

09.17.01

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Public Meeting
Wednesday, April 23, 2003
10:00 o'clock a.m.

NMFS Conference Room, Room 445
Federal Building, 709 W. 9th Street
Juneau, Alaska

TRUSTEE COUNCIL MEMBERS PRESENT:

U.S. DEPARTMENT OF COMMERCE, MR. JAMES W. BALSIGER
National Marine Fisheries Svc: Administrator, AK Region
(Chairman)

STATE OF ALASKA - DEPARTMENT MR. KEVIN DUFFY
OF FISH AND GAME: Commissioner

STATE OF ALASKA - MR. GREGG RENKES
DEPARTMENT OF LAW: Attorney General
State of Alaska

U.S. DEPARTMENT OF AGRICULTURE, MR. JOE MEADE
U.S. FOREST SERVICE Forest Supervisor
Forest Service AK Region

U.S. DEPARTMENT OF INTERIOR: MS. DRUE PEARCE
Senior Advisor to the
Secretary for Alaskan
Affairs,
U.S. Department of Interior

STATE OF ALASKA - DEPARTMENT MS. ERNESTA BALLARD
OF ENVIRONMENTAL CONSERVATION: Commissioner

Proceedings electronically recorded, then transcribed by:
Computer Matrix Court Reporters, LLC, 3522 West 27th,
Anchorage, AK 99517 - 243-0668

1 TRUSTEE COUNCIL STAFF PRESENT:

2 MS. MOLLY McCAMMON Executive Director
3 DR. PHIL MUNDY Science Director
4 MS. CHERRI WOMAC Administrative Assistant
5 MS. MARIA LISOWSKI General Council's Office
6 Department of Agriculture
7 MS. GINA BELT Department of Justice

8 (TELEPHONICALLY)

9 MS. SANDRA SCHUBERT Program Director
10 MS. PAULA BANKS EVOS Staff
11 MS. BRENDA HALL EVOS Staff
12 MS. DEDE BOHN U.S. Geological Service
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TABLE OF CONTENTS

Call to Order	04
Approval of Agenda	10
Executive Director's Comments	11

BRIEFINGS

Oil Spill and Damage Assessment	
Ms. McCammon	15
Litigation, Settlement, Legal Documents	
Mr. Tillery/Ms. Belt/Mr. Cole	19
Restoration Plan	
Ms. McCammon/Dr. Spies	53
Reserve Account - Ms. McCammon	80
Gulf Ecosystem Monitoring (GEM)	
Ms. McCammon/Ms. Elfring/Dr. Mundy/Ms. Norcross	83
Investment Fund	
Ms. McCammon/Mr. Bader	102

PUBLIC COMMENT TELEPHONICALLY

Nancy Bird	123
Mila Kohler	124
Susan Saupe	126
John Devens	131
Ken Adams (In person)	133
Public and Community Participation	
Mr. Huber/Mr. Meacham	169
Procedures/Policies - Ms. McCammon	178

1	Habitat Protection Activities	
2	Ms. McCammon/Mr. Meiklejohn/Mr. Hagenstein	180
3	Approval of Meeting Notes (November 25, 2002)	240
4	Meeting Note Correction	241
5	FY03 Work Plan	211
6	FY04 Invitation	216
7	ARLIS Library	225
8	NOAA Grant	227
9	STAC Nominee	239
10	Kodiak Waste Management Plan Extension	242
11	Adjournment	256

12

13

14

15

16

17

18

19

20

21

22

23

24

25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

2

3
4
5
6
7
8
9
10
11
12
13
14
15
16

17
18
19
20
21
22
23
24

25

1 all, I'll let you introduce yourselves. Molly, we'll
2 go.....

3 MS. McCAMMON: I'll start with myself. I'm
4 Molly McCammon, executive director of the Trustee Council.
5 And let me introduce the staff that I have here today with
6 me too. Cherri Womac, administrative assistant. And
7 she'll be your main contact in the Restoration Office with
8 the Trustee Council. Dr. Phil Mundy, who's our Science
9 Director on staff. Dr. Bob Spies, who's our contract
10 Senior Scientist on lingering oil spill effects right now.
11 Brenda Norcross, who is co-chair of the Scientific and
12 Technical Advisory Committee. And I'm going to introduce
13 actually our chair of the Public Advisory Committee also,
14 Brett Huber is with us and he'll be speaking a little bit
15 later. I think that's it for my staff. So.....

16 CHAIRMAN BALSIGER: Thank you. Drue,
17 please?

18 MS. PEARCE: Drue Pearce, Senior Advisor to
19 the Secretary of Interior for Alaska.

20 CHAIRMAN BALSIGER: I guess we'll skip over
21 Phil unless he has something else to say. Ms. Ballard?

22 MS. BALLARD: Ernesta Ballard, Commissioner
23 of DEC and I have a significant percentage of the total DEC
24 staff with me today. Kurt Fredrickson, the Deputy
25 Commissioner, Ron Kline and Lynn Cantor are both from the

1 Air and Water Quality Division. And Larry Dietrick, who is
2 the Division Director of our Spill Prevention and Response
3 Division.

4 CHAIRMAN BALSIGER: Thanks. Maria?

5 MS. LISOWSKI: I'm Maria Lisowski with the
6 Office of General Counsel for Department of Agriculture and
7 I'm just here to assist Joe.

8 CHAIRMAN BALSIGER: And Joe?

9 MR. MEADE: Joe Meade. I'm the new Forest
10 Supervisor of the Chugach National Forest. And aside from
11 my counselor, the only other staff I have with me is my
12 guide dog under the table. That's Navaro.

13 CHAIRMAN BALSIGER: Thank you. Kevin.

14 MR. DUFFY: Kevin Duffy, Commissioner of
15 Department of Fish & Game. And Joe, I have a question for
16 you. Am I not fully staffed if I don't have my counselor
17 here? Kevin Brooks, my Administrative Services Director is
18 supposed to be here shortly. He's got some hearings today,
19 but he'll be here to help me out, too. So I look forward
20 to actively engaging in this process.

21 Thank you, Mr. Chairman.

22 CHAIRMAN BALSIGER: Gina?

23 MS. BELT: I'm Gina Belt from the U.S.
24 Department of Justice.

25 CHAIRMAN BALSIGER: And I think the rest of

1 the people here are Fishery Service people. Barbara
2 Fosburg a grants person at the end. Peter Hagen at this
3 end helps me out on the as well as Northeast Fisheries
4 Research Board and Northern Fund. Shawn Carey, John Gorman
5 and Pete Jones sitting down at the end, they're all on the
6 grants process. Dr. Jeep Rice from Auke Bay over here.
7 And that leaves two people I haven't mentioned, so you
8 might as well say who you are.

9 MR. KING: I'm Jim King. I was on the PAG
10 for 10 years and I now off, so I just came to see what was
11 going on.

12 CHAIRMAN BALSIGER: Welcome. And over
13 here.

14 MS. LaPORTE: Barat LaPorte, I'm with
15 Patton Boggs in Anchorage.

16 CHAIRMAN BALSIGER: And the gentleman next
17 to you I guess came in and wasn't introduced.

18 MR. COLE: I'm Charles Cole, C-o-l-e.

19 CHAIRMAN BALSIGER: And I forgot the man
20 from Cordova, I believe.

21 MR. ADAMS: Ken Adams from Cordova,
22 commercial fisherman.

23 CHAIRMAN BALSIGER: Okay. So.....

24 MS. BALLARD: Jim, you're going to have to
25 speak up as long as this machine is on.

1 CHAIRMAN BALSIGER: Oh, all right. I can
2 speak louder. These don't amplify, I guess, but it's for
3 the tape. Got it. Okay. So we have an agenda that was
4 included in the books and also one that was emailed around
5 yesterday, I believe, which differs slightly from the one
6 in the book. So does everyone have a copy of the agenda?

7 MR. MEACHAM: Before you launch into the
8 agenda I better let you know I'm on line, too. This is
9 Chuck Meacham, Vice Chairman of the Public Advisory
10 Committee.

11 CHAIRMAN BALSIGER: Thank you, Chuck. Is
12 anyone else on line that you know of, Cherri?

13 MS. WOMAC: People in the Anchorage office.

14 MR. LAVIN: I'm here. Pat Lavin, I'm also
15 a member of the Public Advisory Committee.

16 CHAIRMAN BALSIGER: And the Anchorage,
17 there's people?

18 MS. SCHUBERT: Yes. This is Sandra
19 Schubert with the Trustee Council staff in Anchorage. And
20 DeDe Bohn, who's with USGS is here, as are Paula Banks and
21 Brenda Hall, who are administrative assistants in
22 Anchorage.

23 CHAIRMAN BALSIGER: Right. Thank you.

24 MS. BALLARD: Is this the proper agenda,
25 Molly?

1 MS. McCAMMON: It should say 41803-DRAFT.

2 CHAIRMAN BALSIGER: So is there any
3 comments on the agenda before we start through it? Mr.
4 Duffy?

5 MR. DUFFY: Thank you, Mr. Chairman. I've
6 just a question I think, or maybe a suggestion. On the
7 second page you'll notice there it says up on the top,
8 restoration synthesis. The State would like to have a bit
9 of a discussion about data synthesis at some point and
10 maybe that comes in under that agenda item but I just
11 wanted to make sure we have that discussion. If it comes
12 in under there then I'm fine with this agenda. But if we
13 need to put it in somewhere else I would recommend that.

14 CHAIRMAN BALSIGER: Thank you. I believe
15 that probably would fit there. Let's keep that in mind.
16 Any other comments on the agenda?

17 (No audible response)

18 CHAIRMAN BALSIGER: Can we have a motion to
19 approve the agenda?

20 MS. PEARCE: So moved.

21 CHAIRMAN BALSIGER: Is there a second?

22 MR. DUFFY: Second.

23 CHAIRMAN BALSIGER: Any objection?

24 (No audible response)

25 CHAIRMAN BALSIGER: If not, we'll adopt the

1 agenda. We will start then with Executive Director
2 comments. Molly, please? Well, let me say one thing.

3 MS. McCAMMON: Yeah.

4 CHAIRMAN BALSIGER: I think we have a whole
5 bunch of presentations this morning. There's four new
6 Trustees, so I think that we should be relatively informal.
7 If the Trustees have questions, if it's okay with Molly and
8 Dr. Spies and the other presenters, let's not progress very
9 far before we get things cleared up. I've been here for
10 three years and I'll probably be as confused as you are and
11 have as many questions. So I'm preserving my right to ask
12 as well. So, please, Molly.

13 MS. McCAMMON: Thank you, Mr. Chairman. I
14 think it would be really valuable as we go along if there
15 are any questions and discussion. But before we do get
16 started on our briefings, I did want to make an
17 announcement. And that is that today I would like to
18 announce that I do intend to resign soon my position as
19 Executive Director of the Council. I don't have an exact
20 departure date yet but I am hoping for early summer. But I
21 wanted you to know this so that you could begin the process
22 of deciding how you wish to choose my replacement and so
23 that we can have a smooth a transition as possible. I've
24 been the Executive Director, I've had the privilege of
25 doing this for nine years now and I've never viewed this

1 job as a lifetime position. So I think now is really an
2 appropriate time to move on to some new challenges.

3 But I wanted to thank all of the past
4 Trustees for their confidence and trust in me, starting
5 with those who originally hired me. And those include
6 Charlie Cole over there, Carl Rosier, John Sandor, Mike
7 Barton, Steve Pennoyer, and George Frampton. And then I'd
8 like to thank all of the Trustees that followed in their
9 footsteps. That's Craig Tillery, Frank Rue, Gene Burden,
10 Michele Brown, Deborah Williams, Marilyn Heiman, Phil
11 Janek, Dave Gibbons, Jim Balsiger and Drue Pearce. All of
12 these Trustees and the fabulous staff that we have at the
13 Restoration Office and in the Trustee agencies, the
14 wonderful Public Advisory Committee members that we've had,
15 have all helped make this the best job I have ever held and
16 that I think I could possibly ever hold in my career. It
17 has truly been an honor to work with all of you. I have
18 never met such a stellar group of public servants working
19 so sincerely in the interests of the public. I'm really
20 proud of all of the work we did. When you look at trying
21 to launch an important high profile public program in the
22 early '90s that was filled with potential mine fields,
23 pitfalls, and yet thanks to the hard work of the Trustees,
24 and the staff, I think most of those mine fields and
25 pitfalls were avoided.

1 When I first started working for the
2 Council I thought the requirement in the government's
3 memorandum of agreement that three State and three Federal
4 Trustees had to do everything unanimously was, quite
5 frankly, pretty crazy. And I want to thank Charlie Cole
6 for that requirement in the agreement. But I think
7 actually over time it has proven to be a stroke of genius.
8 The unanimity clause has brought together the Trustees
9 bridging political parties, ideological persuasions,
10 different personalities, and forcing all of these to act
11 together as one body. This could easily have digressed
12 into some kind of political brinkmanship, turf battles,
13 things of that nature, but it hasn't. And I think that's
14 really a credit to all of the people who has worked in this
15 process over time.

16 We now have four new Trustees on board now,
17 and I know that all of you bring that same dedication and
18 commitment to this process and I'm really confident that
19 the kind of good relations that have occurred over the past
20 10 years will continue to occur. And I wish you the same
21 good fortune in working with staff and the agencies that
22 I've had and that the other past Trustees have had, because
23 there is still a lot of good work to do.

24 And finally, I want to thank the people of
25 the spill-impacted area. These are people who opened their

1 hearts, the homes to me, who understood and embraced the
2 cause that we worked for together restoring the injured
3 resources and the environment following the 1989 oil spill.
4 It has truly been a privilege to serve the people in this
5 region.

6 This summer I celebrate an anniversary.
7 It's my 30th year in Alaska in August. And this is my
8 home, it's the home of my husband, my two teenage boys. We
9 started out in Fairbanks, moved north to Kotzebue and the
10 Ambler River and the Brooks Range, south to Juneau, back
11 north to Anchorage. And I've had the privilege of really
12 seeing lots of areas of the state. But it has really been
13 an honor to work towards restoring what I think is some of
14 the most spectacular, the most beautiful areas of the
15 state. Prince William Sound, the outer Kenai coast, Cook
16 Inlet, Kodiak and Afognak Islands. These are very special
17 places and it has really been a wonderful experience to
18 work in this position. That concludes my opening remarks.
19 And with that we could get started on our briefings.

20 CHAIRMAN BALSIGER: Well, let's see. I
21 overlap Molly the longest, so I guess just in a very brief
22 response to that I think that the Trustees have been
23 successful, if not largely because of you, but at least
24 significantly because of you. So we appreciate the support
25 and the work that you and you staff have done. So thank

1 you very much for shepherding this program to where it's
2 gotten to. Thanks.

3 So let's start with the briefings, if we
4 can. Molly, you're up first with the oil spill and damage
5 assessment.

6 MS. McCAMMON: Boy, I hate to admit this
7 but whenever my kids ask me what I really do I said well,
8 really, I nag a lot. Which they can relate to very well.
9 So what we're going to do here is just assume that nobody
10 in the room knows anything about the oil spill and EVOS
11 program. So it's kind of really basic EVOS 101. And for a
12 lot of you it's going to be pretty old hat, redundant. But
13 bear with us.

14 It also is very compressed. So I'm sure
15 that there may be more detail you'll want at a future time,
16 so any other briefings either one on one, small groups at
17 other meetings, or whatever, we can always do those.

18 But to start with we're going to begin
19 actually with the oil spill itself. Yeah. Actually, I'm
20 going to run the slides. It's probably easier if I just go
21 ahead and do it. So we're going to start with the oil
22 spill itself and I think the facts for most people are
23 pretty well known that shortly after midnight on March
24 24th, 1989, in an attempt to avoid some icebergs in the
25 shipping lane, the tanker Exxon Valdez went off course and

1 struck Bligh Reef, puncturing the single hull tanker and
2 ultimately spilling about 11 million gallons of oil.

3 And you can see here, this is a map of the
4 spill area, and starting up in the upper right-hand corner,
5 over time the oil started to -- it stayed kind of in this
6 upper area near Bligh Reef for a few days and then a big
7 storm moved in and currents and winds started taking the
8 oil out into the other side of Prince William Sound, out
9 the entrance of the Sound, the outer coast of the Kenai
10 Peninsula, currents took it up into Cook Inlet and then it
11 also went down into Afognak Island, Kodiak Island and the
12 outer coast of the Alaska peninsula. The response and
13 clean up were pretty minimal at first and it was very clear
14 that no one was prepared to respond to a spill of that
15 magnitude.

16 Clean up operations began pretty quickly
17 after that and over time became the largest private project
18 in Alaska since construction of the TransAlaska Pipeline
19 itself, lasting over four summers and for a total cost of
20 about \$2 billion. So it was huge tremendous effort over
21 time.

22 Dr. Robert Spies, Bob, was contracted early
23 on by the State legal team overseeing damage assessment
24 studies. And then he was picked up by the lead Federal
25 natural resource damage assessment Trustee and at that time

1 it was NOAA. They had to go basically as far away as
2 California to find some kind of a toxicology expert who was
3 not either employed by the State, the Federal government or
4 by Exxon. I mean pretty much every scientist in Alaska at
5 that time was employed by one of those entities. So to get
6 an independent person they had to go far.

7 Damage assessment under the NRDA program
8 was extremely difficult for a couple of reasons. There
9 were a number of problems with it. There was very little
10 baseline data on the resources that were injured by the
11 spill, with the exception of a few commercial species, such
12 as salmon and herring, in particular.

13 Joe, did you have a question there?

14 MR. MEADE: NRDA program?

15 MS. McCAMMON: Natural Resource Damage
16 Assessment.

17 MR. MEADE: Thanks.

18 MS. McCAMMON: It was very difficult
19 because there wasn't this baseline data to do pre-spill and
20 post-spill comparisons. If you didn't really know what
21 populations were liked beforehand, how can you really say
22 whether the post spill was recovering or not? Likewise it
23 was difficult when you were looking at a proxy of an oiled
24 area versus an unoiled area. This also created problems.
25 Because you had to assume that habitat was identical in an

1 oiled area or an unoiled area, and that wasn't necessarily
2 the case. So a lot of the early damage assessments relied
3 basically on body counts. But those too weren't
4 necessarily complete. It assumed that everything floated,
5 didn't sink. It assumed that corpses weren't eaten by
6 other animals, and they were. This was a huge geographic
7 region and it was really impossible to really gather all of
8 the corpses that were killed immediately from the results
9 of the spill. So using body counts was kind of imprecise
10 way of assessing early damage.

11 There was also a lot of variability in
12 population numbers, especially for some of the best known
13 species such as salmon. You look at pink salmon
14 populations and they can fluctuate between two million a
15 year to 30 million a year. How then can you really assess
16 what damage is when there's such high natural variability?

17 And then it also brought in some of the
18 issues of circumstantial evidence. We know that no one
19 ever found a killer whale following the oil spill. And yet
20 a large number of a pod that was present at the time of the
21 oil spill disappeared the following year. Was that due to
22 the oil spill or something else? You can't prove
23 categorically that it was the oil spill since there was
24 never a body to do any kind of a necropsy on.

25 And in the early days, and I think the

1 lawyers will talk about this a little bit more, because
2 immediately lawsuits were filed by the State and Federal
3 governments. A lot of the science was litigation driven.
4 And the results were held fairly secretly at that time. So
5 it prevented publication in peer reviewed literature and
6 kind of that normal give and take and critique that
7 scientists are typically used to.

8 So these were kind of the first -- probably
9 the first year, two years following the oil spill.

10 To get into the issues of litigation,
11 settlement, and some of the legal documents describing the
12 restoration process I'm actually going to turn to our legal
13 experts to talk about this. And we're very fortunate to
14 have with us former U.S. -- former State Attorney General
15 -- I almost elevated you there, Charlie, Attorney General
16 Charlie Cole who was the key player for the State in a
17 lawsuit and settlement with Exxon in 1991 under the
18 leadership of Governor Wally Hickel, ably assisted by
19 Assistant Attorney General Craig Tillery, as well as Gina
20 Belt with the Department of Justice. So you guys want to
21 take it over?

22 MR. TILLERY: Okay. I don't have any
23 pictures. My involvement in this particular case began
24 actually just a couple of weeks after the oil spill when we
25 were assigned to litigate it. We had previously been

1 litigating against oil companies in the tax arena and I
2 think they thought that our particular group was the only
3 one that had experience with enough zeroes in demand
4 claims, so they tapped us.

5 Right after the oil hit one of the other
6 things that hit the shores there was a large group of
7 lawyers. This resulted in both civil and criminal
8 litigation. In the criminal case there were two different
9 strands of cases. A State case and a Federal case. The
10 State of Alaska did not and does not have sufficiently
11 strong criminal laws to really bring a major environmental
12 case like this. Therefore the State focused simply on
13 charging Captain Hazelwood with a variety of charges from
14 somewhat vague Class C felony, but essentially coming down
15 to drunken driving. Eventually he was convicted of a B
16 misdemeanor and ended up completing about 1,000 hours of
17 community work service just a couple of years ago, after
18 two or three trips to the State Supreme Court.

