrity of the Bank.
3. Generate a consistent financial return to the State of North Dakota.
4. Provide a culture that develops people and is a model of efficient business and government.

REQUEST DETAIL BY PROGRAM471 Bank of North Dakota
Biennium: 2015-2017

Bill#: HB1014

Date: 12/23/2014

Time: 12:57:48

Program: Bank of North Dakota Operations		Reporting Level: 00-471-100-00-00-00-00000000			
Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
Accrued Leave Payments					
Salaries - Permanent	0	881,231	(881,231)	0	0
Total	0	881,231	(881,231)	0	0
Accrued Leave Payments					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	881,231	(881,231)	0	0
Total	0	881,231	(881,231)	0	0
Capital Assets					
Equipment Over \$5000	208,066	250,000	0	250,000	0
IT Equip/Sftware Over \$5000	140,640	495,000	0	495,000	0
Total	348,706	745,000	0	745,000	0
Capital Assets					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	348,706	745,000	0	745,000	0
Total	348,706	745,000	0	745,000	0
PACE Fund					
Transfers Out	13,543,648	0	0	0	0
Total	13,543,648	0	0	0	0
PACE Fund					
General Fund	13,543,648	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	13,543,648	0	0	0	0
Agriculture PACE Prog.					
Transfers Out	1,674,709	0	0	0	0
Total	1,674,709	0	0	0	0
Agriculture PACE Prog.					
General Fund	1,674,709	0	0	0	0
Federal Funds	0	0	0	0	0

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Special Funds	0	0	0	0	0
Total	1,674,709	0	0	0	0
Beginning Farmer Prog.					
Transfers Out	4,553,327	0	0	0	0
Total	4,553,327	0	0	0	0
Beginning Farmer Prog.					
General Fund	4,553,327	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	4,553,327	0	0	0	0
Biofuels PACE					
Transfers Out	979,190	0	0	0	0
Total	979,190	0	0	0	0
Biofuels PACE					
General Fund	979,190	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	979,190	0	0	0	0
BND Operations					
Salaries - Permanent	17,220,249	21,132,160	(231,343)	20,900,817	283,656
Temporary Salaries	477,892	903,000	212,320	1,115,320	0
Fringe Benefits	6,796,975	7,687,000	877,058	8,564,058	103,989
Travel	344,420	442,000	0	442,000	0
Supplies - IT Software	352,510	525,000	0	525,000	0
Supply/Material-Professional	53,112	55,000	0	55,000	0
Office Supplies	437,493	495,000	0	495,000	0
Postage	1,363,188	1,300,000	200,000	1,500,000	0
IT Equip Under \$5,000	318,431	520,000	0	520,000	0
Other Equip Under \$5,000	50,884	100,000	0	100,000	0
Utilities	217,805	245,000	0	245,000	0
Insurance	45,660	50,000	125,000	175,000	0
Rentals/Leases-Equip & Other	35,915	55,000	0	55,000	0
Repairs	354,868	465,000	20,000	485,000	0
IT - Data Processing	2,661,772	3,368,000	650,000	4,018,000	317,280

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
IT - Communications	551,373	630,000	0	630,000	0
IT Contractual Svcs and Rprs	3,876,177	4,058,000	397,000	4,455,000	200,000
Professional Development	859,184	863,400	86,600	950,000	329,600
Operating Fees and Services	2,999,446	3,403,000	0	3,403,000	0
Fees - Professional Services	1,685,114	1,983,000	105,000	2,088,000	782,000
Special Line Other	3,150,156	3,244,356	(1,197,069)	2,047,287	1,952,713
Total	43,852,624	51,523,916	1,244,566	52,768,482	3,969,238

BND Operations

General Fund	0	0	0	0	0
Federal Funds	2,896,149	3,000,000	(1,965,000)	1,035,000	0
Special Funds	40,956,475	48,523,916	3,209,566	51,733,482	3,969,238
Total	43,852,624	51,523,916	1,244,566	52,768,482	3,969,238

Med Fac Infrastructure

Grants, Benefits & Claims	0	50,000,000	(50,000,000)	0	0
Total	0	50,000,000	(50,000,000)	0	0

Med Fac Infrastructure

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	50,000,000	(50,000,000)	0	0
Total	0	50,000,000	(50,000,000)	0	0

Total Expenditures

Total Expenditures	64,952,204	103,150,147	(49,636,665)	53,513,482	3,969,238
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Funding Sources**General Fund**

Total	20,750,874	0	0	0	0
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Federal Funds

R1261 NDCAN	2,896,149	3,000,000	(1,965,000)	1,035,000	0
Total	2,896,149	3,000,000	(1,965,000)	1,035,000	0

Special Funds

003 Special Fund Budget	0	0	0	0	0
493 Strategic investment and improvemen	0	50,000,000	(50,000,000)	0	0

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Request 2015-2017
998 Bank of North Dakota	41,305,181	50,150,147	2,328,335	52,478,482	3,969,238
Total	41,305,181	100,150,147	(47,671,665)	52,478,482	3,969,238
Total Funding Sources	64,952,204	103,150,147	(49,636,665)	53,513,482	3,969,238
FTE Employees	176.50	179.50	0.00	179.50	2.00

CHANGE PACKAGE DETAIL

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Biennium: 2015-2017

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Program: Bank of North Dakota Operations **Reporting Level:** 00-471-100-00-00-00-00000000

Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
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Base Budget Changes

One Time Budget Changes

A-E 6 Remove Medical Facility Infrastructure Loan		0.00	0	0	(50,000,000)	(50,000,000)
Total One Time Budget Changes		0.00	0	0	(50,000,000)	(50,000,000)

Ongoing Budget Changes

A-A 1 Changes in Operating Expenes		0.00	0	0	386,531	386,531
A-A 4 Purchase or Replacement of Capital Assets		0.00	0	0	250,000	250,000
A-A 5 Purchase or Replacement of IT Equipment		0.00	0	0	495,000	495,000
A-A 7 Change in Funding Source from Fed. to Special fo		0.00	0	(2,028,740)	2,028,740	0
A-F 3 Remove Current Biennium Capital Assets		0.00	0	0	(745,000)	(745,000)
Base Payroll Change		0.00	0	63,740	(86,936)	(23,196)
Total Ongoing Budget Changes		0.00	0	(1,965,000)	2,328,335	363,335

Total Base Budget Changes

0.00	0	(1,965,000)	(47,671,665)	(49,636,665)
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Optional Budget Changes

Ongoing Optional Changes

A-C 2 Changes in Operating Expenses Special Noted Chan	1	0.00	0	0	3,581,593	3,581,593
A-C 8 New FTE - Credit Analyst	2	1.00	0	0	177,836	177,836
A-C 9 New FTE - Information Security Analyst	3	1.00	0	0	209,809	209,809
Total Ongoing Optional Changes		2.00	0	0	3,969,238	3,969,238

Total Optional Budget Changes

2.00	0	0	3,969,238	3,969,238
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