19 The United States, on the other hand, does
20 have stronger environmental criminal laws and they filed
21 felony charges against Exxon under the Migratory Bird
22 Treaty Act and against Exxon Shipping under the Migratory
23 Bird Treaty Act, the Refuse Act and the Clean Water Act.
24 Shortly before that trial was scheduled Exxon and Exxon
25 Shipping agreed to plead guilty to certain charges. The

1 initial plea agreement was rejected by the Federal court,
2 but a subsequent one was later approved. In that the
3 companies agreed to \$150 million fine with \$125 million
4 remitted or essentially forgiven. And of that 25 million,
5 12 million went into the Wetlands Conservation Fund and the
6 other 13 million went into the Federal fines, wherever they
7 go, which I think ends up being in the Victims Justice
8 Fund.

9 The money in the Conservation Fund is used
10 by the United States to pay for conservation projects
11 around the country. And because some people might have
12 been aware of this, has resulted in some misunderstandings
13 over the years. And we find this out because we get
14 telephone calls from reporters. I believe it was used on a
15 project I think on Long Island and it was identified as an
16 Exxon Valdez acquisition. The Trustee Council had nothing
17 to do with it, has nothing to do with how that money is
18 spent, and only knows about it when we do receive calls
19 from the press.

20 Similar misunderstandings have also arisen
21 on the State side. We're not blameless. When the State
22 received its reimbursements, and it was a general fund
23 reimbursement which the legislature had every right to
24 appropriate for anything they wanted to do, they
25 appropriated it for the road to Whittier. And they

1 identified it as Exxon Valdez reimbursements and the road
2 to Whittier is something of a response project, and we
3 received a lot of phone calls and comments over the years
4 about why we funded that road. Again, we didn't in the
5 Trustee Council.

6 The plea agreement also had a restitution
7 provision. In that provision the companies agreed to pay
8 \$50 million each to the State and to the United States to
9 be used for restoration projects in Alaska. And
10 significantly, for your purposes, restoration was defined
11 in that plea agreement as restoration, replacement and
12 enhancement of affected resources, acquisition of
13 equivalent resources and services, which all sounds pretty
14 straightforward so far. And then it went on to say, and
15 long-term environmental monitoring and research programs
16 directed to the prevention, containment, clean up and
17 amelioration of oil spills. This contrasts with the
18 definition of restoration in a variety of civil settlement
19 documents which talk about really the former language.
20 Restoration, replacement and enhancement of natural
21 resources and acquisition of equivalent resources and
22 services.

23 The different wording arose from a very
24 specific State concern that there would be no question that
25 the money from the criminal fund could be used to pay for

1 such items as major research facilities like the Alaska
2 SeaLife Center and like the Kodiak Fisheries Technology
3 Center. And also to be able to pay for oil spill
4 prevention and response research. And, in fact, the State
5 appropriated \$5 million from its criminal restitution
6 monies to pay for oil spill prevention and research.

7 The restitution money for the State and I
8 guess for the Federal government is -- oh, theirs was just
9 one general appropriation, but on the State side it was
10 appropriated by the legislature. All of that has currently
11 been obligated with the exception of a very small amount of
12 interest that has accrued over the past fiscal year. The
13 Trustee Council has no formal role in the expenditures of
14 these monies, although both governments typically seek
15 advice from Trustee Council members over what would be an
16 appropriate expenditure.

17 In the civil litigation the State of Alaska
18 -- I think Molly mentioned that we quickly both filed
19 lawsuits. In fact, the Federal government ducked that one,
20 wisely perhaps in their view, but someone had to jump in
21 and the State of Alaska did in August of 1989, filing a
22 civil action against Exxon, Exxon Shipping, Alyeska, and a
23 large number of pipeline owner companies.

24 The State's claim sounded only in State
25 statutory and common law. Violations of Federal law were

1 not alleged. We were essentially trying to avoid being
2 removed to Federal court. We were very shortly thereafter
3 removed to Federal court anyway, where we stayed for the
4 remainder of the lawsuit. The State was subsequently sued
5 by a number of private plaintiffs over an alleged failure
6 to adequately regulate Alyeska and the shipping companies.
7 And over the next two and a half years we engaged in
8 litigation with all of the above mentioned entities, took
9 hundreds of depositions, processed over 20 million pages of
10 documents, spent a lot of money, and in conjunction with
11 the United States, began a damage assessment program that,
12 you know, Molly has talked about, as well as an economic
13 valuation of claims.

14 The United States, in contrast, I believe
15 -- well, at least they, at one time I was told, were hoping
16 to avoid a protracted discovery process, but did not file
17 suit against Exxon immediately and participated in the
18 formal litigation only to the extent that documents and
19 witnesses and so forth were sought from the United States.

20 Molly has talked about the difficulty of
21 assessing injury. Equally difficult, if not more, is to
22 place a dollar value on that injury. It's particularly
23 problematic when you're not even sure what the injury is.
24 For example, what is the value of an otter? What's the
25 value of a seal? What's the value of a bird, like a murre?

1 Worse, what's the value, or what's the cost of the
2 cutthroat trout that doesn't grow quite as fast as it would
3 have absent the oil spill? These are the kinds of things
4 we looked at and struggled with to a large degree.

5 We looked at these in terms of what kind of
6 resources, or what kind of value they provided to people.
7 It's really hard to value much in terms other than in
8 services provided to people. We did, however, make at
9 least one attempt to value the cost of an animal. We
10 engaged in a study done by Gardner Brown down at the
11 University of Washington, known sort of during the
12 litigation as the Buck-A-Duck study. And we attempted
13 through that study to estimate the value to an individual
14 animal. We used such proxies as the cost of relocation of
15 an adult into the area, the replacement of a particular
16 animal or the rehabilitation of injured animals.

17 And just to give you an example, with
18 eagles we -- you look into the cost of relocating an eagle
19 and it turns out to be fairly cheap. About 1,000 or
20 \$1,500. The problem is when you relocate an adult eagle,
21 they're big and they just go home. So it doesn't really
22 work too well, so we had to sort of, for that one animal,
23 we had to throw that animal out. Replacement costs would
24 be raising a young one there and introducing into the wild
25 and that ended up with a cost of around 22 to \$25,000 per

1 bird. Rehabilitation costs, Exxon spent about \$100,000 an
2 eagle. So anyway, just as an example, we kind of looked at
3 all of those and ended up valuing eagles at about \$22,000
4 per bird. We did valuations for I think probably about 10
5 or 15 other animals that had major numbers of them killed.

6 Total valuation was about \$50,000,000. And
7 it's kind of important, because what it's going to do is
8 eventually you're going to see where the damages were and
9 why it is we got the civil trust monies. What we got it
10 for really. But only about \$50,000,000.

11 Sport fishing was an activity clearly
12 impacted by the spill. And it's also one that we actually
13 do have historic data. Fish & Game for years had been
14 doing surveys about angler satisfaction, angler days,
15 numbers of fish caught and so forth. And again, that
16 tended, in the years before the spill, to be rising at
17 about 10 percent a year. In the year of the spill fishing
18 decreased by six percent, the number of fishermen by 13
19 percent, and the fish caught decreased by 10 percent. So
20 through interviews we had economists determine the value
21 per day, essentially what you spend to go catch fish that
22 day. We figured out the lost angler days and we ended up
23 with a value of the sports fishing of about \$31,000,000.
24 Again, it's a lot of money but not necessarily in the
25 context of the spill.

1 We did a tourism study about lost tourism
2 which had a major impact in the year of the spill. Tourism
3 was decreased eight percent in Southcentral, 35 percent in
4 Southwest. In the spill area, 59 percent of businesses
5 reported cancellation. The interesting thing was,
6 anecdotally talking to tourism operators during the year,
7 it didn't seem to matter that your tourist business was
8 businesses within the spill. People were getting spill-
9 related cancellations out in Bethel, the Kuskokwim, or down
10 in Southeast. Roughly we ended up with about a \$19,000,000
11 valuation from that study.

12 Ironically though, by far and away, the
13 largest amount of damages came not from the direct use, but
14 from the lack of use. Or it's a different kind of use of
15 all of these resources. People who only had an indirect
16 connection to these. These are called passive uses. And
17 they include the loss felt by people who haven't visited
18 the area but feel like they would like to one day in its
19 pristine state. People who don't want to visit the area
20 but think that they would like for their children to have
21 the opportunity to visit the area. Or people who have no
22 direct plans to visit the area, but would just value the
23 fact that the land exists out there.

24 Now, it sounds a bit esoteric on its
25 surface, but it is grounded in reality, it's grounded in an

1 economic theory. There are probably people in here who are
2 members of The Nature Conservancy or The Conservation Fund.
3 By and large you pay money each year to protect land that
4 you will have little thought probably of ever visiting.
5 Some unique river basin in Arkansas or something like that.
6 And that's sort of what this is all about. And it attempts
7 to measure that. It does it through a methodology called a
8 contingent valuation study, which is essentially a huge
9 public opinion poll.

10 We contracted a stellar list of experts,
11 the premier people in their field, both in the contingent
12 and the passive use theory, and people in contingent
13 valuation surveys. Peer review for this team was provided
14 by Dr. Robert Solo, winner of the Nobel Prize for
15 economics. And ultimately the State of Alaska spent
16 \$3,000,000 to complete this study to measure passive use.

17 The first thing we had to do was decide
18 what population suffered the loss. It can be anywhere from
19 a local river and just be a local county, it could be a
20 state. When you start dealing with some places like the
21 Grand Canyon, you're probably talking about a nation.
22 After looking at this we determined that this was a
23 national event. Virtually, I think we ended up about 90
24 percent of the people that were eventually surveyed were
25 aware of the spill and had feelings about it.

1 What you end up doing with the study is you
2 ask people how much they would be willing to pay not to
3 have had this happen? And you can't ask them
4 hypothetically because people will say oh, geez, I would
5 have paid a whole lot of money for that. I just hate the
6 thought of all those birds. I seen those pictures, it's
7 terrible. You have to craft it in a way that it's real to
8 them.

9 And what we did in the survey was talk
10 about how -- we first showed them pictures and gave them
11 text descriptions of the damage that was done. Very
12 conservatively. We used 56 to 100,000 murrees dead. We
13 think there were 250,000 killed. In every instance we took
14 a conservative route. We didn't include damages for
15 commercial fishing or subsistence injury from any kind of
16 lost use that would have been claimed by another group of
17 people. So you tell them about these injuries and then we
18 set up a scenario that says how would you -- this was a bad
19 thing and it will probably happen again in the next 10
20 years until Congress is able to implement double hull
21 tankers.

22 In the meantime, in the next 10 years it's
23 likely to happen again, but there are some measures we can
24 take to prevent it, how much money are you willing to pay
25 extra essentially in, like, gasoline taxes to do so? We

1 ended up with a median amount of about \$31 per household.
2 And when you multiply that by 90 million households you end
3 up with a pretty large number of 2.8 billion. So 2.8
4 billion for passive use damages versus 50 million for the
5 Buck-A-Duck, 31 million for sport fishing, 19 million for
6 tourism. That gives you some sense of the scale of this.

7 However, even though we had taken a very
8 conservative fork, every time we hit one in the road, and
9 Charlie Cole can give you some more insight into our
10 thinking on this, but we were very nervous about this
11 methodology in court. It had never been used in court. It
12 had been used in some national studies, it had been used in
13 some decision-making processes, but never in court. As I
14 mentioned, we had a Nobel laureate who was going to say
15 that this was a fine study. Exxon had a Nobel laureate who
16 was going to say that this was black magic. So it was
17 going to be a very difficult and interesting case.
18 Ultimately we talked about it, we looked at it, and we
19 decided that the sum of \$1 billion was an appropriate
20 settlement, given the litigation risks that we entailed.

21 In 1989 there was a brief attempt by the
22 Federal government to settle with Exxon, initially without
23 really the involvement of the State, for about \$500
24 million. There was a significant uproar about that and
25 they quickly backed off of that. Then Charlie Cole came

1 in, Governor Hickel came in, and in 1991 a concerted effort
2 was made to resolve this case. Resolve it, resolve it
3 early. A decision that I think, given the fact that the
4 private plaintiff litigation is only now going back to the
5 Ninth Circuit for yet one more time here in 2003, turns out
6 in hindsight to be a very wise decision, we reached an
7 agreement with Exxon in March of '91. It was tied in
8 explicitly with the criminal agreement. When the criminal
9 agreement fell apart, so did the civil agreement. However,
10 we went back, we worked it a little bit. Ultimately in
11 August of 1991 an agreement was first signed between the
12 State and the Federal government, one we'd been
13 negotiating for a couple of years, to decide how to spend
14 the money together. One of the things that was very
15 quickly apparent with the oil spill was the State and
16 Federal government had to work together. We could not
17 allow ourselves to be split because too many other
18 resources are dual. You have fish that start out in the
19 Federal ocean, they wander into State and Federal waters,
20 now they go up to anadromous fish streams. You have otters
21 that are in the water. The otters go on the land. I mean
22 you have too much. You have stuff that feeds off of State
23 tidelands. There is too much to not work together. So we
24 eventually ended up cutting an agreement, which we
25 generally refer to as the MOA, which says that we will work

1 together and we will expend the monies together, and it's
2 what, for example, brought this Trustee Council eventually
3 together, a couple steps removed. It required the
4 unanimity requirement. It sets out the requirement for the
5 civil trust fund.

6 In late September the governments and Exxon
7 signed a second civil settlement agreement establishing the
8 money to be paid by Exxon and setting out a payment
9 schedule. All of the payments have now been made. The
10 consent decree goes on to provide that the monies will only
11 be used for certain purposes, including the reimbursement
12 of clean up and other expenses arising out of the oil
13 spill, and to plan, implement and monitor restoration and
14 rehabilitation or replacement of natural resources. And it
15 actually specifically mentioned archeological sites because
16 there was a legal question at the time as to whether
17 archeological sites came under the term natural resources,
18 and it was determined that it was better to make it clear
19 that we could expend money on those as part of the
20 settlement.

21 The governments, as I said, have now
22 received all the reimbursements to which they are entitled.
23 For the State, it is every cost of the spill, including the
24 litigation cost. In part, this is because with the initial
25 appropriation the State of Alaska was fortunate that the

1 legislature was in session when the oil spill occurred.
2 The legislature immediately appropriated I believe
3 \$35,000,000 to the Department of Law and to be -- sort of
4 most of it eventually ended up going over to Fish & Game
5 for damage assessment. But as part of that there was a tag
6 that said we were to get that money back, and we did.
7 Every cent. In addition to being required by law to get it
8 back, it was our view that it makes absolute sense because
9 other disasters will happen and when they do it is
10 important that the legislature understands that it can give
11 this money out, it can act quickly and decisively, and it
12 will get repaid.

13 Of particular note, the consent decree also
14 contained a provision for up to \$100,000,000 in additional
15 damages for unknown injuries. This is known colloquially
16 as a reopener provision, not to be confused with another
17 Exxon reopener provision which has to do with oil and gas
18 taxes. But for our purposes we call this the Exxon
19 reopener. The decision to assert this provision does not
20 directly implicate the Trustee Council as a body. You do
21 not make a Trustee Council decision. However, as
22 individual government employees of the highest rank you
23 would certainly be part of the decision-making process for
24 the government. Myself and Gina Belt would be happy to
25 discuss the reopener, the current status of it and so

1 forth, in executive session if you request.

2 The next to the last part of this whole
3 settlement scenario was the Alyeska settlement. The State
4 had filed suit against Alyeska, and so had the Federal
5 government. In November 25th, 1992, the governments
6 entered into an agreement, a consent decree, with Alyeska
7 settling claims arising out of Exxon oil spill. In that
8 settlement Alyeska agreed to give us about \$31,000,000 for
9 very specific projects, mostly related to response
10 activities. We funded a couple docks in Chenega, in
11 Tatitlek. Those have now been built. We funded a road
12 from a deep water port in Cordova that has not been built.

13 Ms. Pearce.

14 MS. PEARCE: Still.

15 MR. TILLERY: Still. We funded the
16 equipment for the Valdez Emergency Operation Center.
17 There's also money in there for part of the Kachemak Bay
18 Park, State lands buy back. And in addition some money was
19 paid in cash to the State and the United States for damage
20 assessment costs on the part of the Federal government and
21 Coast Guard cost, and for the State for our fisheries
22 business tax claims that have been distributed to the
23 municipalities.

24 The Shepherd Point Road is really the only
25 project that remains undone. There is some amount of money

1 unallocated from interest that's been earned on that money.
2 And again, that is not something that the Trustee Council
3 is involved with, but it's something the Trustee Council is
4 sometimes called upon to discuss and provide advice in your
5 individual capacities.

6 And one more -- I don't know, Gina, if you
7 want to say anything about the Chenega Bay settlement?

8 MS. BELT: Oh, I will. I can do it now if
9 you like.

10 MR. TILLERY: Why don't you just go ahead
11 and wrap it in as part of this whole settlement thing?

12 MS. BELT: There were a couple of other
13 agreements that the State and Federal governments were
14 parties to. One of those resulted from a lawsuit by the
15 Native Village of Chenega Bay and from other Native
16 villages, as well as three Native corporations who
17 contended that various legal authorities entitled them to
18 act as Trustees for natural resources that were destroyed
19 or impaired in and around Native lands. And upon which
20 members of a larger class of Native villages and
21 corporations relied for a subsistence way of life. They
22 brought a class action against the State of Alaska and
23 United States seeking two things.

24 One, declaration of their rights of
25 trusteeship and management authority over natural resources

1 within villages affected by the spill, and an order
2 requiring that the State and the United States consult with
3 and obtain the consent of ANCSA corporations that owned or
4 had an ownership interest in those lands before the
5 governments conducted damage assessment or commenced
6 restoration of natural resources on those lands. They also
7 claimed that the MOA, to which Craig Tillery has referred,
8 violated their rights to act as co-trustees.

9 This class action was settled relatively
10 quickly. I believe Judge Holland approved it in January of
11 1992. The action was filed on September 26th, 1991, which
12 was the same week that our consent decree with Exxon was
13 lodged in Federal court.

14 In the agreement there are four main
15 subagreements. One, it was agreed that the State and the
16 United States had the right to the exclusion of Native
17 interests to act as trustees or co-trustees under the Clean
18 Water Act or any other authority in the collection and use
19 of natural resource damages as a result of the spill,
20 including those used for subsistence. The decree also
21 recognized the right of the Alaska Native class to the
22 exclusion of the governments to pursue private claims other
23 than claims for natural resource damages against any entity
24 other than the governments for all private harms to Native
25 subsistence, well being, community, traditional way of

1 life, that resulted from the spill. And the ANCSA
2 corporation class was given the right to the exclusion of
3 the governments to pursue private claims other than those
4 for natural resource damages for all private harms
5 resulting from injuries to the lands that they either owned
6 or had a vested interest in at that time.

7 The governments agreed to conduct damages
8 assessment and restoration activities on lands legally
9 owned by the members of the ANCSA corporation class, only
10 with their prior consent. And the governments agreed that
11 to the extent they were required to do so by Federal and
12 State laws that they would obtain and consider the ANCSA
13 corporation class prior to making decisions relating to
14 restoration activities performed on lands selected by the
15 corporations, but not yet conveyed to them.

16 The parties agreed to conduct a joint study
17 of the impact of the spill on natural resources used for
18 subsistence by Alaska Natives. I believe that study
19 concluded some time ago. And lastly, the governments
20 agreed that if a Public Advisory Group were established for
21 public participation in the NRDA and the restoration
22 process, it would include one or more representatives of
23 the Native interests.

24 MR. TILLERY: Okay. Having received the
25 monies, having gotten the authority from the Federal court

1 to go ahead, the question becomes what do you do with it
2 now? The MOA caused the expenditures of the settlement
3 monies to be overseen by six Trustees. Significantly it
4 does not mention the Trustee Council. Now those were the
5 secretaries, the United States Departments of the Interior
6 and Agriculture, and the Administrator of NOAA. The
7 Commissioners of the Alaska Departments of Fish & Game and
8 Environmental Conservation, and the Attorney General on the
9 State side. These Trustees then subsequently created a
10 Trustee Council to handle the day to day decisions on
11 expenditures. And all authority was specifically
12 delegated. On the Federal side the Council members were
13 the head of the NMFS, the Alaska Regional Forester, and the
14 Alaska Special Assistant to the Secretary of the Interior.
15 For the State the Council members were the State Trustees.

16 And during the first couple of years of the
17 Council's existence there were two very important and
18 fundamental decisions to be made. First, the Council
19 needed to develop a staff to aid it in carrying out its
20 mission. Initially somewhat by default the Council relied
21 on the Trustee agencies to provide the staff. It was sort
22 of a participant group where each department would put
23 people, then for the Department of Law it was a DNR person.
24 And they would sort of act as an informal staff with an
25 informally -- Dave Gibbons from the Forest Service was sort

1 of the informal head of it. Or actually, I think he was
2 formally the head of this informal group.

3 This method proved to be very problematic.
4 Although the agency staff were of great ability and they
5 had the highest integrity, the public was very concerned
6 the agencies were using their positions to sort of feather
7 their own nests through the projects that were funded.
8 That there was a whole a lot of horse trading going on, in
9 essence. You fund mine, I'll fund yours. Rightly or
10 wrongly, this perception created a very big problem for the
11 Council that really had to work with a lot of public
12 support. Therefore, after a period of time the Council
13 made the decision to create an independent staff.
14 Initially it hired Jim Ayers was the Executive Director and
15 Molly McCammon as the deputy. Later, after Jim left to
16 take a position as chief of staff with Governor Knowles his
17 deputy, Molly, was selected to succeed him. They, in turn,
18 had hired a professional staff independent of the agencies
19 and that has dramatically reduced the amount, if not
20 totally eliminated complaints about agency bias during
21 funding decisions.

22 The second major decision is, hey, what are
23 we going to spend this money on? At the time there was a
24 lot of discussion by the public as to whether the money
25 could be used for scientific research, direct restoration

1 activities, habitat acquisition, or oil spill prevention.
2 Some advocated spending most of the money on injured
3 natural resources, others felt people who suffered from the
4 spill should benefit directly. To answer this the Council
5 first looked to see what was legally permissible. As I
6 suggested earlier, there are specific limitations on the
7 use of joint trust funds, and those limitations arise first
8 out of the Federal law under which the monies were
9 recovered, which is the Clean Water Act. I don't know, I
10 think I mentioned this, but even though the State had
11 originally filed a lawsuit under State law. When it came
12 time to settle this case we came in and filed in Federal
13 court a new action just under the Clean Water Act. And the
14 Federal government came and filed their own action under
15 the Clean Water Act. And this case was settled under those
16 acts. And it is subject to those limitations on the
17 expenditure of natural resources damage recoveries in that
18 act. And that's again the Clean Water Act as slightly
19 modified by CERCLA, as provided for through the SERA
20 amendment.

21 So the State of Alaska also was settling
22 its own claims at the same time. And hence, you will see a
23 slight variation from the language in the Clean Water Act,
24 specifically in the use of the word enhancement of
25 resources. The governments' intent to adhere to the

1 limitations described in the MOA is also affirmed in the
2 consent decree signed with Exxon. And for the State side
3 there is actually a specific State statute that requires
4 State agencies to manage the joint trust funds as they are
5 described in the MOA. The controlling authorities identify
6 the activities of restoration, replacement, rehabilitation,
7 enhancement, and the acquisition of equivalent injured
8 resources or impacted services as the primary and generally
9 so use the monies.

10 The authorities indicate that Congress
11 intended to give priority to activities that directly
12 restore or replace the injured resources. To the extent
13 that it's not practical, Trustees may turn to a second tier
14 priority, the acquisition of equivalent resources. And
15 direct restoration generally encompasses projects that
16 assist in returning an injured resource to its pre-spill
17 condition or replace services provided by the injured
18 resource. In the case of an injured species such as an
19 otter, for example, this would include such diverse
20 activities as rehabilitation of all habitat, cultivation of
21 replacement animals of the same species, and the
22 acquisition and conservation of habitat that is available
23 to that particular injured population. The common thread
24 is that each of these restoration activities directly
25 benefits the injured species or directly benefits those who

1 would use the injured service. Acquisition of equivalent
2 resources would include actions such as improving habitat
3 in an area accessible to the same species but not to the
4 injured population.

5 In looking at particular projects we have
6 advised the Trustee Council to look at a number of factors.
7 Does the project address a resource that was injured or
8 service that was affected as a result of the injury to a
9 particular resource? Is natural recovery inadequate? What
10 is the public value of the resource including its
11 uniqueness and ecological or commercial value? For
12 services project does it benefit the original user group?
13 And that is come up with activities where you can't replace
14 lost sport fishing, a particular activity, but maybe you
15 can provide sport fishing, angling activities in a
16 different river. As long as it's the same group of people
17 who would have used that initial -- the original river,
18 that would be fine. Is the project technically feasible?
19 Is it cost effective? Does it return the resource to its
20 baseline or even an enhanced position? And are there
21 harmful side effects to the project? There's no specific
22 formula for balancing. That's within the sole and wise
23 discretion of the Trustee Council members.

24 Finally, just to bring it all back to
25 lawyers, I wanted to mention the legal review. Legal

1 review is the province of the United States Department of
2 Justice, Environment and Natural Resources Division, and
3 the Alaska Department of Law. The most significant area of
4 legal review concerns the evaluation of proposed
5 restoration projects to ascertain whether they fit in with
6 the legal requirements of the MOA and Federal law.
7 Although there have been legal concerns with a number of
8 projects as originally described, we are usually able, and
9 I can think of only one instance where a project has just
10 simply been torpedoed -- we have usually been able to work
11 with the project to bring it around to something that sort
12 of generally gets to what was intended, but perhaps uses a
13 slightly different avenue of getting there. But we've
14 generally been able to do that.

15 General legal review occurs prior to
16 presentation of the proposed project to the Trustee
17 Council. On a few occasions you might come to a meeting
18 and find that a legal concern has arisen at the last
19 minute. On a very rare occasion you might approve a
20 project and find that a legal concern arises after your
21 approval. But as a general rule such stuff has been dealt
22 with prior to projects being brought to the Council.

23 That's all I have. Mr. Cole, you.....

24 MS. BELT: Well, I would just say with
25 respect to the last remark Craig made about the legal

1 concerns being raised during the latter stages of a
2 project's approval process, that Molly and her staff have
3 become well educated over time as to what the lawyers will
4 and won't let pass through. And I'd say that their work
5 has made my job a lot easier particularly in recent years.

6 MR. COLE: May I could.....

7 MS. SCHUBERT: This is Anchorage. We are
8 not able to hear the speaker.

9 MS. McCAMMON: We'll ask them to speak up
10 louder.

11 MR. COLE: Morning. Mr. Tillery has done a
12 remarkable job in presenting to you the history of the
13 settlement and the work of the Trustee Council. There's
14 little that I can add to that. I would like to say just a
15 few things in retrospect.

16 You know, before Governor Hickel appointed
17 me as attorney general I was a sole practitioner in
18 Fairbanks doing a lot of drunk driving cases, collecting a
19 lot of small accounts, doing a few default divorces, and
20 one day he called up and said I'd like you to be attorney
21 general. I was really shocked because I hadn't actively
22 participated in his campaign, although I supported him.
23 And I hadn't even thought about working for the State. But
24 I accepted. And it wasn't long before I was here and sworn
25 in that Governor Hickel said I want you to go settle the

1 Exxon Valdez claim for \$1,000,000,000. And I said sure,
2 Governor, you know.

3 And so it wasn't long before Exxon's high
4 command came in with their G4 and met with the Governor in
5 his office and there was -- Lee Raymond was there and Jack
6 Clark and the president, his name now escapes me. And at
7 any rate, it was a nice presentation. The Governor told
8 them he wanted a billion dollars and they said thank you,
9 Governor, it's nice to meet with you here today, and they
10 left. And, Larry Rawl, I think was the CEO's name.

11 At any rate, so Mr. Rawl said well, Mr.
12 Raymond will be looking after this if, you know, there's
13 something more comes of it, and it was a very pleasant
14 meeting and they left, whisked out over the town as I
15 remember. And so about two weeks later I called Mr. Clark
16 and said well, you know, what about the Governor's idea of
17 settling? And Mr. Clark said well, we're not interested.
18 Thank you very much. But then the Department of Justice
19 became active and we met in Seattle with the assistant
20 attorney general for lands, and he said is the State
21 anxious to participate in settlement negotiations, sort of
22 get them back on track. They had sort of jumped the track
23 there a little bit in the previous summer. And so we did,
24 and, you know, it was sort of amazing.

25 About the third week in January we had a

1 meeting in Washington, D.C. and there was Del Riley, the
2 EPA, and Manuel Lujan, Secretary of the Interior, and the
3 Exxon Management Group and a lot of other very important
4 people. And then, believe it or not, we started
5 negotiating and reached a settlement. And I want to say
6 that in the settlement negotiations, we really, the State
7 -- I personally had the support of the work which had been
8 done by the Department of Law and Craig Tillery and his
9 group. And as you can see, they were very well prepared.
10 And the Department of Justice, Lands Department Division
11 was there. The Department of the Interior lawyers did
12 remarkable work. And we were able to, as they say, hammer
13 out an agreement.

14 Just a couple footnotes to what Mr. Tillery
15 said. One was the unanimity requirement. You know, I
16 thought a lot about that but I said well, you know, we have
17 three Federal Trustees here and three State Trustees. Now,
18 you know, this Federal government has interest and the
19 State has interest. And those interests may not always be
20 compatible. And I said woe unto the State Trustee who
21 sides with the Feds. You know, under Governor Hickel's
22 administration, his tenure would not be expected to be
23 long. Especially knowing Governor Hickel that I think I'm
24 acquainted with. He was a remarkable person to work with,
25 by the way. And I said well, I imagine the same with the

1 Feds, although I thought the Federal group would have
2 probably a little more uniformity. So I said well, there's
3 only, you know, one way to deal with that is to simply have
4 the unanimity requirement. And I must say that after the
5 first settlement fell apart I really got a lot of heat to
6 change that, mostly from the Federal group and the
7 Department of Justice. But, you know, they stayed with me.
8 The assistant attorney general, he was supportive of it but
9 he said that the deal was we would change the agreement as
10 little as possible, only enough to make it work. And we
11 obtained the required State consent. So we were able to
12 hold on to that unanimity requirement.

13 And I sort of agree from the time I was on
14 the Council with Ms. McCammon, that it really worked well.
15 There's a lot of pressure on an individual Trustee not to
16 block the deal. And I think that in my experience it
17 forces the group together rather than apart. That was my
18 experience and I am pleased to have her say that during the
19 time that I've not been there that that seems to have
20 worked, as I had hoped it would work. I occasionally
21 folded the creases and did not consent to a project or two,
22 which I had strong feelings about. But even in retrospect
23 I think my decisions in that regard were right.

24 A couple other comments. I subscribe to
25 what Mr. Tillery said about working together with the

1 Federal group. We thought look, if we get into a dispute
2 between the State and Federal people about who has the
3 right to collect damages for these varied elements like
4 damage to natural resources, we would be fighting with the
5 United States for the next 10 years, and we probably would
6 be still fighting with them, and we simply decided that we
7 had not to play into Exxon's camp and get into a squabble
8 between ourselves as to how we're going to divide up these
9 damages. And that's what led, in a sense, to the formation
10 of the Trustee Council having the responsibility to monitor
11 and implement the settlement.

12 I'd say this about the damages. You know,
13 it turned out that Governor Hickel was just about right for
14 one billion. I don't know how we get upon it, but I
15 received a lot of comment from environmental groups that he
16 put the Department of Law and the Department of Justice in
17 an untenable position by saying that was the settlement
18 number. But it really wasn't. It did not cause us
19 difficulty in the settlement. And as Mr. Tillery said,
20 when we started adding up the numbers that we got from
21 damages to individual resources, I mean we did not come up
22 with a very big number. If you take a murre, value the
23 murre to the dollar, you know, and you have 250,000 murre
24 lost, well, that's 250,000. It's a long ways to a billion,
25 let me tell you. And you add a zero on there and, you

1 know, you get I don't know what, but, you know, when we
2 added up all our hard damages, you know, we were maybe at
3 \$200,000,000 or \$300,000,000 million. It was not a very
4 big number.

5 So then we turned to this contingent
6 valuation. I want to really say something about this
7 contingent valuation because it was something that -- I
8 spent a lot of time reading about contingent valuation
9 because that was this big number, three billion, and it
10 sort of leaked out that there was three billion out there,
11 this big number. And so I read a lot about it. And, you
12 know, frankly I didn't think much of it. And I was worried
13 about it. And.....

14 COURT REPORTER: Excuse me, Mr. Cole.
15 Excuse me, people on line. Whoever is on line, if you
16 could put yourself on mute please. You're disrupting the
17 meeting.

18 CHAIRMAN BALSIGER: Thank you.

19 MR. COLE: And, you know, my little law
20 practice had taught me some lessons about litigation. And
21 those were these. One, when the foreman of the jury stands
22 up and is asked by the judge, ladies and gentlemen of the
23 jury, have you reached a verdict and the foreman rises and
24 says yes, Your Honor, we have, and the judge says what is
25 your verdict and the foreman says, we, the jury, duly

1 impaneled to try the above entitled action do find for the
2 defendant. I mean you get zero, you know? And that
3 happens. And it happens in cases in which you think gee, I
4 had this wonderful case, how come I lost it? But you lose.
5 And then there are other instances which, if you practice
6 law over the years, you -- after an appeal you'll get this
7 envelope and it says United States Court of Appeals for the
8 Ninth Circuit, you know, and you've just recovered a large
9 verdict and you get the opinion of the Ninth Circuit and it
10 says reversed, enter judgment for the defendant. Now, you
11 know, you'd have to have been there and had that happen to
12 you to really get the sense that sometimes you lose these
13 cases that seem good cases. And you really don't know why.
14 But there's risk in litigation. And I always thought that
15 contingent valuation, when those Exxon people who write the
16 textbooks on mathematics and statistics, you know, are on
17 the witness stand, I mean selling and believing that
18 somebody in Okefenokee Swamps down there of Florida will
19 say I would pay \$100, and, you know, you believe that, but
20 he doesn't have to write out a check for \$100. It's easy
21 to say how much he would pay, but he never has to write out
22 that check. And until you have to write out that check --
23 I mean I just didn't think of the contingent valuation
24 studies. And so that's what led us to, you know, sort of
25 back off having a high degree of confidence in that

1 contingent valuation study.

2 One other word I would like to say about
3 the reopener clause. Spent a lot of time with Jack Clark.
4 Were you there? Didn't we spend a lot of time?

5 MR. TILLERY: Yeah.

6 MR. COLE: We spent a lot of time with Jack
7 Clark negotiating on behalf of Exxon and the reopener
8 clause. It was a day or two over four or five sentences.
9 And Mr. Clark was a tough bargainer. It's not exactly what
10 we would like. It's not what we wanted. But as you sit
11 there and you have to make a decision shall we take the
12 billion dollars or shall we kill the settlement over the
13 terms of the reopener clause? I mean you think very
14 soberly I think we should take the billion dollars and do
15 the best we can on the reopener clause, which is what we
16 did. Would you say that's about it? Didn't get where we
17 wanted, but we got as far as we could get and preserve the
18 settlement.

19 There are other things I would like to say
20 but I think I'll -- I want to say one other thing about the
21 criminal case because it's sort of important. Yeah. The
22 thing that really hung up the civil settlement was the
23 criminal case. Exxon would not settle that civil case
24 until the criminal case was put to bed because they did not
25 want to be convicted of felonies. That was just something

1 they were not going to do. The State had stayed out of
2 that. People would say why isn't the State involved and
3 Mr. Tillery has given you a good explanation of why we
4 didn't get into it. And so we stayed away from it. But I
5 remember sitting in the room with the criminal division of
6 the Department of Justice, the civil division, and they
7 were at loggerheads over that criminal settlement.

8 And I said, you know, maybe we could do it
9 something like this, or you could do it something like
10 this. And it sort of provided the germ of the idea they
11 took and did it, make the agreement along the lines that
12 Mr. Tillery has said. But then there was this \$100,000,000
13 that was lying out there on the table for restitution, as
14 Mr. Tillery said. I know I talked to our people and they
15 said well, you know, the State should get half of that
16 criminal penalty 100,000,000 and we decided that was a
17 pretty good idea. So we met with Attorney General
18 Thornberg and I said well, General, you now, the State's
19 done a lot to put this case together, spent a lot of money
20 and we should get half of that 50,000,000. And so General
21 Thornberg said you're right, you should. And so I always
22 thought that that was sort of the Department of Law's gift
23 of \$50,000,000 to the State of Alaska.

24 That's all I have to say. Thank you for
25 listening to me. Bearing with me.

1 CHAIRMAN BALSIGER: Thank you, Mr. Cole.
2 That was interesting.

3 MR. COLE: Let me say one word about Ms.
4 McCammon. I would be remiss in my remarks here if I didn't
5 say that she has performed beyond all expectations. I
6 think she's done a wonderful, remarkable job. And she has
7 done everything that the Trustees have asked her to do.
8 And she has done it well. And we all thank her. So long,
9 Molly.

10 CHAIRMAN BALSIGER: Thank you. Let's see,
11 I guess that brings us to the Restoration Plan.

12 MS. McCAMMON: Yeah. I just want to note
13 for the record that I'm glad that the myth of the hick
14 country lawyer continues.

15 (Laughter)

16 CHAIRMAN BALSIGER: Yeah. For the Trustees
17 it gets a little stuffy in here so I've asked the people to
18 keep the doors open. If it gets too noisy we will try to
19 close them and open them. So a lot of noise, catch
20 someone's attention, we'll close them down. But generally
21 we'll try to have them open just for air circulation.

22 MS. McCAMMON: One thing I wanted to know
23 also that in your packet, and I'm sorry, Joe, but we have
24 these electronically and we'll send them to you
25 electronically. But Commissioner Ballard had said that she

1 very visual likes to see things, and so we did actually --
2 and in that folder in front of you, we did take the
3 settlement documents and agreements and put it into a
4 diagram, kind of explaining how they all fit together and
5 the amounts and all. And then took the next level we're
6 talking about, restoration, which is what I'm going to talk
7 about here.

8 And some of this I think Craig covered in
9 terms of going from a restoration team to professional
10 staff. And under the NRDA process, of course, you have to
11 develop a Restoration Plan. And this is a very lengthy
12 detailed process. But it was agreed that interim
13 restoration projects could go forward while this
14 Restoration Planning phase went ahead.

15 It actually took three years to produce the
16 Restoration Plan. And if you kind of think about it, it
17 seems pretty amazing that a plan would take that long. But
18 you do have to remember that there had never been a spill
19 before of this magnitude. There was not really a road map
20 or a guide to how you restore an injured marine ecosystem.
21 Everyone was very concerned about it. They wanted to do it
22 right. There was tremendous public interest in what was
23 going on. There was a lot of uncertainty in terms of the
24 actual damages. Some of those you couldn't really assess
25 until you had a few years of research over time. So it was

1 kind of somewhat chaotic. Very lengthy. Lots of public
2 interest. A huge public process in trying to get that
3 Restoration Plan together.

4 In fact, the first plan that came before
5 the Trustee Council ended up being basically a list of
6 every possible restoration project anyone could think might
7 occur in the next 20 years. And the Council took one look
8 at that and threw it out, much to the chagrin of the staff
9 who thought they were responding to the Council's
10 direction. And I think they had been, but when the Council
11 actually saw it they kind of looked at it and said no,
12 that's really not what we want. We want something that's
13 much broader in guidance, that focuses more on policies and
14 more general kinds of things. And in fact, the Restoration
15 Plan that ended up being adopted in November of '94, which
16 is in your binder, ended up being that kind of a
17 Restoration Plan. Broad policies, broad guidance.

18 As part of this also, a new word had
19 cropped up for the State Trustees and that's NEPA, the
20 National Environmental Policy Act. Under the Federal side
21 everything that was done had to be subject to NEPA and go
22 through NEPA review. And this required a programmatic
23 review of the Restoration Plan, and a full blown
24 environmental impact statement of the Restoration Plan. So
25 about a half million dollar EIS was put underway by the

1 Forest Service, at the lead of the Forest Service, the
2 public process that they had scoping public meetings and
3 all of those things.

4 And then finally in 1994 there was a plan
5 that was formally adopted by the Trustee Council. And I'll
6 come back to this settlement. But one of the interesting
7 things about the Restoration Plan and the EIS exercise is
8 that when you do an EIS you have to put forth alternatives.
9 The preferred alternative and other alternatives. And what
10 they did was develop approaches to restoration including
11 research and monitoring, general restoration, habitat
12 protection, things of that nature. And the EIS was the
13 first time that dollar figures, ranges of dollars were
14 actually attached to the various kinds of approaches that
15 might be used for restoration.

16 And what I have up here is a slide that
17 shows the planned uses under the final EIS for the
18 Restoration Plan that was adopted in 1994, calling for Work
19 Plan, general research, monitoring general restoration
20 activities. Somewhere in the range of \$192 to
21 \$222,000,000. The Alaska SeaLife Center for 25,000,000,
22 habitat protection activities for 342 to 372,000,000. The
23 restoration reserve or setting aside money for the future,
24 108,000,000. And then reimbursements to the governments
25 and to Exxon for 216,000,000.

1 And I have that on the left side of the
2 slide, and on the right side of the slide I have as of 2003
3 the uses of the settlement. And you can see that we are
4 tracking very closely to that original Restoration Plan.
5 Work Plans have been 175,000,000. And actually this is a
6 little less than what was originally anticipated, but more
7 was authorized but not all of it was spent. And the
8 unspent funds ended up going into basically the reserve or
9 the future investment fund. The SeaLife Center,
10 25,000,000, habitat 375,000,000, reimbursements
11 216,000,000. So where we are currently in terms of
12 spending the settlement funds is right on target with the
13 original Restoration Plan.

14 Then if you go back, this slide here shows
15 that the total restoration funding is 938,400,000. And the
16 additional funding came from the interest that has been
17 earned over time. And we'll talk about that a little bit.

18 What we want to talk about right now is
19 restoration recovery and synthesis. And we do have Dr. Bob
20 Spies, who is here. He was the EVOS Chief Scientist from
21 1991 to 2002. He is currently, since last fall, the senior
22 advisor for lingering oil effects and he really is probably
23 the one person, I would say anywhere, who has the best
24 understanding of all of the injury from the oil spill, the
25 status of recovery, and I think the best grasp on future

1 prospects for recovery also. So with that I'm going to
2 turn it over to Bob, who's right here.

3 DR. SPIES: Thanks, Molly. Just give me a
4 second to plug my computer in here.

5 MS. McCAMMON: One thing we've learned over
6 time is that scientists now don't go anywhere without
7 PowerPoint. But having been to a recent conference that
8 was filled with economists, biologists have much better
9 PowerPoints than the economists do.

10 (Laughter)

11 DR. SPIES: Just take a second to warm up
12 here. Well, I'm pleased to be here and certainly feel free
13 to interrupt me with any questions you have that arise
14 during my presentation here. Just a quick word about my
15 role right now. I was Chief Scientist, as Molly said, from
16 about 1990 to 2002. And right now I'm helping to advise
17 the staff on aspects of injury that may be continuing and
18 investigating the relationship between the remaining oil
19 and the intertidal -- mainly in the intertidal zones of
20 Prince William Sound and its possible relationship to some
21 of the negative things we're seeing in the biota in terms
22 of oil exposure and potential effects. And I've also had a
23 large part in the GEM program but that now has been turned
24 over to Phil Mundy and is doing a great job. I also put a
25 proposal into the Trustee Council to synthesize the

1 information that's been learned since the '89 spill. And
2 so I've got a great team of people helping me essentially
3 write a book on what we've learned about the Gulf of Alaska
4 since the oil spill in 1989.

5 What I'd like to cover today is the spill
6 damage and just kind of the short-term damages, divided
7 into short-term and longer-term damages. And as the spill
8 short-term damages were being evaluated there was an early
9 effort to get some restoration strategies, some things that
10 could be done in the Restoration Plan. And we were very
11 active but it took a long time to get a consensus
12 Restoration Plan in '94. We were very active for several
13 years. There was an office of restoration and various
14 kinds of strategies and things were being proposed and it
15 was kind of a long drawn out process, but I can talk about
16 some of those activities as they went on.

17 And then, you know, talk about longer-term
18 spill damages as well, and then recovery, the resources,
19 questions of whether there still is damage to resources in
20 the spill-affected area. And what I do want to emphasize
21 is kind of a legacy of knowledge that we have achieved from
22 having spent about \$170,000,000 on scientific studies in
23 the spill area.

24 This is kind of a take off on Stephen
25 Hawkings "A Brief History of Time", but this is kind of

1 what happened with EVOS. Some of the major activities got
2 directed to scientific programs. Of course, the wreck in
3 '89 and short-term assessment of damages and longer-term
4 assessment of damages that are still actually going on, but
5 this is kind a much decreasing line passed about '94 or
6 '95. And then restoration activities that were started at
7 the time of the settlement, including tracking the recovery
8 of populations, strategies and projects to do replacement
9 of resources, habitat protection, and then some other
10 things in there as well.

11 And then about '94 there was a blockade of
12 Prince William Sound. You may have remembered it. And the
13 fishermen were kind of upset with the state of herring and
14 pink salmon in Prince William Sound. And it was about that
15 time that the Trustee Council took a much broader view of
16 the restoration of the environment and got into more
17 ecosystem based approaches which actually set the platform
18 and foundation for the development of the GEM program
19 starting in the late '90s.

20 I'll just be very brief about some of this.
21 There's a lot of ins and outs of this, and Molly certainly
22 gave a lot of information about the uncertainties of how
23 you establish damage and where there is population level
24 damage. All I can say, and I think she did it quite well,
25 is there is uncertainty almost about everything that you do

1 in this type of environment, trying to get a whole chain of
2 cause and effect linkages from the spilling of the oil
3 through the exposure of animals, the uptake of the
4 petroleum to what affects it may be having at the sub-
5 lethal physiological level to what that means for an
6 individual organism and then in turn for the populations.
7 And that's all played out in the background of natural
8 variability and ecosystem change. So kind of deciding what
9 the damages are is a huge undertaking.

10 But this is kind of a consensus of what the
11 spill toll was early on. There was several thousand sea
12 otters killed, maybe 30 percent of the population at least
13 within Prince William Sound and certainly some outside.
14 Several hundred harbor seals, killer whales. There's been
15 a lot of disagreement about this, but you heard Molly
16 mention that we were missing a total of 13 killer whales
17 from AB pod and some possible other circumstances for other
18 members of other pods in the first couple years of the
19 spill. So those are on the injured species list.

20 About a quarter million sea birds, and that
21 has ranged up or down, depending on whether you believe
22 just the carcass numbers or the total number of birds that
23 were estimated by some experts to be close to half a
24 million. Several hundred bald eagles. I won't go into the
25 ins and outs of that case, but the consensus is several

1 hundred bald eagles. About 1,500 kilometers of intertidal
2 habitat because oil floats and because of the nature of the
3 intertidal habitat in most of the spill area, oil has
4 landed there and is retained there in large quantities. If
5 you look at the fate of the oil that was estimated by Doug
6 Wolfe in '94, which is the last comprehensive estimate,
7 most of the oil ended up in the intertidal habitat at one
8 stage or another. It's, of course, decreasing over time.
9 And it's also the focus of trying to estimate whether there
10 might be remaining damages because damages we see, or think
11 we see now in the later part of the spill restoration
12 program related to oil, mostly relate to inshore animals
13 and animals that use the intertidal habitat. There was
14 some damages to archeological resources. There was loss of
15 subsistence on the beaches by residents who used the
16 beaches for subsistence. There was closure of commercial
17 fisheries and social disruption.

18 I think most people have understood
19 implicitly, and certainly I try to emphasize, that nature
20 does most of the work in restoration. But there are some
21 things that we can do. We can restore damaged habitats by
22 removing the oil and manipulating the habitats in kind of
23 limited ways. We can restore equivalent resources, which
24 we have done, and I'll show you a couple cases of that. We
25 could recommend changes in management and include

1 reductions of harvest. We can protect from further damage
2 during recovery from other activities that might impact
3 those populations from man's activities. Or we can also
4 determine, and this is a large part of the restoration
5 program, post '94, why some species have not recovered that
6 we thought would otherwise have recovered by that time.
7 And we can enhance information flow with managers. And
8 I'll give a couple examples of that.

9 A couple examples from the habitat
10 restoration category. These are just the clean up that
11 took place in '89 and '90 on a large scale. Many of you
12 probably remember these pictures like this. They're
13 actually steam cleaning the beach here with salt water
14 that's taken up and put into boilers and elevated to very
15 high temperatures and then the beach is cleaned. That was
16 a decision that was made early on and it's had
17 repercussions because the beaches are later shown to
18 recover more slowly than those that were not oiled by a
19 NOAA study.

20 Another example is the habitat that was not
21 cleaned up deliberately. That is the mussel beds. These
22 are these very closely packed blue mussels that occur
23 intertidally in various places of the Sound. And during
24 the clean up effort it was decided not to clean these
25 mussel beds up because the mussels were too valuable a

1 resource for the otters and ducks that fed on them, and so
2 there was a continuing persistent oil under these mussel
3 beds and we made some efforts. Jeep Rice is in the room
4 here, he was in charge of this general effort of trying to
5 see what kind of strategies could be used to clean the
6 mussel beds up later because they were thought possibly to
7 be source of continued oil exposure to significant numbers
8 of higher vertebrate predators in the spill area.

9 A couple of examples from restore
10 equivalent resources. This is a case in Port Dick Creek
11 where the '64 earthquake actually had a big affect on the
12 geomorphology of the stream bed and we got a proposal to
13 evaluate that said that the Fish & Game could actually
14 restore spawning in Port Dick Creek and they did a lot of
15 movement and shaping of the creek bed, and in fact got a
16 good return of -- I think it was pink salmon, wasn't it,
17 Phil?

18 DR. MUNDY: And chum.

19 DR. SPIES: And chum. Chum salmon at Port
20 Dick Creek, so that was fairly successful at least until
21 there's another earthquake. And then we did things like
22 start chinook and coho salmon runs in subsistence areas
23 around Tatitlek Village, for instance, started coho salmon
24 run. These are kind of terminal fisheries where the
25 returning fish didn't spawn, but we planted them over four

1 or five years and provided a resource to offset subsistence
2 impacts to the intertidal.

3 A couple examples from the recommended
4 reduction in harvest. Consulting with the Department of
5 Fish & Game in the early '90s, they decided to limit
6 harlequin duck bag limits in 1994. I'm not sure if that
7 still exists or not. But we also, through our studies,
8 Department of Fish & Game also used that information to
9 limit bag limit of Dolly Varden later in the '90s. And I
10 believe that's still in effect.

11 A couple of things that were done in the
12 area of increasing information flow for management, we did
13 a lot for pink salmon. They were a real concern in Prince
14 William Sound. It's been a large theme of the restoration
15 program, is trying to deal with the management of the pink
16 salmon resource. And so a lot of things were done. Some
17 of the early things included put in these coded wire tags,
18 you can these little metal tags in the nose of these fry
19 here. They're in both hatchery fish that was already being
20 done to some extent but we beefed up those efforts by the
21 hatcheries. And we also, for one year, put these in wild
22 run pink salmon trying to look at the rate of return,
23 because these things can be detected in detectors when they
24 come back to spawn as adults and get information on the
25 rate of survival.

1 Another thing later in the '80s along the
2 same lines that actually replaced this technology was
3 what's called otolith mass marking. This is the ear bone
4 from a pink salmon that was raised in a hatchery. And you
5 can see in the middle of the slide here that what happens,
6 they put down rings of bone in the ear bone as they grow.
7 And so they start off with a real small one here as
8 juveniles and they start adding layers. In fact, they add
9 a layer every day. And you can manipulate the water
10 temperature, which was done right here with this dark ring.
11 You can raise it up, lower it, raise it, lower it, and you
12 put like a bar code essentially on this ear bone. And then
13 you can get the adults coming back, remove some ear bones,
14 take them to a microscope and you can actually figure out
15 where this salmon was raised, in what hatchery. And back
16 in the '90s we funded a large program to put boilers in all
17 the hatcheries in Prince William Sound, and now every
18 single -- I think it's still continuing. Every single pink
19 salmon that comes back that was hatchery raised in Prince
20 William Sound has a unique identifier here. We know where
21 it was grown and when it was released from the hatchery
22 records. This is a great management -- and really helped
23 pink salmon management in Prince William Sound. But it
24 also helped our scientific research because we were able to
25 ask a bunch of questions about pink salmon we otherwise

1 wouldn't have been able to answer.

2 And moving over to some of the longer-term
3 effects, I'll try not to dwell too long on these because
4 time is limited. But we did have a crash of herring in
5 1993 and 1994. We went from 120 metric tons of herring
6 resource in Prince William Sound to about less than 30 in
7 the space of a year. This was a huge drop in the
8 population. It was attributed to the presence of a
9 disease, although other natural factors probably
10 contributed like poor years of plankton production in the
11 early '90s, but there is a viral hemorrhagic septicemia,
12 large open sores on the herring. There was also a very
13 poor '89 coho. Herring have remarkably patchy kinds of
14 recruitment to the population. About every seven years you
15 get a good population. And it's quite irregular in
16 between. It can be almost zero or small. But the coho
17 salmon that was exposed in '89 to the oil was very poor.
18 One of the poorest on record. So that's one of the
19 potential injuries, and you have to make some sort of
20 judgment as to how much of that may have been due to oil.

21 Moving on to another important resource,
22 I've already mentioned pink salmon. We have egg and larvae
23 mortalities and juvenile abnormalities and growth effects,
24 and some modeling done by Department of Fish & Game
25 indicated we might have lost about 1.9 million adults

1 returning to the fishing in 1990. 1990 was a banner year
2 due to the upward trajectory of the hatchery raised pink
3 salmon. Since the hatcheries have come on line they were
4 getting better and better returns, and the return in '90
5 was quite good.

6 We also saw in some experiments done at the
7 Auke Bay Laboratory, again Jeep Rice is here and he can
8 attest to these, he was in charge of most of these, where
9 we saw low level effects. You probably heard about these.
10 It was called polynuclear/aromatic hydrocarbons, which are
11 believed to be the most toxic fraction of the petroleum.
12 And in the water soluble fraction which is what dissolves
13 out of the oil into the water of about a part per billion,
14 we also saw very low, in related experiments, mortality.
15 So that kind of supported our closer look at the injury in
16 the larvae, pink salmon and herring.

17 We also have some histopathology in sea
18 otters, some liver abnormalities that may be related to the
19 spill. Those are still being looked into. Of course we
20 had the large otter deaths and some blood parameters
21 indicated some continuing low level immune system
22 perturbations in sea otters. We had greatly reduced
23 seabird populations. These are again on a background of
24 varying ecosystem production in the mid-'70s and '80s when
25 the last pre-spill population estimates of seabirds were

1 made in Prince William Sound. There were many more than
2 after the spill. And undoubtedly some of this was due to
3 natural variation, but we also had estimates of about a
4 quarter million dead seabirds, so trying to sort out what
5 the injury from the spill was to seabirds was interesting,
6 but certainly a lot of seabirds were depressed and it's
7 likely that oil played a major part in some of those
8 population level depressions.

9 The harlequin duck survival rates on the
10 western side of the Sound are quite poor. They also have
11 evidence of continuing oil exposure. How much of that may
12 be due to natural habitat differences and how much due to
13 oil is certainly up in the air. It hasn't been fully
14 answered with a high degree of certainty.

15 There was a reduced reproduction success in
16 eagles in '89, beyond what we saw in terms of carcasses or
17 estimated numbers of deaths. But that went away in a year.
18 We had massive loss of intertidal life for several years,
19 because you saw the coating of oil on the rocks, you saw
20 the steam cleaning, so that that pretty much -- there was
21 no doubt that intertidal life was greatly affected by the
22 spill, throughout the spill area and the studies on
23 populations of intertidal organisms certainly supported
24 that.

25 We had some effects on subtidal organisms.

1 Not nearly the kind of losses we saw for intertidal life.
2 Some of these were probably expected because of known
3 sensitivities of some subtidal organisms. Other ones were
4 somewhat circumstantial because we did not pre-spill data,
5 so we don't know if the oil in those areas are really
6 equivalent in populations before the spill. And we had a
7 reduced subsistence harvest for several years.

8 Well, we get to the question of why have
9 some species not recovered? And this was being raised with
10 increasing frequency in the early '90s and we believe that
11 there were ecological processes that were going on that
12 prevented full recovery. And we believe we needed to look
13 at the ecological context of a lot of these species and
14 what was preventing the recovery to pre-spill levels in
15 this ecosystem. And so we instituted some major studies
16 that I think were a great investment in scientific
17 practical research in trying to understand how this
18 ecosystem works. And when I talk about legacy, a lot of it
19 starts -- it's hard to relate, but a lot of it starts with
20 these measured program. Ken Adams is here, he's from the
21 community of Cordova. He can talk about the SEA program
22 and how that was supported on a community level in Cordova.
23 This is a Sound ecosystem assessment. It was attacking
24 head on the question of recruitment of larval herring and
25 pink salmon and the factors that affected that and why

1 things were good one year and not good the next, and
2 related directly to the questions of restoration.

3 We also had a large study called the APEX
4 study that dealt with seabirds. And seabirds mainly eat
5 small fish, although they eat some other things. And
6 populations of forage fish, including the herring, were
7 depressed at the time in the early '90s and this program
8 looked into those sorts of affects. And we had something
9 called a nearshore vertebrate predator project, looking at
10 harlequin ducks, pigeon guillemot, sea otters and river
11 otters, and these are the animals that are tied to the
12 nearshore and most of these show some sort of continuing
13 affect even to this day, although it doesn't apply to all
14 of them, that could be related to oil exposure.

15 This brings us to is there still
16 significant oil exposure in Prince William Sound. We still
17 have elevations of a enzyme called P4501A. And this may
18 seem a little esoteric to you, but this particular enzyme
19 is extremely sensitive to oil exposure. And it gets
20 elevated in animals that are being exposed to oil in their
21 habitat. And we see this in sea otters, we see it in the
22 harlequin ducks, we see it in other nearshore predators in
23 the western side of Prince William Sound where most of the
24 oil was deposited in the intertidal. And we also see in
25 the same groups of organisms some higher order of

1 physiological effects. We don't see the populations of sea
2 otters fully recovered, we don't see the populations of
3 harlequin ducks fully recovered. We see reduced survival
4 of female harlequin ducks. We know from our tagging
5 experiments.

6 Now the question is these processes that
7 link directly to the health of the populations, the
8 question is can they be traced back to the oil exposure?
9 We're looking into those right now. They're still, in some
10 sense, open questions. There are still pockets of buried
11 oil in Prince William Sound. And there's more than we
12 thought there was. In '93 when we did the last major
13 inventory of oil present in the sediments, we thought there
14 was equivalent of maybe a basketball court, you know, solid
15 basketball court worth kind of oil beneath the surface of
16 the boulders in Prince William Sound. We now know that
17 that looks more like 20 acres. We've done a better
18 estimate of that because the '93 study wasn't really set up
19 to estimate quantitatively how much oil is still present.
20 And you've probably seen the newspapers over the last year
21 or two. There's been a lot of controversy over that.
22 Exxon scientists don't agree with that, but I think it's
23 pretty rock solid. The way the study was done there's not
24 too much doubt about that. Where the questions come in is
25 what affects is that buried oil still having?

1 I'll try not to spend a lot of time on this
2 because -- the particular examples, but I want to talk
3 about the legacy of knowledge for coastal ecosystems in
4 Alaska. And a lot of this is going to be covered in the
5 synthesis that we're engaged in right now. On rocky
6 shores, middle and upper intertidal zone communities will
7 be extensively contaminated and aggressive cleaning will
8 wash away many of the fine sediments and associated oil to
9 the shallow subtidal. This is just under the fate of oil.
10 Natural microbial populations will probably degrade about
11 half of this oil in about three years. About 20 percent
12 will evaporate and be broken down by sunlight, but oil will
13 persist in fine sediments with little kinetic energy. That
14 is, you know, very little energy from waves, particularly
15 under rocks and mussel beds and that sort of thing.

16 A couple of examples from the fish. The
17 eggs and larvae of pink salmon and herring are particular
18 susceptible to the effects of low parts per billion
19 concentrations in sea water and will cause fatal
20 mortalities. It is very unlikely that the census surveys
21 of salmon streams are able to detect changes of populations
22 can be related exclusively to the effects of oil. So going
23 out and counting salmon after a large spill is, in our
24 experience, fairly futile in terms of pinning down what the
25 injury was. But we can work with things like these enzymes

1 in the liver and other kinds of information to get a better
2 understanding of what injury might be.

3 In the area of birds and mammals, just a
4 couple examples. A significant portion of seabirds,
5 particularly diving seabirds and sea otters would be killed
6 by a large spill in a coastal zone, but as much as 25
7 percent of local populations could be lost, however only 10
8 or 20 percent of the carcasses will be found. It may take
9 a significant investment of money and several years to
10 detect population changes on the order of about 20 percent.
11 You're always trading off the level of effort with the
12 precision of the answer over the time you want to have the
13 answer in designing these studies that have so much
14 variability in the natural.

15 What have we done to aid conservation,
16 management and stewardship of injured resources? Well,
17 what practically has come out of this large investment
18 study in the spill and study in the populations in the
19 area, because we've learned a lot about the populations in
20 the area. Well, some possible revisions for water quality
21 standards for pH that the State of Alaska may want to
22 consider. Because we know the threshold for effects has
23 been reduced a couple orders of magnitude. Something like
24 10 parts per billion for pHs to about a part per billion.
25 Again, these are the toxic components of oil. Otolith mass

1 marking that I mentioned for pink salmon is a lot better in
2 season management of fisheries in Prince William Sound.
3 Studies that we've done on stock structure through genetic
4 studies have confirmed existing harvest districts in Prince
5 William Sound. We've developed spawn deposition surveys
6 and hydroacoustic methods for herring stock assessment, and
7 those have helped greatly in trying to manage the herring
8 fishery in Prince William Sound. We've discovered much
9 more about the risk of disease transmission in herring
10 pounds that are used to get herring to spawn on kelp and to
11 sell that as a separate product overseas. We've done
12 genetic research, provided the basis for stock
13 identification of the Kenai River and upper Cook Inlet
14 sockeye salmon stocks. We've discovered some of the
15 underlying mechanism of population of cycling in the
16 sockeye salmon in the Kenai River system. Some landmark
17 studies that were done there by the Department of Fish &
18 Game. We've discovered large integrations of spawning
19 pollock in Prince William Sound during the SEA program.

20 Let me just talk briefly about one of the
21 outcome of the SEA program. This was a very, very
22 interesting study. It was a community inspired study. The
23 people of Cordova and the scientists down in Cordova came
24 together and spent about a year in some very intense
25 meetings of trying to crack this old chestnut fisheries of

1 science of how do you predict populations of a fish
2 resource. How are you going to know if next year is going
3 to be good or bad? And so the SEA program took this
4 challenge on head on for pink salmon, and to a degree for
5 herring as well, and one of the hearts of the program was a
6 model that was being developed, still being developed, and
7 is going to be published soon, I believe, for pink salmon.
8 And looking at the food of pink salmon larvae when they
9 were released from the hatchery how fast they grow, where
10 they migrate, where their predators are, trying to
11 integrate all these processes to come up with what the
12 populations might be in the following year. And what is
13 modeled here for particular release from the Wally
14 Nuremberg hatchery in '94 for survival of various net pen
15 releases, each of these is a separate net pen released over
16 time along this green line, and this is the observed return
17 18 months later of pink salmon. This is a very good match.
18 Although this is a log scale there's a big difference here
19 in some factor, probably predation, that we don't
20 understand. We understand enough about the predators and
21 the food and the plankton to predict kind of the shape of
22 this curve. That's a major accomplishment in fishery
23 science, I believe. And it's a very practical application
24 to the hatcheries in knowing when to release their juvenile
25 salmon into the Sound.

1 A couple examples from birds and mammals.
2 Studies of harbor seals carried during the EVOS restoration
3 program has really helped define the stocks of harbor seals
4 in the Gulf of Alaska. They are being considered in some
5 context for a threatened status. So this will be very
6 important information to have in that process.

7 There's new data on nesting habits of
8 harlequin ducks and marble murrelets that have helped
9 identify valuable terrestrial habitat for the projection of
10 these species. Data on rate of feeding of shore birds on
11 herring spawning in Prince William Sound is helping to find
12 critical habitat requirements for larger portions of the
13 populations of migrating shore birds. Prince William Sound
14 is a major stop over point for shore birds in their spring
15 migrations from the tropics and temperate parts of the
16 world further south, and Alaska in the summertime. And
17 development of aerial survey methods provides managers new
18 ways to assess sea otter populations.

19 I won't dwell on intertidal communities
20 since we're running short on time. So we come down to the
21 question of what is the use of all the science? We
22 invested \$170 some million. Did we just show how bad the
23 Exxon Valdez spill was in excruciating detail? And we did
24 go into excruciating detail. We spent a lot of money,
25 despite all the uncertainties, trying to pin down what

1 exactly was this spill. It was the largest spill in the
2 United States of oil, it was in an area with a lot of
3 valuable resources. But the answer to this question is was
4 it just damage assessment? The answer to the question is
5 no. In my view we have created a tremendous legacy of
6 knowledge about the northern Gulf of Alaska ecosystem. It
7 is a platform for understanding the cause of future
8 changes. You know, I'm continually impressed, in coming to
9 Alaska over the last 13 years, of the role that resources
10 play in the economic life of this state. And you see these
11 huge fluctuations in salmon runs at Bristol Bay, for
12 instance. You see the threatened and endangered species
13 listings. You see all these things that are happening in
14 the ocean that affect Alaska and affect how the resources
15 are managed and affect the economy, and it's my view that
16 science can help a tremendous amount. And that's really,
17 in my view, why GEM was developed. And it is a legacy from
18 the spill that has a much broader application than just
19 about spilled oil.

20 And we've developed some conceptual models
21 and I think this illustration on the board and some of the
22 concepts here help with understanding what kind of context
23 we in science can provide resource users and resource
24 managers in the future. We have, on the left here, a
25 dominant Aleutian low pressure system we know is associated

1 -- it's average position during the winter is associated
2 with huge affects in the Gulf of Alaska over time. We have
3 -- Phil will talk about this in his presentation, but a
4 large scale currents that give rise to the Alaska current
5 and then the California current, but that's split of the
6 eastward drift of the North Pacific, occurs right off the
7 Queen Charlotte Islands in British Columbia. We see the
8 Alaska arm socking around just on the break of the
9 Continental Shelf here in Alaska, and we also see a Alaska
10 Coastal Current that's quite strong and vigorous that is
11 due to the way the winds and fresh water system works here
12 to push this fresher blends of seawater up against the
13 coast and move it along. Processes that happen in this
14 current are extremely important to resources. They include
15 phytoplankton production. The timing of zooplankton bloom
16 that depends on phytoplankton, forage fish that depend on
17 the zooplankton, and then fish that depend both on the
18 forage fish and the zooplankton, and seabirds that depend
19 on fish as well as the marine mammals. All on a system
20 that is fluctuating. We didn't realize this. We had a
21 kind of dim idea of this when we started, but now we have
22 an understanding of large scale ecosystem changes and large
23 ecosystems has accelerated greatly in the time we've been
24 engaged in this program. So we now have a much clearer
25 context for evaluating these kind of anthropogenic changes.

1 And that's what GEM is trying to do. Trying to sort out
2 what these natural changes and how much fresh water and
3 what the temperature is and what the cloud cover is, and
4 how it has played out in the Alaska Coastal Current and the
5 strengths of the offshore currents, and how it relates to
6 planktonic production, how that material is passed up the
7 food web. What is that likely to mean in terms of
8 production and abundance of resources in the coastal areas
9 of Alaska over the next several years? So that's kind of
10 an introduction and conceptual basis for what Phil is going
11 to talk about in the GEM program. So I'll turn it back
12 over to the.....

13 CHAIRMAN BALSIGER: Thank you, Dr. Spies.
14 Let's see, it's noon. And we have lunch for the Trustees
15 here. We also have on the line Chris Elfring, who's back
16 in, I think, Washington, D.C. So with the tolerance of the
17 Trustees I think we'd like to get through at least that
18 part of the program since she's on the line, and keep
19 going. So next would be -- in order to set this session of
20 on GEM we should do the reserve account part that Molly was
21 going to do.

22 MS. MCCAMMON: Yeah. And I thought it
23 would take just about 10 minutes to do this next session
24 and then break for lunch. But what I wanted to talk about,
25 going back to the splitting up of the money during the

1 Restoration Planning phase. The Trustee Council was -- and
2 this was initiated largely by the public, was a sense of
3 let's not spend all the money during the 10 years in which
4 the payments from Exxon are coming in, let's set aside
5 money for the future. And this really was initiated to a
6 large degree by the Public Advisory Group at that time, by
7 a number of citizens who were very interested in the
8 program. Former State Senator Arliss Sturgulewski was a
9 big proponent. Former Senator, now Governor Murkowski was
10 a big proponent of this, of setting aside money for the
11 future in some way. Governor Hickel, Secretary of the
12 Interior Manuel Lujan, these folks all were very emphatic
13 about we have these funds as a result of the settlement,
14 let's not just spend the right now, we need to set aside,
15 just in case of long-term injury, long-term restoration.
16 And with that in mind, as part of the Restoration Plan the
17 Trustee Council did commit to establishing, at that time it
18 was called a restoration reserve for restoration purposes,
19 but no specific restoration purpose.

20 And then in 1997 the Trustee Council
21 directed me to start a planning process on developing what
22 would those future uses of the reserve account be. We
23 embarked on a two year planning process that included
24 public meetings in almost every community in the spill
25 area. About 2,500 public comments were received and

1 summarized. It was a huge public process at that time.
2 And in March 1999, right around the time of the 10th
3 anniversary of the oil spill, the Council did make a
4 decision on future uses of the reserve account. And this
5 is a summary of that decision. And basically what the
6 Council decided at that time was that \$55,000,000 would be
7 set aside for additional habitat activities. Ones above
8 and beyond the original ones that they had already
9 committed to. And out of that \$55,000,000 for habitat
10 would include \$30,000,000 set aside for the Koniag deal
11 that had been in the works for a number of years, and then
12 25,000,000 for other habitat protection activities. Mostly
13 small parcels was written into it. And it was very clear
14 it was habitat protection activities. Not exclusively
15 acquisition. Habitat protection. And so that was very
16 clear in the language, too.

17 All of the remaining funds as of October 1,
18 2002, whatever else was left would go into a separate fund
19 for long-term research, monitoring and general restoration
20 to be managed as an endowment. So statutorily it is not an
21 endowment, but it is being managed as an endowment. And
22 this is primarily financial type management. And we'll
23 talk about that when we get into the investment fund.

24 And, in fact, this split of the remaining
25 funds ended up getting put into Federal legislation. And

1 I'll talk about this later, too, about our investment
2 authority to remove the funds from the U.S. Treasury. So
3 it actually was repeated word for word in that Federal
4 legislation.

5 So as part of this, after this decision in
6 1999, then the Trustee Council again directed staff to
7 begin planning for this long-term research, monitoring,
8 general restoration program. And we started calling it GEM
9 as Gulf Ecosystem Monitoring, just as kind of a handy
10 little tool just around the office. And it kind of stuck
11 ever since. And it's actually Gulf Ecosystem Research and
12 Monitoring, but that would be GERM and that would be wrong.
13 So we stuck with GEM.

14 And I think there is a real question about
15 how can something like this be restoration. It really does
16 come from the legacy of the spill, that you cannot
17 understand the impacts of human activities without the
18 context of natural change in the environment. And that you
19 need to be able to distinguish between the natural forces
20 and human impacts if you are going to be able to determine
21 the long-term status of injured resources, the injured
22 environment, and ultimately a restoration.

23 And I think one of the other things we've
24 learned from the oil spill is that without adequate
25 information human activities are the ones that often get

1 the rap for any kind of negative change that you see.
2 Without any other explanation it's fishing or it's oil and
3 gas development or something. And so it really is
4 important to understand the role of natural forces in
5 environmental change, especially in the marine environment.

6 And then in combination with that we need
7 to understand the affects of bottom up forces as well as
8 top down forces. And you get into this whole thing about
9 the bottom up and the top down folks. Is it ocean
10 conditions or is it predation and human impacts? And what
11 we really have learned from the oil spill, it's the
12 combination of both and you can't do one without the other.

13 So as part of the GEM planning we started
14 in March '99, the Council decision in August '99 through
15 February 2000. We conducted workshops and meetings
16 throughout the spill area. October '99 we contracted with
17 the National Academy of Sciences, the National Research
18 Commission for a review of our program. And the review of
19 that program was actually being conducted as we developed
20 the program, so it was a very iterative process. In April
21 2000 we released the first draft of GEM-2000, put it out
22 for public review and comment. That followed over a year
23 of intensive review of that document. In October 2000 we
24 had a workshop with over 300 participants, including
25 national, regional experts, on putting together different

1 kinds of monitoring programs for the long term. In June
2 2001 we received from the NRC a letter of advice,
3 basically helping to guide the program as we went along.
4 In July 2001 we released another draft, GEM-2001, for
5 review. That was another year of intensive review. And
6 then last April 2002, the NRC released their pre-print of
7 their final report based on the recommendations in there,
8 which we knew all along because we'd been working together.
9 We did a final draft document in June of 2002. The Council
10 put that out for public review and comment. In July the
11 Trustee Council adopted the GEM program document. And at
12 that same time they issued the first GEM invitation for
13 proposals, which were approved in November of 2002.

14 The GEM document itself is kind of like the
15 Restoration Plan in a way. It synthesizes all of the
16 scientific information that we know basically to date in
17 this geographic region with the marine system. And it also
18 lays out the framework for a long-term program. It doesn't
19 get into specifics on you will do this here and there and
20 when. That's left up to a science plan that then gets
21 developed and modified on an annual basis.

22 But I did want to take this opportunity to
23 have Chris Elfring, who is the Director of the NRC's Polar
24 Research Board, and was the lead director on the NRC's
25 review, to -- so if you could get her presentation

1 together.

2 MS. ELFRING: Molly, I am here.

3 MS. McCAMMON: And Chris is there.

4 MS. ELFRING: Yes. And one minute while
5 you're pulling up my PowerPoint, I'll let you all tell me,
6 can you hear my voice adequately? It's a little hard for
7 me to hear you all, but I want to make sure you can hear
8 me.

9 MR. MEADE: I can hear you well.

10 MS. ELFRING: Okay. So, Molly, is my
11 PowerPoint there?

12 DR. MUNDY: It's there.

13 MS. McCAMMON: It's there.

14 MS. ELFRING: Cool. And the title part is
15 the side is the first slide?

16 MS. McCAMMON: Yes.

17 DR. MUNDY: First, right.

18 MS. ELFRING: Okay. So you can actually go
19 to slide number two and leave it on that one and it will
20 say the National Academy's special role. And what I wanted
21 to do to get started is one, thank you on behalf of the
22 National Academies for a chance to tell you a little bit
23 about our role in reviewing the GEM program.

24 I have to tell you that asking the National
25 Academies for advice takes real guts. We're an independent

1 organization and we don't always say what people want to
2 hear. Sometimes we're too blunt. Sometimes we're
3 politically naive because we're a bunch of scientists and
4 we should stick to science, not do politics. Sometimes we
5 make more work for people. But in the end, inevitably, I
6 hear back about how useful it was to get our advice.
7 Usually earlier in the programs are better as we did in
8 this case, because then there's chances to make real
9 substantive changes before something is, you know, carved
10 into stone. But if we make people's lives difficult you
11 got to ask yourself, you know, why do people ask the
12 National Academies for advice. That's what we were created
13 to do.

14 Congress, 1863, it was the Lincoln
15 administration. They were struggling, believe it or not,
16 with canons blowing up and killing the soldiers on the
17 wrong side at the time of the canons. They wanted the best
18 engineers to look at what was wrong with the canon design.
19 They had a bunch of engineers come in and that was the
20 first study that we did for somebody. Wait a minute,
21 there's actually something wrong in the chamber where the
22 explosion takes place.

23 The way we work now, obviously we have more
24 than 100 years of experience. Very diverse. We do
25 everything from medical issues to engineering issues. We

1 still do military advice. But basically it's considered an
2 honor to be asked to serve on one of our committees and
3 what that means is we can ask pretty much anybody we want
4 to be on our committees and we get acceptances with, you
5 know, some exceptions when people are -- you know, just
6 terrible spaces in their lives. But it's amazing the
7 agreement we get to serve, and especially considering that
8 everybody who serves on all of our committees are
9 volunteers.

10 The other thing that really we take great
11 pride in is our quality control. And by that I mean there
12 are stages of review all through our process from before we
13 agree to do a study, making sure that that's the kind of
14 study that an outside group like ourselves should do, to
15 the bitter end when we think we're done, the committee
16 thinks they're done, there's another outside group of
17 people who do peer review. What that has done over time is
18 essentially led to a reputation that if you want an
19 objective outside decision the Academies is the place to
20 go.

21 So that sets the stage a little bit for why
22 the Trustee Council decided to ask the Academy for advice,
23 because they wanted to do this right from the git-go.

24 Go to the next slide. Purpose of the GEM
25 Review. Very simply there is a statement of task much more

1 detailed than this. It's in the report which I'm sure you
2 either have or can get copies of, or I can provide more if
3 you've run out of your stock. But the essence of it was to
4 help ensure that the GEM program was really based on a
5 science plan that was useful, robust, far reaching and
6 scientifically sound. How we did the study? It was to us
7 a relatively standardly designed study. We went and
8 decided what kinds of expertise are necessary to look at
9 the plan from all the right perspectives. We decided on a
10 12-member committee. We picked those people specifically
11 for this committee. They had expertise in a range of areas
12 from physical oceanography and ecology and fisheries, to
13 economics and community involvement, and how do you design
14 a long-term research program. That group of people met a
15 number of times over the two years between about June of
16 2000, if I remember correctly, and the spring of 2002 when
17 we turned in the final report.

18 But basically you had to get the group up
19 to speed. What are the program goals? What was the
20 history? A lot of the information that you've been hearing
21 today. We had to understand what the important issues were
22 in Alaska and to the nation that this program was being
23 designed to address. Then we also wanted to get input from
24 a broad range of people. You know, not just the opinion of
25 the 12 of us, is this program going the right direction; is

1 the science plan adequately done, but we got a lot of
2 feedback along the way.

3 As Molly said a little bit ago, it was an
4 iterative process. We had good conversations at these
5 meetings, but we also tried to deliver a series of reports,
6 as we called them, that were more lasting -- you know, it's
7 always better if you write your advice down rather than
8 just say because people can play deaf if they want to if
9 it's just spoken. But we did a letter report, we did an
10 interim report, and we did the final report. And, again,
11 one of the greats of the study was indeed that we were
12 trying to learn what the program was while the program was
13 actually evolving. And at times that was tough because we
14 would think we had a handle on something, we would give
15 advice, and they would make changes to incorporate that
16 advice or to incorporate advice from other directions, and
17 the committee would have to catch up again, well, where are
18 we now?

19 I will put in as an aside here that the
20 staff, Molly and Phil, were tremendously responsive to the
21 committee. We asked a lot of questions. We were, you
22 know, demanding of we need to know this, we need that.
23 They did just a really good job of supporting us and Molly
24 provided really good leadership to us during that whole
25 time.

1 If you would go to the next slide. If I
2 look back on the report which is now, oh, about a year from
3 being delivered to you all, probably the most key finding
4 out of it was early in the executive summary -- you'll find
5 this on page two or three, I think, but the Trustee Council
6 is to be commended for its foresight in setting aside funds
7 to support a truly long-term GEM program. GEM offers a
8 unique and unparalleled opportunity to increase
9 understanding of how marine ecosystems in general, and
10 Prince William Sound and Gulf of Alaska, in particular,
11 function and change over time. In essence, the committee
12 was saying you're creating an incredible opportunity with
13 this kind of long-term approach. Because it really is over
14 the long term that you can be eventually able to
15 distinguish what's natural variability from what's human
16 cause changes. And earlier I couldn't identify the
17 speaker, but someone said exactly that. You know, a
18 certain species of fish crashes and you're left saying was
19 that a normal cycle or was that something else that we
20 should know about? And that's the kind of thing that over
21 time GEM will allow decision-makers to understand.

22 Next slide, please. The research
23 management balance. Reading a science plan can be a
24 frustrating experience, even to me as a scientist. You can
25 get bogged down in detail. There can be places where you

1 say, you know, this seems like knowledge for knowledge's
2 sake, what's the practical value? One of the things that I
3 see about the GEM program is that it has the potential to
4 answer some really big questions. Some of them now, the
5 long-term emphasis is critical, but some of those questions
6 will be more useful products now today to managers. And I
7 think that flexibility in the program is going to give you
8 all very, very good opportunity. And, again, this will be
9 a challenge to the management and to the Trustee Council,
10 but GEM can respond to current management concerns without
11 sacrificing that long-term perspective. And I think that's
12 a critical lesson to keep in mind, is that there are ways
13 to basically do that.

14 Let's go to the next one because I do want
15 to let you guys get to lunch and even give you a chance to
16 ask questions if you want to. I do also want to mention a
17 couple of the key cautions from the report. And if you
18 have a chance to look at the report you'll see that there's
19 a lot of detail in the report. There's criticisms. You
20 should try this better, you should go in this direction. I
21 wanted to sort of teach you a thing about scientists. When
22 you ask scientists to review anything, someone else's
23 proposal, an article that's been published, they're going
24 to be critical. Critical in science is not a negative.
25 It's how science goes forward. And we tell that to each

1 other when we're criticizing each other's work so we won't
2 get personally offended. But it's how you poke at a theory
3 and find out over time that maybe it's not the best theory.
4 Or in this case it's how you take a good plan and poke at
5 it and make it a better plan. So the committee did want to
6 be sure that they were understood, that all of their advice
7 was intended to be constructive and that we recognize that
8 it is advice. And advice sometimes will not jive with on
9 the ground, you know, the managers, what you can do in your
10 setting. And we know that. Some of the things are going
11 to be done. Some of the things are not going to be done.
12 It's actually a judgment call that falls on you all.

13 But some of the key cautions. One is that
14 no one program is going to be able to meet the needs of all
15 potential users. There's going to be choices made. You're
16 going to always have to have in mind that balance. Don't
17 give up the long term and make all your choices short term.
18 I think also that there's going to be a temptation,
19 particularly, you know, budgets have cycles over time.
20 There's going to be the temptation to look at GEM and say
21 well, maybe if we use GEM we could fund this normal agency
22 program that right now just isn't funded. That shouldn't
23 be what GEM is about. It shouldn't be a stop gap thing.
24 It should first and foremost be a visionary program. And
25 obviously there's going to be roles to support agency and

1 management needs, but you don't want to get it basically
2 hijacked by that.

3 And one last one to warn you all. There
4 will be significant costs associated with data processing
5 and archiving, but these -- even though they're sometimes
6 sort of hidden things. You know, like putting a new roof
7 on your house, nobody wants to do that because you can't
8 see it and enjoy it, but you need to do it because it's a
9 critical aspect of the program.

10 Next slide, please, which will say what
11 next. It seems to me that you, the Trustee members, right
12 now have a great opportunity in the GEM program. It really
13 is a comprehensive and promising marine research program.
14 And I think there's a lot of expectations in the community
15 about what GEM will be able to do. It certainly had a long
16 and careful planning process. I think it's ready to move
17 on to that next step of implementation. And essentially
18 the challenge is keeping it on track and I have full
19 confidence that the Trustee Council is going to be able to
20 do that, to move it from planning to reality.

21 Is there anything else I can tell you all?

22 CHAIRMAN BALSIGER: Any questions for
23 Chris?

24 (No audible response)

25 CHAIRMAN BALSIGER: Thank you very much.

1 That was a quick review by Chris. I appreciate that. It
2 was good working with you through the years that you put
3 this together. We still have some pieces of this GEM thing
4 left that we can get through in a few minutes or so?

5 MS. McCAMMON: No. I think we have to come
6 back. I did want to make one -- one of the main
7 recommendations early on from the NRC was they thought the
8 goals of the GEM program were too broad. The detect,
9 understand, solve, inform and predict. And their
10 recommendation was to skip the last three and just focus on
11 detecting change and understanding change. And this was
12 one of those classic cases that when that recommendation
13 came to the Trustee Council they looked at it and said
14 thank you very much for your advice but we like our goals
15 and we're going to keep them. So it is one of those, you
16 don't take all of the advice that's given out.

17 CHAIRMAN BALSIGER: Mr. Duffy had also
18 asked to add an item of data synthesis, probably just
19 before we did this. So we'll pick that up after lunch too,
20 if that's all right, Kevin.

21 MR. DUFFY: That's fine.

22 CHAIRMAN BALSIGER: We'll do that. We
23 don't want to forget that. And we will have an executive
24 session now if there is a motion from the Trustees to have
25 such a session. I believe it takes a motion to go into

1 executive session for purposes of.....

2 MR. DUFFY: I'll move that the Council move
3 into executive session.

4 MR. RENKES: Second.

5 MS. McCAMMON: For the purposes of
6 discussing litigation and personnel.

7 MR. DUFFY: For the purpose of discussing
8 litigation and personnel matters associated with the
9 Council.

10 CHAIRMAN BALSIGER: The second understood
11 that. Is there any objection?

12 (No audible response)

13 CHAIRMAN BALSIGER: In that case we'll go
14 into executive session. It's 12:20. We had intended to
15 have about an hour, so do you think we can be back by 1:30
16 for the public session?

17 MS. McCAMMON: Yes.

18 CHAIRMAN BALSIGER: And there is a
19 cafeteria on the second floor for the people that are
20 visiting here.

21 MS. McCAMMON: I don't know how much food
22 we have but I'd let the Trustees go first and then
23 whatever's left. But the first part would be the
24 litigation section in here because I think that's going to
25 be a larger group of people.

1 CHAIRMAN BALSIGER: Okay.

2 (Off record - 12:23 p.m.)

3 (On record - 2:07 p.m.)

4 CHAIRMAN BALSIGER: We're still short one
5 Federal Trustee but we're also quite short of time, so
6 maybe we'll start and if something comes up that Drue has
7 to hear we'll try to catch her up on that. And I just
8 thought this was my agenda, but it's not. So let's see, we
9 were going to go back and talk about synthesis? Is that
10 where we were?

11 MR. DUFFY: Yeah.

12 CHAIRMAN BALSIGER: Mr. Duffy.

13 MR. DUFFY: Mr. Chairman, if I could, I
14 just want to ask a question. And I think Phil should be
15 able to address this for the Council. But in reading the
16 National Resource Council, some of the comments on the GEM
17 program, one thing that jumped out at a couple of us on the
18 State side, or all of us actually, was there was a note in
19 there that the synthesis of the Exxon Valdez oil spill
20 research from 1989 to present has not been done. And that
21 got our attention. And we were just wanting the
22 professional staff at the Council to respond.

23 CHAIRMAN BALSIGER: Mr. Duffy, would you
24 allow me to interrupt for a second. I have to, for the
25 record, point out that we had an executive session for the

1 last hour or so, at which we discussed litigation items and
2 personnel matters, and we're back now from that executive
3 session in the public session. I'd also like to say that
4 Mr. Gregg Renkes has been here since approximately 10:45
5 this morning. You weren't here when we started out, and
6 some of the people on the phone didn't know you were here.
7 So I wanted to announce that.

8 So now if I haven't destroyed your train of
9 thought, Mr. Duffy, please.....

10 MR. DUFFY: You haven't, Mr. Chairman.
11 That's no problem at all, clarifying the record.

12 CHAIRMAN BALSIGER: Thank you.

13 MR. DUFFY: So I think Phil got the nature
14 of our question and we'd just like to hear what is being
15 done to address those comments from the NRC.

16 DR. MUNDY: Mr. Chairman, with your
17 permission?

18 CHAIRMAN BALSIGER: Dr. Mundy.

19 DR. MUNDY: For the record my name is Phil
20 Mundy, I'm Science Director for the Council. Yes,
21 Commissioner Duffy, that is an accurate statement of the
22 NRC report. They did point out that we have not formally
23 completed the synthesis of the research that was done
24 during the natural resources damage assessment and the
25 restoration program. Nonetheless, I would like to point

1 out that in the course of putting together the scientific
2 background, which is Chapter VII in the GEM program
3 document, that much of that research was used to the extent
4 that it's been published. Part of our problem in doing the
5 synthesis of the NRDA and restoration science is that the
6 journals are slow to publish. The publication process
7 sometimes takes up to three years. And we tried to stick
8 to the peer review published literature in the synthesis.
9 Dr. Spies is in process now of doing that synthesis. He
10 has a team of scientists working on it. And enough of that
11 literature is now published that that can be completed.
12 And we would expect that to be completed within the next
13 year or two to 18 months.

14 CHAIRMAN BALSIGER: Follow-up questions,
15 Mr. Duffy?

16 MR. DUFFY: No. I think that's it for me.
17 I would go to the other Trustees to see what's.....

18 CHAIRMAN BALSIGER: Any other questions?
19 Ms. Ballard.

20 MS. BALLARD: I'd just like to urge, and I
21 know Phil knows how strongly I feel about this, that we do
22 everything possible to move the pace of that synthesis
23 presentation forward. That I think it's critical we have
24 that sooner rather than later. And I'll bring that up
25 again when we get to the action items on the request for

1 proposals.

2 CHAIRMAN BALSIGER: Molly.

3 MS. McCAMMON: Mr. Chairman, one of the
4 other aspects of getting to the point of being able to do a
5 synthesis is having completely peer reviewed and finalized
6 reports. And you don't have this in your packet, but we
7 consistently have a backlog of reports that are due from a
8 number of agencies and contractors. It's actually easier
9 getting them from contractors because you withhold their
10 final payment to get that final report. The agencies get
11 their money up front and so it's been a little more
12 difficult sometimes getting the final reports from the
13 agencies.

14 In all fairness a lot of times this happens
15 because the original investigator has taken jobs in Florida
16 and left and hasn't finalized it and there's really no one
17 within the agency to complete it. But I will send you soon
18 kind of our updated list on that, and any assistance you
19 can provide within your own agency for getting some of that
20 backlog done would be very helpful.

21 CHAIRMAN BALSIGER: Mr. Duffy.

22 MR. DUFFY: Thank you, Molly. That helps
23 clarify it. And to the extent that there are any research
24 reports that are not finalized and they sit in my agency
25 I'll do everything I can to help out concluding those.

1 MS. McCAMMON: Thank you.

2 CHAIRMAN BALSIGER: I believe that
3 completes what would have been the morning agenda. So we
4 have briefings to continue on the agenda following the
5 scheduled break. We also have, at 2:45, a public comment
6 session set up so there are people on the telephone waiting
7 to make public comments, so we should probably -- will we
8 need to take that right at 2:45, Molly?

9 MS. McCAMMON: Yes.

10 CHAIRMAN BALSIGER: All right. So at 2:45
11 more or less time certain we'll do that. We won't take a
12 break prior to that obviously. So please, Molly, would the
13 habitat protection activities?

14 MS. McCAMMON: Well, we haven't
15 finished.....

16 CHAIRMAN BALSIGER: No, we haven't. That's
17 right.

18 MS. McCAMMON:the GEM program. And
19 then also the investment fund, I know Gary Bader -- Bob
20 Storer was here and he had to leave due to a conflict. Is
21 Gary here?

22 MR. BADER: Yes, I am.

23 MS. McCAMMON: Oh, you're right behind me.
24 And with your permission, if we could be a little flexible
25 maybe on the schedule just to talk about the investment

1 fund briefly while Gary can still be here.

2 CHAIRMAN BALSIGER: Okay. So we'll jump
3 into that now?

4 MS. McCAMMON: If that's okay.

5 CHAIRMAN BALSIGER: That would be the last
6 item listed just before the 2:30 break, the investment
7 fund. So if that's okay with the Trustees, let's do that
8 then, please.

9 MS. McCAMMON: Okay. When the litigation
10 was settled one of the provisions of the settlement was
11 that the funds that the joint trust fund would get would be
12 placed into an account within the Court Registry Investment
13 System. It would be invested in treasury securities and
14 placed in this account. When I first came on and we
15 initiated external audits of the trust funds, the Federal
16 and State fund and then the joint trust fund, one of the
17 questions we asked was about the Court Registry Investment
18 System. And we actually went down to Texas to meet with
19 people there. At that time the Trustee Council was paying
20 about 15 percent of its earnings was going as fees to
21 investments to this account, and we wanted to see who was
22 actually doing the investing on behalf of the Trustee
23 Council and what kind of an operation it was. It kind of
24 surprised us to go down there and realize that it was a
25 part-time person in a little cubby who called next door to

1 the bank and ordered treasury securities to be purchased.
2 And for that the Council was paying 15 percent of the
3 income.

4 And that led to a major recommendation of
5 our audit team that we should do something about the fee
6 structure. At that time we follow up with the court system
7 and actually tried to get the fees waived. I believe that
8 the Exxon case is the only NRDA case that has not had the
9 fees waived. So it was really an unusual situation that
10 EVOS was being charged these fees.

11 We did manage to get them negotiated down
12 somewhat so they were reduced to about 10 percent. But
13 still, for a passively managed purchasing treasury
14 securities, this was still pretty stiff fees. And that
15 started the discussion about trying to look at a way of
16 getting reduced fees, but also increasing the flexibility
17 of the Trustee Council's future investment options. And
18 this was about the same time that there was discussion
19 about the possibility of having these long range funds,
20 looking over the very long term, looking at other kinds of
21 similar university foundations, endowments, things like
22 that, that were invested in a much broader variety of
23 investment options.

24 So we started pursuing legislation through
25 Senator Stevens and Senator Murkowski to get the EVOS funds

1 -- the ability to get the EVOS funds out of the U.S.
2 Treasury and invest them elsewhere. After about a three-
3 year process we were successful in doing that. Senator
4 Murkowski took the lead in that. It ended up actually
5 being added on to an appropriations bill, but we were
6 successful after three years of doing that. So the option
7 that the Council has now is to keep the funds in the Court
8 Registry Investment System, to keep it in some other fund,
9 such as the Federal NRDA fund within the Department of
10 Interior, or to invest it outside of the U.S. Treasury.

11 The Council then contracted with a
12 nationally known investment consultant, whose name I can't
13 remember right at the moment, to kind of help guide us
14 through a process of how do you assess what would be the
15 most appropriate entity to have the EVOS funds. And we
16 looked at a number of options, private investment firms,
17 obviously the State of Alaska Treasury, keeping it in the
18 Department of Interior NRDA fund and some other options.
19 And we went through this extensive analysis and we have it
20 well documented. And the final recommendation and
21 conclusion was that the most appropriate entity would be
22 the Alaska Department of Revenue, the Alaska State
23 Treasury. And the council did decide that that was the
24 approach to take and documents were filed with the court
25 and it was approved by Judge Holland.

1 Following that time we then went on to the
2 next step which was to develop investment policies for this
3 fund. And again, there was a very kind of deliberative
4 process there of draft policies that went out for public
5 review. A lot of discussion about it. Some independent
6 advisors looking at it and providing guidance. And those
7 policies were also eventually adopted. And copies of these
8 are in the binder that was provided to you last week.

9 We also looked at what kind of asset
10 allocation to have for the Trustee Council. And after a
11 lot of discussion and further process and public review,
12 decided on a split between domestic equities, international
13 equities and fixed income or bonds.

14 So there are processes within these
15 policies that were adopted for all of them to be reviewed
16 over a periodic basis. That's part of the policy. It is
17 also part of the policy that you as Trustees have a
18 responsibility to be educated on kind of the overall
19 management of the trust funds. And periodically in the
20 past about every year, every other year or so we've had
21 some kind of outside expert come in and do basically a
22 three hour, four hour seminar for you, and it's time with
23 all the new Trustees to do that and I would recommend
24 having it sometime in the fall or the winter and really
25 planning on doing that and devoting some time to that.

1 As part of this whole structure there is an
2 Investment Work Group that provides guidance to me, and
3 then I provide guidance to you. And they don't provide
4 guidance directly to you because they're not a FACA
5 approved, Federal Advisory Committee Approved advisory
6 board, so basically they're providing me with guidance that
7 then I pass on to you as Trustees. And that Investment
8 Work Group consists of the Executive Director, the chief
9 financial officer for the Department of Revenue, and that's
10 currently Gary Bader. It includes two Trustees, a Federal
11 Trustee and a State Trustee, and currently those Trustees
12 are Jim Balsiger for the Federal side and the State Trustee
13 is Gregg Renkes, who has delegated that to Craig Tillery
14 for at least the time being. Then there are also some
15 additional staff, Bob Bauldauf and Bruce Nesslage from the
16 Department of Interior NRDA fund, Barry Roth usually sits
17 in on it. And we have two external advisors, Bob Storer,
18 who is the executive director of the Alaska Permanent Fund,
19 and Peter Bushre, who is the former chief financial officer
20 for the Permanent Fund. And we probably should be looking
21 in the next few months for an additional advisor to sit on
22 that board too.

23 And one of the things that's required by
24 the policies is that the asset allocation be reviewed on an
25 annual basis. And the Investment Work Group did meet a

1 week ago, we did review that. Gary Bader did give us a
2 presentation at that time and kind of went through and
3 there was a lot of discussion and we made some
4 recommendations as part of that.

5 And we could either -- I don't know how you
6 want to do that. That's actually on the action agenda, if
7 we ever get to it. But Gary is here and, Mr. Chairman, I
8 don't know if you want to do that now or wait until later.

9 CHAIRMAN BALSIGER: What's the pleasure of
10 the Trustee Council?

11 MR. RENKES: I'd recommend that we just
12 keep going on this topic. We'd probably save some time,
13 and just approve the asset allocation after some
14 discussions.

15 CHAIRMAN BALSIGER: With no objection,
16 let's do that.

17 MR. DUFFY: Just a quick question, Mr.
18 Chairman, I'm new.

19 CHAIRMAN BALSIGER: Please.

20 MR. DUFFY: Do we take public comment on
21 this particular item before we take an action, or how does
22 that work? Or not?

23 MS. McCAMMON: Well, typically in the past
24 I think we've tried not to take action on anything until
25 after the public comment period. But we still have

1 discussion.

2 CHAIRMAN BALSIGER: Which is 25 minutes
3 away until we have the scheduled public comment. Is there
4 any attorney's advice?

5 MR. TILLERY: There's no legal requirement
6 to take public comment first before you do this.

7 CHAIRMAN BALSIGER: Okay. On this
8 particular financial fund asset allocation, would the
9 Trustees.....

10 MS. BALLARD: Let's proceed.

11 MR. RENKES: Let's proceed.

12 CHAIRMAN BALSIGER: Let's proceed.....

13 MR. DUFFY: I'm comfortable with
14 proceeding. I just asked the question.

15 CHAIRMAN BALSIGER:and then we'll
16 have public comments. Okay. Thank you. I think that was
17 appropriate.

18 MR. BADER: Mr. Chairman and Trustees of
19 the council, my name is Gary Bader. I am chief investment
20 officer of the Alaska Department of Revenue. You have, I
21 believe, before you in packet the presentation that looks a
22 bit like this, Exxon Trustee Council, first page. And I'm
23 going to go through this rather quickly in the interest of
24 time, but if there are any questions along the way, it
25 would be my view that the questions would be asked as soon

1 as they come to you.

2 Just a real quick recap on the three funds
3 that Ms. McCammon talked about. We have investment
4 performance. And the first fund, this is on page three of
5 your presentation, is the broad market equity fund. What
6 you see on that page is the Russell 3000 Index, the EVOS
7 Russell 3000 Index, and that is a fund which we attempt to
8 match the performance of. And then what actually happened
9 with the Russell 3000 Index and you see the returns are
10 very close to that index. It's a fund that is intended to
11 match the index and aside from some slipperage in there,
12 it's very close in terms of the return. But the
13 disappointing part is that we have had three years of down
14 markets and this past one was another one. And so we see
15 the negative returns of 22 percent in that particular fund.
16 Yes, sir?

17 MR. DUFFY: Quick question, Gary. Your
18 fiscal year to date, just so I understand, is your fiscal
19 year the same as the state's fiscal year?

20 MR. BADER: Yes.

21 MR. DUFFY: Okay, thank you.

22 MR. BADER: This is a state fiscal year.

23 MR. DUFFY: All right.

24 CHAIRMAN BALSIGER: For the record, would
25 you say what that is?

1 MR. BADER: That is July 1st to June 30th.

2 MR. MEADE: And did you say a negative 22
3 percent?

4 MR. BADER: Yes, I did. The next, on page
5 four, is the bond fund, if you will. It is a fund that is
6 managed in attempt to -- its benchmark for measurement is
7 the Lehman Brothers aggregate bond fund. And the returns
8 of your fund were 9.45 percent in the past year up to
9 February 28th.

10 The next fund on page five is the
11 International Equity Pool, its benchmark is the Morgan
12 Stanley EAFE index which had a negative return of 17
13 percent. This fund had a negative return of 11 percent so
14 it beat its benchmark. Not much comfort when you put it
15 all together on page six. These funds are in various
16 weights in the portfolio but on the EVOS Investment Fund,
17 the one year return was a negative 7.77 percent for the
18 year under review.

19 When the Permanent Fund, the pension funds,
20 the EVOS fund are set about making investment decisions,
21 they try and come up with an asset allocation. That means
22 how -- in simple words, how much -- what percentage of our
23 funds do we want to put in equities; what percentage of the
24 funds and bonds in international. That is what we're going
25 to talk about now, the capital market projections. And if

1 you'd turn to page eight, I want to call to your attention,
2 in the lower left-hand corner is a little trademark, CAI.
3 The State and the Permanent Fund employ a firm called
4 Callan Associates to provide investment advice in terms of
5 recommending managers for pension funds and funds like
6 this. And also to make projections as to what the expected
7 return of the various asset classes would be over a five-
8 year period. So nobody is attempting to say next year the
9 market will do this but they're attempting to look out five
10 years and say, if you follow this strategy, on average you
11 would try and -- we would expect a certain percentage to be
12 earned, and I'll get into that.

13 So Callan is the investment consultant for
14 the State treasury and for the Permanent Fund. And on that
15 page eight, they talk about the things that they look at
16 when they set the asset allocation. They evaluate the
17 current economic environment and the outlook for the U.S.
18 and other major industrial countries. They look at
19 business cycles. They examine the relationship between the
20 economy and the asset class performance patterns. And they
21 examine a lot of recent and long-term trends. And the
22 other parts of that you can read, if interested.

23 Callan emphasizes that this is their best
24 thinking regarding a five-year outlook and recognizing that
25 their median projections are likely to be wrong. So they

1 will be right more often than not in terms of the target
2 that they're looking for but it's like flipping a coin. If
3 you wanted to ask yourself how many times would head come
4 up in a thousand rolls, the odds that it would come out
5 exactly 500 are very unlikely. So it is a statistical
6 projection that they're making.

7 They want to make sure that their results
8 are readily defensible, both on an asset class basis and
9 for the total portfolios. So they would never present
10 assumptions that had bonds over the long run making more
11 than stocks, for example, because history just shows that
12 the average return on stocks has always been a lot greater
13 than bonds and so on. And we'll have some of that data for
14 you later on.

15 We mentioned that they've been in a very
16 harsh investment climate and on page 10, that page is
17 splattered with red and it shows the various returns of
18 different benchmarks that are used in the investment
19 industry to measure returns. And you can see the Russell
20 3000 is an indicator or a benchmark that represents the
21 stock market as a whole. And you can see in 2002, returns
22 are down 21 percent.

23 At the bottom of the page, Lehman LB
24 aggregate is Lehman Brothers aggregate and that represents
25 the bond market in general, and you can see that it had a

1 positive return. So, not everything went badly. When
2 interest rates decline, bonds tend to make money and that's
3 what we all know has happened in the past few years.

4 On page 11, page 11 shows what we think and
5 what Callan thinks is in a very unusual part of a cycle as
6 it relates to equity investments. What you see on that
7 page are rolling 20 quarters of returns on equities or on
8 the stock market. And you can see down there that it is
9 only penetrated in the last 40 or 50 years at a five-year
10 rolling average that has been negative only arguably once
11 before. What were current and that other is touching the
12 line, I don't know if it penetrated it or not. But right
13 now, in the last three years with the severe market
14 declines, the rolling three years of investment in equities
15 has been negative. So it is an unusual period.

16 Page 12 makes the case for continuing to
17 have equity investments. Many times when you have a poor
18 history in the stock market, you say well we need to just
19 put our money in the safest possible investment, one that
20 doesn't go down. But the information on page 12 is meant
21 to demonstrate that over the last 40 years, if you would
22 put your money, for example, all in cash, it would have
23 returned 6.36 percent. Bonds a little bit higher at 7.52
24 and stocks would have earned 10.46 percent. So in the long
25 run, equities have been the best returning asset classes.

1 They have also been the asset class that has a great deal
2 of volatility, as demonstrated on the previous page.

3 Callan looks at the current economic
4 environment in terms of trying to come up with what their
5 capital market assumptions are. And they are saying that
6 the recession is over but we still have high unemployment,
7 that business investment continues to be weak and that's
8 what mostly market analysts are saying, until we see
9 investment by business in building their capital resources
10 that we're not going to get a really robust economy until
11 that happens again.

12 Treasury bonds at their lowest yield in 40
13 years. And so I checked before I came down here today, a
14 10-year treasury bond was yielding 3.99 percent. And I
15 think a 30 year was somewhere in the area of 4.5 percent.
16 So we cannot expect to get the same returns from bonds that
17 I showed you on the page where they had returned nearly
18 nine percent in the last year. That can happen, you know,
19 they can -- interest rates can continue to go down and you
20 can get market appreciation. But the potential for that
21 continuing to happen over a long period of time is limited
22 and reflected in the Callan capital market assumptions.

23 Let's go to page 14. So Callan is saying
24 that they believe that the economic recovery will continue
25 but slowly. We have had low inflation. They expect us to

1 continue to have low inflation but not deflation as some
2 people are worried about. Consumer spending has been
3 stimulated by the low interest rates. We've seen good
4 housing markets and so on. But the surplus is gone and
5 higher treasury yields are not likely to come -- or higher
6 treasury yields may come, thus depressing the price of
7 bonds.

8 On page 15, here are some of the
9 projections that they're making. They expect that all
10 asset classes are going to earn less than what they have
11 been earning in the last decade. And the reason for that
12 is mostly because of the low inflation rate that Callan is
13 projecting. Generally investments yield a certain rate of
14 real return plus whatever inflation is over the long run.
15 They are lower in their inflation adjustment from the
16 current 2.9 that we have built this year's models on to 2.6
17 percent. They have lowered their estimate for bond returns
18 as a portfolio. They were at 5.75 percent, now they're at
19 4.75. And this takes place in all asset classes.

20 If you turn to page 16, that is a table
21 that shows you their projected annual returns for all of
22 the asset classes that they might have looked at for
23 pension funds. The Exxon Valdez trust fund only looks at
24 broad market equities, international equities and bonds but
25 you can see what they are showing. So they have projected

1 annual return and then they have something called projected
2 standard deviation. And the projected standard deviation,
3 in the simplest term, is a measure that says we expect --
4 let's take domestic broad market equities -- we expect that
5 equities are going to earn on average nine percent but two-
6 thirds of the time they'll earn plus or minus 17.3 percent.
7 So they're not saying it's going to earn nine percent
8 guaranteed but they're going to say roughly two-thirds of
9 the time it will fall within that range. And of course
10 that means another third of the time it's going to fall
11 outside that range. So there is risk and that is the
12 measure of risk.

13 If you turn to page 17, and this is where
14 it gets a little bit tricky. In order to maximize the
15 returns on a portfolio and at the same time have as little
16 variation as possible or risk as possible, you tend to look
17 at asset classes that are not correlated with one another.
18 In other words, if you can be earning something on your
19 bond portfolio while stocks are falling, you will have
20 mitigated the down side. And that's what happened with the
21 fund. Stocks went down 20 percent but the fund lost seven
22 because of the good market in bonds.

23 They have an optimizer, and we have one in
24 the Treasury Department, that tends to look at these asset
25 classes using the assumptions that Callan has provided us

1 and these correlations that it provided for us and
2 attempting to make the best possible mix. This percentage
3 of bonds; this percentage of stocks. And that's what the
4 correlation co-efficients are intended to help us do.

5 The result of that work is called the
6 efficient frontier. And that is a number of asset classes
7 that -- or a number of asset allocations that would be
8 expected to provide over the long run a certain return and
9 a certain variance. The advisory committee to the Council
10 recommended -- this is on page 19 -- recommended to the
11 Council that the Council stay the course. It has been the
12 practice of the Council over the past few years, is my
13 understanding, to try and set an asset allocation that
14 would accomplish a five percent real rate of return over
15 time. So if you look in the top right hand corner on page
16 19, and it has a heading that says recommended. And you
17 can see it is recommending 44.81 percent equity, broad
18 market. So they're basically saying -- this model is
19 saying be 45 percent into stocks, 19.5 or 20 percent into
20 international stocks and 35.6 or 36 percent into bonds.

21 CHAIRMAN BALSIGER: It's page 20 actually,
22 right?

23 MR. BADER: This is page 19. Page 20 has
24 similar numbers on it, you're right, but on page 19, in the
25 upper right hand corner. Sorry.

1 CHAIRMAN BALSIGER: I'm sorry, I had the
2 old document.

3 MR. BADER: Oh, okay. So this was the
4 recommendation of the Investment Advisory Committee. In
5 the column that says 3 April, we put down what the current
6 asset allocation is at so that you could see if it stayed
7 exactly at that, what it would get. Down underneath you
8 have -- under the word calculations in April -- 3rd of
9 April, 7.22 percent would be the expected rate of return on
10 your current asset allocation. It is modified or more
11 slightly over time, you know, when a stock market goes up
12 or down your percentage in a certain asset class changes.
13 And your target return right now would yield you a 7.32
14 percent but the recommended asset allocation is an attempt
15 to try and yield 7.6. How is that a five percent real rate
16 of return? It's that two percent of inflation that I --
17 2.6 percent of inflation that I mentioned earlier
18 subtracted from 7.6.

19 The last page, page 20, is just providing
20 to the Trustees -- if you look in mix three, that's the
21 asset allocation that is being recommended and for some
22 reason the Trustees have a different view of the world and
23 wanted to see, well, what if you modify that by lowering it
24 one percent, you go one to the left. Lowering it two
25 percent, you go two to the left. So we're providing you

1 with different snapshots of what you could get if you were
2 wanting to see what would be different from the
3 recommendation.

4 So that may have been very quick and I hope
5 it wasn't too quick but that's basically how we provided
6 this information to the advisory council. They labored
7 over that about an hour and a half, as I recall, after this
8 but they -- it was their view that you should stay the
9 course and try and get a five percent real rate of return.
10 I can also tell you that Mr. Storer of the Permanent Fund
11 was part of that conversation. He was content that that
12 was a reasonable strategy and I was as well.

13 Thank you, Mr. Chairman.

14 CHAIRMAN BALSIGER: Thank you, Mr. Bader.
15 Any questions? Ms. Ballard.

16 MS. BALLARD: Thank you for that
17 presentation. Is the yield then the source and the only
18 source of cash available, Molly, for all operations as well
19 for funding GEM and the other programs?

20 MS. McCAMMON: Mr. Chairman, the way that
21 we have this set up as being managed as an endowment, it's
22 not just the earnings or the yield that is available but we
23 actually have a model that's very similar to the one that
24 the Permanent Fund itself is considering, which is using a
25 rolling average of the value of the fund over the prior

1 five years.

2 MS. BALLARD: I understand that.

3 MS. McCAMMON: And then five percent of the
4 total amount in the fund averaged out over the prior five
5 years.

6 MS. BALLARD: Then if I could follow on
7 with one additional question

8 CHAIRMAN BALSIGER: Yes.

9 MS. BALLARD: Does the committee, what it
10 was called that you sit on, are they provided at the
11 beginning of each year the expected cash requirement so
12 that you can plan with your percent of market value and the
13 management of the fund that you have the cash on hand
14 without selling in a bad situation?

15 MR. BADER: We were not provided with the -
16 I guess that would be your grants, your cash requirement.
17 I can say that the -- if the Executive Director were to say
18 we need 25 million for grants, we would probably, through
19 discussion with her, recommend -- probably in the bond
20 portfolio as long as you weren't outside your asset bands
21 because this is where you have the lowest amount of
22 transaction costs. So that money could be made available
23 by the sale of the assets, not just their dividend yield.

24 MS. BALLARD: But you don't start the year
25 with an expected cash flow from operations -- a cash flow

1 requirement that you then plan your instruments and their
2 maturity and so on for, you simply provide cash as
3 requested.

4 MR. BADER: We would, in this instance, be
5 providing cash as requested. If there were a -- many funds
6 do try and spin off, you know, in interest earnings or in
7 dividends the amount necessary to meet their funding
8 demands. With the yields on stocks and the yields on bonds
9 so low right now -- as I said earlier, you know, 3.9
10 percent on a 10-year treasury -- we probably couldn't, if
11 you wanted to, disperse five percent of your assets. We'd
12 still have to sell assets. So we didn't take that
13 approach.

14 CHAIRMAN BALSIGER: Molly.

15 MS. McCAMMON: Mr. Chairman, I just did
16 want to note that Mr. Bader has just started this position
17 and he hasn't actually gone through our annual cycle. But
18 with his predecessor, we did have laid out where the actual
19 payments were and they knew those in advance. What we have
20 taken advantage of, we had kind of a build-up in the
21 state's GeFONSI fund, which is kind of the state's cash
22 flow fund. And we had some extra -- several million
23 dollars there. So we've been drawing that down. In
24 addition, in the Federal NRDA fund, we had some extra
25 unspent money that we've been drawing down. But that is

1 that intent, that they know that all in advance.

2 CHAIRMAN BALSIGER: Any other questions?

3 (No audible response)

4 CHAIRMAN BALSIGER: Well, we coincidentally
5 have come right to the public comment time so perhaps we
6 can take that before we vote on a asset allocation, if that
7 suits the Trustees.

8 MR. BADER: Thank you, Mr. Chairman.

9 CHAIRMAN BALSIGER: My watch is a minute
10 and a half faster than the one on the wall. So that means
11 we're exactly at public comment time. So can you tell
12 who's -- what's -- who we have on the line? What places?

13 MS. McCAMMON: I don't know right off the
14 bat.

15 CHAIRMAN BALSIGER: Don't know. Well let's
16 start here in this room. Is there anyone in this room that
17 would to make comment for the public record?

18 MR. ADAMS: Yes, sir, I would like to but
19 with respect to the folks on line, can I defer until.....

20 CHAIRMAN BALSIGER: All right. Is there
21 anyone in Anchorage that would like to make a comment?

22 MS. BIRD: Yes, Nancy Bird from the Prince
23 William Sound Science Center here.

24 CHAIRMAN BALSIGER: Nancy Bird. I think
25 that our usual procedures is for public comment to be

1 limited at about three minutes. Is that right? So please
2 proceed, Ms. Bird.

3 MS. BIRD: Good afternoon. Can you hear
4 me?

5 CHAIRMAN BALSIGER: Yes, we can. Please
6 speak up but we can pick you up.

7 MS. BIRD: Thank you for this opportunity
8 to comment. I will certainly be shorter than three
9 minutes. My name is Nancy Bird. I'm the acting president
10 of the non-profit Prince William Science Center in Cordova.
11 I am also serving as the acting director of the Oil Spill
12 Recovery Institute, which is administered through the
13 Science Center. I'd like to first welcome the new
14 Trustees. Sounds like your meeting is going very well if
15 you're right on schedule.

16 I'm here today to encourage your support
17 for a research project that is number G030635 titled
18 Trophic Dynamics of Intertidal Soft-Sediment Communities
19 Interaction between Bottom-up and Top-down Processes. This
20 research project will examine the physical, chemical and
21 biological factors that limit and/or regulate the
22 invertebrate community on the Copper River Delta.

23 As most of you, I believe, are aware, the
24 Copper River Delta and its mud flats are very important for
25 the commercial fishing industry. The mud flats are also a

1 critical stopover for millions of shorebirds as well as
2 providing various bottomfish and crab good foraging
3 habitats. For those reasons, it's important that we gain a
4 better understanding of the benthic community, invertebrate
5 communities which are the primary species resource for
6 those fish and birds.

7 This proposal, GO30635, has been through a
8 very rigorous scientific review. It's been endorsed by the
9 Public Advisory Committee. It's a project of vital
10 interest to our region. I'd also note that it will also
11 complement another project ongoing that is funded by the
12 Oil Spill Recovery Institute. I look forward to your
13 (indiscernible - beep) for this important that will be
14 carried out by a regional science center.

15 Thank you.

16 CHAIRMAN BALSIGER: Thank you, Ms. Bird.
17 Any questions for Ms. Bird?

18 (No audible response)

19 CHAIRMAN BALSIGER: Hearing none, anyone
20 else in Anchorage with testimony?

21 MS. KOHLER: Yes, this is Mila Kohler.

22 CHAIRMAN BALSIGER: Go ahead, please.

23 MS. KOHLER: My name is Mila Kohler and I
24 just wanted to say hello to all of you and to welcome the
25 new Trustee members as well. My -- one of the hats that I

1 wear, the most important one of course is the one that pays
2 me on a monthly basis and that is president and CEO of
3 Alaska Village Electric Coop, which is an electric utility
4 in Anchorage -- based in Anchorage that serves 51 villages
5 throughout Alaska. But another hat that's almost equally
6 important that I wear is that of chairman of the Prince
7 William Sound Science Center. And Nancy Bird just gave you
8 a brief description of the project for which we are seeking
9 funding and I would like to echo her comments and add my
10 strongest possible support for your matching funding for
11 that project.

12 And I'd like to point out to you also that
13 you're all cordially invited to perhaps take an opportunity
14 to come down to Cordova in June of this year where we will
15 be hosting our fourth annual Copper River Nouveau Festival,
16 which is a gourmet salmon feed that is catered by one of
17 Alaska's leading chefs and has excited interest from all
18 around the state and outside the state. This dinner and
19 weekend event will be hosted by Senator Lisa Murkowski so
20 if any of you have an opportunity to come, we'd certainly
21 be delighted to play host to you.

22 And that's about all I have to say to you
23 at this particular point in time. I know that you are
24 pretty well behind in your agenda so I don't want to get in
25 the way of you getting to the door.

1 Thank you.

2 CHAIRMAN BALSIGER: Thank you, Ms. Kohler.
3 Any questions for Ms. Kohler?

4 MR. MEADE: Any dates for that or is
5 combined with your public.....

6 MS. KOHLER: June 7th and 8th.

7 MR. MEADE: Thank you.

8 CHAIRMAN BALSIGER: Anyone else in
9 Anchorage with comments?

10 MS. SAUPE: I'm here in Kenai and my name
11 is Susan Saupe and I'm not sure I'm in the right spot on
12 the agenda.

13 CHAIRMAN BALSIGER: Well this is the spot
14 on the agenda where we'll take public comments so.....

15 MS. SAUPE: Oh, okay, because I think that
16 I was supposed to be under the GEM partners so should I
17 wait until that component?

18 CHAIRMAN BALSIGER: Please go ahead now, if
19 you would.

20 MS. SAUPE: Okay, I was asked to provide
21 testimony on how Cook Inlet RCAC could partner with the GEM
22 program. And I don't know if you've actually had the
23 overview of the program yet or not but I have written up
24 some comments that I could submit if they take too long to
25 read. So cut me off if I go too long. But I want to thank

1 you for the opportunity to comment today. My name is Susan
2 Saupe and I'm speaking as the director of science and
3 research for Cook Inlet Regional Citizen's Advisory
4 Council. And the RCAC's were formed through language
5 introduced into the Oil Pollution Act of 1990 by then
6 Senator Frank Murkowski. Cook Inlet RCAC is one of two
7 such RCACs formed under OPA '90 and the other is our sister
8 organization, Prince William Sound RCAC. And I was under
9 the impression that their executive director, John Devens,
10 was also going to testify today. But one of Congress'
11 findings during the formation of RCACs was that the
12 complacency on the part of industry and government
13 personnel that made have led to the Exxon Valdez oil spill
14 can be combatted by involving local citizens. And then a
15 mechanism should be established which fostered the long-
16 term partnership of industry, government and local
17 communities in overseeing compliance with environmental
18 concerns and the operation of crude oil tankers.

19 We at Cook Inlet RCAC represent those
20 citizens from the cities, boroughs, municipalities and
21 interest groups within the regions of concern and more
22 often look to as a bridge to form these partnerships among
23 industry agencies and citizens. We have a long list of
24 mandates that encompass environmental monitoring,
25 prevention and response and research. And to fulfill our

1 mandates, we rely on the best scientific data available to
2 insure that our decisions, recommendations, advice and
3 conclusions are based on fact. Thus, we can be considered
4 as end users of information and -- that can be provided by
5 GEM as well as partners in developing that information.

6 I'm going to provide comments. One, why a
7 program such as GEM is a unique and unprecedented
8 opportunity to obtain data that will help us understand the
9 complex ecosystems in the spill area. Two, how the Gulf
10 Ecosystem Monitoring Plan can provide invaluable
11 information to Cook Inlet RCAC. And three, how Cook Inlet
12 RCAC has already partnered to obtain GEM goals.

13 The mission of GEM is, in part, to sustain
14 a healthy and biologically diverse marine ecosystem in the
15 northern Gulf of Alaska. And how it's influenced by
16 natural changes and human activities. I'd like to point
17 out the importance of the phrase how its productivity is
18 influenced by natural changes and human activities and how
19 this is almost impossible without the long-term, multi-
20 parameter data collections that we need. Over and over
21 again we've been frustrated by not having historical data
22 of even some of the most basic parameters. Often there are
23 shifts in funding cycles that emphasize different issues at
24 different times. State and Federal agency mandates change
25 quickly with political changes and funding is typically

1 very short term when compared against the long-term need
2 for determining ecological influences from both natural and
3 human activities.

4 I'm going to give you an example of how
5 ecosystem changes can be misinterpreted or erroneously
6 blamed in the absence of an understanding of these natural
7 influences. Consider the dramatic change that occurred in
8 Cook Inlet's benthic community composition in the mid-
9 seventies. This shift from a dominance by several
10 shellfish species to a dominance by gadids was attributed
11 by many people to overfishing. It was through the analysis
12 of some very basic data that had luckily been collected
13 over that period that enveloped this change and was
14 proximate to the same research area. And that allowed
15 researchers to tease other factors that we know can have
16 huge, sweeping and swift impacts on local ecosystems. We
17 continually combat misinterpretation of data with the easy
18 answer by some being that oil industry operations are
19 causing any of the problems that are found in Cook Inlet's
20 environment. Our organization continually combats that
21 assumption and emphasizes the need for data that will help
22 everyone better understand the ecosystem processes so that
23 we can better differentiate between the various
24 environmental influences.

25 The GEM to us and to many other people is a

1 lifeline and an opportunity to combat those problems and
2 provide for stable data collections across time.

3 CHAIRMAN BALSIGER: Would you be able to
4 wrap up shortly, Ms. Saupe?

5 MS. SAUPE: Okay, I wanted to talk about
6 the opportunities for partnering. How we felt that we
7 could really be a partner and how we have partnered in the
8 past. I'm going to go ahead and submit these comments by
9 fax or email to Molly. But I'll just read my last
10 paragraph.

11 The Cook Inlet RCAC has supported the GEM
12 planning program throughout the process and had submitted
13 formal letters of support for the program and for specific
14 proposals. Our board of directors and public committee
15 members represent a wide range of views; however, we have
16 always been unanimous in our hope that GEM can be the model
17 of inter-agency cooperation and collaboration that includes
18 public involvement and accessibility and can produce
19 information and data useful to a wide range of individuals
20 and organizations. It is important to have a continual,
21 consistent funding source for some core parameters. The
22 look towards other organizations to help attain the shorter
23 term, more focused studies, we believe that Cook Inlet RCAC
24 can be a valuable partner in GEM and will rely on the long-
25 term core parameters and users of the data.

1 Thanks.

2 CHAIRMAN BALSIGER: Thank you. Any
3 questions for Ms. Saupe? Is anyone else in Kenai or
4 Anchorage?

5 (No audible responses)

6 CHAIRMAN BALSIGER: Anyone from Kodiak?

7 (No audible response)

8 CHAIRMAN BALSIGER: Anyone else on the
9 phone anywhere?

10 MR. DEVENS: Yes, this is John Devens in
11 Valdez.

12 CHAIRMAN BALSIGER: Please, Mr. Devens.

13 MR. DEVENS: Yes, this is John Devens, I'm
14 the executive director of the Prince William Sound Regional
15 Citizens Advisory Council. And I -- my comments will be
16 relatively short and to sum them up, Prince William Sound
17 Regional Citizens Advisory Council is very supportive of
18 the GEM program. The GEM program supports well planned
19 science done over the long term to insure recovery of
20 injured species and resources and to sustain healthy and
21 biologically diverse marine ecosystems. PWSRCAC holds
22 similar goals of well-planned science to aid in promoting
23 the environmentally safe operation of the Alaska terminal
24 and related tankers. PWSRCAC has several areas where we
25 work closely with the GEM program and benefit from its

1 efforts. For example, PWSRCAC's long-term environmental
2 monitoring program is being co-funded by GEM. PWSRCAC's
3 weather data project that is currently working on gathering
4 marine current information in Hinchinbrook area, that is
5 the boundary between Prince William Sound and the Gulf of
6 Alaska. A related project is the Prince William Sound
7 Science Center's modeling efforts in Prince William Sound
8 and Hinchinbrook entrance. Both PWSRCAC and the GEM
9 program had funded the research and Alyeska SERVS has
10 provided in-kind vessel support for field work. This is a
11 great example of collaborative research between multiple
12 organizations including industry.

13 When looking at things such as the decline
14 in the harbor seal population and the increase in pollock
15 populations, we need research that goes beyond Prince
16 William Sound. The results of GEM will provide a big
17 picture with information that will allow a broader audience
18 to understand what, if any, regulatory actions might be
19 necessary. This is important to RCAC because it gives us a
20 framework upon which to put our smaller projects, such as
21 our long-term environmental monitoring project.

22 Under GEM, we can track the transport of
23 pollutants, such as hydrocarbons, in a much broader
24 geographic area. Anything that gives the various
25 independent or disconnected research projects context is a

1 good thing for all of us. Under GEM we can also coordinate
2 efforts where needed and appropriate, such as data sharing.

3 And I want to thank you for giving me this
4 opportunity to comment on the GEM program and I appreciate
5 very much the work that you're doing. Thank you.

6 CHAIRMAN BALSIGER: Thank you, Mr. Devens.
7 Any questions for Mr. Devens?

8 (No audible response)

9 CHAIRMAN BALSIGER: If not, anyone else on
10 the phone system that would like to comment? Hearing none,
11 Mr. Adams, you raised your hand here in the room. Please.

12 MR. ADAMS: Yes, sir. Thank you very much.

13 CHAIRMAN BALSIGER: Perhaps you could come
14 around to a microphone.....

15 MR. ADAMS: Sure.

16 CHAIRMAN BALSIGER:if you don't mind.

17 MR. ADAMS: Good afternoon, ladies and
18 gentlemen. My name is Ken Adams and I'm the Lone Ranger.
19 I suppose always wondered who the Lone Ranger is and I am
20 he. I look around me and I see lots of jackets and ties
21 for people representing the different agencies and I think
22 it's probably safe to say that I'm in a minority here in
23 terms of being a stakeholder who makes his living out of
24 harvesting marine resources. I'm a long time fisherman of
25 Prince William Sound and I'm a co-coordinator of an EVOS

1 supported project called Fisheries Management Application.
2 And our particular project is called Prince William Sound
3 Fisheries Research Application and Planning. The acronym
4 is PWSFRAP.

5 We're currently in the second year of
6 PWSFRAP activity and the intention of our project is to
7 seek application of research which has formerly been funded
8 by the Trustee Council for the benefit of the stakeholder
9 community. We have a particular target and that is the
10 Sound ecosystem assessment. You recall this morning that
11 Bob Spies mentioned the Sound ecosystem assessment and he
12 spoke in glowing terms of a particular model, a particular
13 product of the SEA plan or SEA project. And it is the pink
14 salmon fry survival model. He mentioned it was a very
15 close agreement within that model of predicted versus
16 observed values. And what we are trying to do in our
17 project is to take projects like that and actually see
18 implementation. Because for the most part, aside from the
19 work that has been fostered by the Prince William Sound
20 Science Center and Oil Spill Recovery Institute with
21 respect to their development of the Nowcast/Forecast System
22 and the Prince William Sound circulation model, aside from
23 that work, there's not been a whole lot of application of
24 that splendid body of work which was funded by the Trustee
25 Council from '94 until '99. And what we're doing is we're

1 trying to use that information.

2 Bob Spies brought up the fact that there
3 was a blockade back in '94 which he linked to a new way of
4 thinking about restoration. He brought up the point that
5 that instance served the -- served to put the Trustee
6 Council in more of an ecosystem appreciative frame of mind.
7 And we are seeking application of the work that was done,
8 particularly in the SEA, to aid management using that same
9 information. That same ecosystem insights.

10 So we've been involved in a development
11 process of GEM and we are supportive of GEM. In view of
12 the damages of the Exxon Valdez oil spill and the damages
13 sustained by the natural resources and the damages that
14 human services, including commercial fishing, which is a
15 recognized service damaged by the spill. We are of a mind
16 that, as mentioned here by other people today, that GEM is
17 a positive legacy of that dreadful event. The prospect of
18 long-term monitoring and research program in the spill-
19 impacted area will be of invaluable -- it would be an
20 invaluable program for us in the stakeholder community.

21 I think the challenge before us, however,
22 is to help craft a GEM plan that is indeed responsive to
23 the needs of the stakeholders in a spill impacted region.
24 And you recall Chris Elfring from NRC referenced the need
25 for a balance between research and management. And I could

1 paraphrase that and say a balance between the fundamental
2 science and a management application. So we are seeking
3 the balance. And another thing that the NRC review
4 mentioned, that she didn't have a chance to mention, was
5 the fact that the NRC called for a meaningful public input,
6 which means stakeholders should be involved in this
7 process. And I think Dr. Mundy is sensitive to this. And
8 we want to work on this basis so that we are partici -- we
9 are the beneficiaries ultimately of this plan, the people
10 in the spill-impacted area. So we want to be involved in
11 the process which does indeed affect our lives and our
12 dependence upon damaged resources.

13 CHAIRMAN BALSIGER: Mr. Adams, I wonder if
14 you could summarize the remainder of your comments?

15 MR. ADAMS: Yes, just -- thank you, sir.

16 Now I've had experience with the North
17 Pacific research department -- North Pacific Fisheries
18 Management Council in the past, Mr. Duffy. And I know if
19 anybody is going to make a public comment, you should have
20 written testimony. And I've asked Cherri to distribute
21 copies so where time runs out, there's a little light
22 reading for you folks. And in there are several
23 recommendations I'd like to follow through and one of them,
24 to be very concise, is I would urge your consideration for
25 the implementation of the draft or the RFP for FY04 because

1 therein is the means to start bridging the gap a
2 fundamental SEA science and application.

3 Thank you very much for the opportunity.

4 CHAIRMAN BALSIGER: Thank you, Mr. Adams.
5 Questions for Mr. Adams?

6 (No audible response)

7 CHAIRMAN BALSIGER: Thank you. Anyone else
8 in the room with public comments?

9 (No audible response)

10 CHAIRMAN BALSIGER: Last chance, anyone on
11 telephones for public comments?

12 (No audible response)

13 CHAIRMAN BALSIGER: Hearing none, we're
14 through with the public comments session.

15 So, Mr. Bader, perhaps you could step back
16 up. We prevailed upon you to listen to everything. It's
17 outside of your area of interest perhaps. Molly, can you
18 tell us where we are on this particular issue?

19 MS. McCAMMON: Mr. Chairman, if you look in
20 your action packet, and it's under the tab investment fund,
21 the first section of that tab is basically the March 31st
22 investment reports that came in too late when the original
23 packet went out. So these came in after that. And then
24 after that, there's a memo to you from me dated April 14th.
25 Basically going through the discussion that Mr. Bader gave

1 today, kind of summarizing the discussion that the
2 Investment Work Group had when we looked at this issue and
3 then the basis of our recommendation, which is to
4 essentially stay the course with the five percent real rate
5 of return, which would result in some small tweaking of the
6 investment -- of the asset allocation that is currently in
7 place.

8 The Investment Work Group also recommended
9 that the Council revisit this allocation in fall 2003,
10 perhaps in conjunction with investment management training
11 that's required under the Council's investment policy. So
12 the recommendation, and you can see it under table one,
13 there's a description of the current policy for domestic
14 equities, which is 41 percent, plus or minus seven percent.
15 Those are the bands. The Investment Work Group
16 recommendation would be 45 percent, plus or minus seven
17 percent. For international equities, it would go from the
18 current policy of 17 percent to a recommended 19 percent,
19 plus or minus five percent. And then fixed income, current
20 policy of 42 percent, plus or minus seven percent,
21 recommended 36 percent, plus or minus seven percent.

22 And I should note here, I think this
23 depends on how comfortable the Trustee Council -- and I
24 know this may be asking a lot with four new Trustees -- and
25 depending on the comfort level that you have with all of

1 this, whether you feel prepared to take action on this or
2 whether you would rather wait until the fall and have some
3 more time for additional training and consideration. But
4 at the very least, the work group would like to recommend
5 that it definitely be revisited in the fall.

6 CHAIRMAN BALSIGER: Any Trustees with a
7 comment? Ms. Ballard.

8 MS. BALLARD: I am not comfortable voting
9 today, not because of the asset allocation recommendations
10 but because I do not understand the relationship between
11 cash planning and asset management and I would really like
12 to understand that process and that link better. Knowing
13 that we're in a sluggish market to complement it, I guess,
14 and knowing that there is an expectation, such as just
15 testified to from those that want to see research money
16 flow. And knowing that there is, therefore, a need for a
17 prescribed and real amount of cash, I'm just not
18 comfortable that we've connected them correctly.

19 MR. RENKES: Yeah, we may -- if we have
20 greater cash requirements, we may want to have a higher
21 percentage in our fixed income asset allocation. And the
22 way it -- the recommended levels, being a trustee on the
23 Permanent Fund Corporation and having gone through this, I
24 recognize now the Callan recommendations and what we're
25 getting is, kind of where we'd like the -- if we didn't

1 have the correct limitations and asset allocations in the
2 Permanent Fund. We kind of like the Permanent Fund to be
3 in the spot that you recommended, I think, to optimize our
4 returns, interestingly enough. Well the Permanent Fund has
5 a much different investment objective over time and cash
6 requirements than what we're proposing necessarily for this
7 fund. So that raises some question in my mind if we're
8 proposing a formula for asset allocation that mirrors what
9 you would do for the, say the Alaska Permanent Fund, yet we
10 have different cash requirements. We maybe want to manage
11 this more like we do the CBR. And you notice the CBR right
12 now is in -- where we do have cash requirements is much
13 more heavily invested in fixed income assets. As a
14 consequence in recent years, its performance has been
15 better than the Permanent Fund. But it's where you'd want
16 to be if you were going to be drawing on the resources.

17 So I think in terms -- whatever our long-
18 term planning is for the money directly relates to how we
19 view the asset allocation going forward. So those two
20 things kind of have to, I think, go together.

21 CHAIRMAN BALSIGER: Molly.

22 MS. McCAMMON: Mr. Chairman, in there under
23 tab X in your big binder, there is a resolution, 03-02,
24 regarding the payout. Regarding reimbursement from the
25 EVOS investment fund for long-term research monitoring and

1 general restoration. And the goal of the entire kind of
2 investment scenario was to have basically a \$5,000,000
3 program annually to start with that is inflation proofed
4 over time. But also to allow for a little bit of growth in
5 the program too. And so there are some fixed amounts until
6 -- the fund basically wasn't capitalized until about a year
7 ago. And so you can't really get the rolling average until
8 it's been capitalized and you have a track record. So
9 until that track record is established, there was a
10 decision made for a set amount of money, \$5,000,000, to be
11 the payout or basically what is available. So that cash --
12 and then beginning in fiscal year 2006, we'll have three
13 years. At that time it would be four and a half percent of
14 the amount of that three year average. In FY07 it would be
15 four and a half percent of the four year average and then
16 FY08 would start with the rolling five year average.

17 So that is built in there with this
18 expectation that there would be -- trying to have a steady
19 program and kind of work out the peaks and valleys of it.

20 MR. RENKES: Operated as an endowment
21 basically, yeah. Which would make then that asset
22 allocation, that would, you know, make sense.

23 MS. McCAMMON: So I'd be happy to provide
24 some additional information on that but.....

25 CHAIRMAN BALSIGER: So it's the pleasure of

1 the Trustee Council to put this off? We'll make a
2 decision.....

3 MS. BALLARD: If no financial harm will
4 come of that, it doesn't seem it will, the proposed change
5 is so small. But it just doesn't seem that this is a
6 burning issue. And having us better informed will
7 certainly -- it's a good goal.

8 CHAIRMAN BALSIGER: Thank you. As Molly
9 said earlier, I forget the name of the group -- the
10 financial advisory group. I was newly appointed to it so I
11 attended this meeting on the 10th of April and even though
12 it looks like a small change, it was a big issue to change
13 it that far. So these are important issues and I think we
14 should spend time on them.

15 Mr. Meade.

16 MR. MEADE: And I think Molly mentioned,
17 she recommended as well, since several of us are quite new,
18 that we might want to undergo the three or four hour
19 training, if you will. And it might be good to schedule
20 that ahead of when we need to resurface the discussion
21 topic.

22 CHAIRMAN BALSIGER: Is that sufficient or
23 do you want to find a time when we think we will deal with
24 this?

25 MR. MEADE: Is there a timeframe that needs

1 to be dealt with for the investment time clock?

2 MS. McCAMMON: Mr. Chairman, if there's no
3 action then the current asset allocation stays in place.
4 And so what I would recommend is that sometime in the fall
5 whenever the appropriate experts can be convened and you
6 have time set aside, sometime in the fall, probably
7 September, October.

8 CHAIRMAN BALSIGER: The only loss, I guess,
9 would be if someone expected great changes in the market
10 and thought they could predict them, then we'd want to
11 change for the.....

12 MS. McCAMMON: We don't chase the market.

13 CHAIRMAN BALSIGER: Okay, anything else on
14 this issue?

15 MS. McCAMMON: No.

16 CHAIRMAN BALSIGER: If not, thank you, Mr.
17 Bader.

18 MS. McCAMMON: Thanks, Gary.

19 MR. BADER: Thank you.

20 CHAIRMAN BALSIGER: So we should go back
21 and finish up the GEM science plan presentations?

22 MS. McCAMMON: Yes, we are at the overview
23 of the program.

24 CHAIRMAN BALSIGER: That's Ms. McCammon and
25 Dr. Mundy.

1 MS. McCAMMON: Right. And if you, in your
2 binder, the big binder once again, we included two sections
3 of -- there are actually two GEM documents. One is the
4 full GEM version and it's about, I don't know, three or
5 four inches thick. And the reason it's so thick is because
6 a major portion of it is a synthesis of much of the science
7 that we know about the northern Gulf of Alaska. It really
8 was an attempt to pull together what people know about
9 birds, mammals, oceanography, human impacts and put it
10 together into one document.

11 We're in the process now of trying to get
12 that into some kind of a peer reviewed journal and getting
13 that published. Because I think it is one of the first
14 efforts in quite a while, in about 20 years, to actually
15 summarize kind of the state of knowledge. And there's just
16 been a tremendous increase over this last 20 years. Kind
17 of a working document that I use more than the big document
18 is what we call the GEM abridged version. And that's the
19 one that's in a little comb binding that's in your packet,
20 too.

21 And if you look there on the table of
22 contents on page three, Roman numeral III, it goes through
23 the outline of the document, starting with the vision, the
24 mission of the program, which is to sustain a healthy and
25 biologically diverse marine ecosystem in the northern Gulf

1 of Alaska and the human use of the marine resources in that
2 ecosystem through greater understanding of how its
3 productivity is influenced by natural changes and human
4 activities.

5 And kind of evolving from that mission are
6 the goals of detecting change, understanding the causes of
7 change, informing the public managers, stakeholders,
8 industry policy makers about those changes so that they can
9 respond to them effectively. Solving problems -- using
10 that information to solve problems, develop tools,
11 technologies information that can help people solve
12 problems. And then lastly, eventually some time in the
13 future be able to predict change. I mean that would be
14 ideal that you would know what was happening before it
15 happened so you could actually manage your resource or your
16 life or your economy or whatever in response to that. And
17 these goals, as I had mentioned earlier, that the National
18 Research Council had said, you're too ambitious. Get rid
19 of the last three, just focus on the first two and the
20 Trustee Council said, no, we really do want to solve
21 problems. We want this information to be used to solve
22 problems and we adamantly feel we have to inform people
23 about what we're learning. And then lastly, well maybe
24 prediction is down -- a long term goal but it's still
25 something we should kind of keep on the burner.

1 The next section on the following page, in
2 order to actually implement these goals -- we call these
3 implementation goals that the Council adopted. Lead the
4 way in integrating, synthesizing and interpreting
5 monitoring and research results to form a big picture of
6 what's going on. Every agency has its own mission and
7 management responsibilities but no one has the mission or
8 the responsibility of pulling it all together and trying to
9 tell what does it all mean. And so one of the things that
10 the GEM program can do is kind take the lead in doing that.
11 Not being the only one to do it but to help facilitate and
12 take the lead in that.

13 Tracking the work of others relevant to
14 understanding the productivity in the Gulf of Alaska and
15 coordinating GEM with these efforts. People were very
16 concerned that with a lot of emphasis on research and
17 monitoring that there not be duplication of other's
18 efforts. And that we actually are consistent and work hand
19 in glove with what other agencies and entities are doing.
20 As part of that to leverage funds to augment ongoing
21 monitoring work, often just providing a little bit of
22 funding to an ongoing effort can expand, maybe double the
23 output of that actual effort.

24 Involve other government agencies, NGO's,
25 stakeholders, policy makers and the general public in the

1 process. Increase community involvement and local and
2 traditional knowledge in order to enhance long-term
3 stewardship. And then facilitate the application of GEM
4 research and monitoring results to benefit conservation and
5 management of marine resources. So we have the main goals
6 and then in order to actually implement those, we have
7 these other goals.

8 The other part describes the geographic
9 scope of the program and basically this is the spill-
10 impacted region primarily. So looking at Prince William
11 Sound, Cook Inlet, the outer Kenai coast, Kodiak, Afognak,
12 kind of that northern Gulf of Alaska stretch. And even
13 though, I think, the focus is on this area, I mean
14 certainly when we look at the program I think it has
15 benefit to other parts of the state and the nation also.
16 So there's a lot of side benefits that I don't think should
17 be ignored either, even though the focus is on that
18 geographic region.

19 Taking that -- one of the -- kind of the
20 driving forces of this program has been the fact that
21 there's still so much uncertainty dealing with the oil
22 spill and with injured resources. You look at a number of
23 the resources such as harbor seals, which were injured by
24 the spill, they're declining. There are other marine
25 mammals in the spill area that weren't injured by the spill

1 but are declining. It's the same with seabirds. There are
2 other seabirds that weren't injured by the spill but
3 they're declining. There are other fish species that
4 weren't injured by the spill but they're declining. So you
5 look at all of that change that's going on and you wonder
6 what is causing all of that change and how do you explain
7 it. And that really is the purpose for deciding to have a
8 program like this to try to develop over time some of the
9 answers.

10 The program starts with a conceptual
11 foundation and central hypothesis. And basically that
12 central foundation is that graphic, the real pretty picture
13 slide that Bob Spies ended his talk with. And it's just an
14 idea, it's a model and I'm learning a little bit more about
15 what models are. And what people tell me is it's just a
16 way of kind of organizing information to tell a story. And
17 then you take that and you test it to see if your
18 assumptions are correct. And over time it should change
19 because, of course, we don't know everything. And it
20 should get more refined over time. So 50 years from now
21 you look at that and you should know a whole lot more about
22 how a system works. Even 10 years from now you should know
23 a lot more.

24 So to do that you use different tools and
25 strategies and the basic tools are gap analysis, synthesis,

1 research, monitoring, modeling, data management and
2 information transfer. Gap analysis or the way we refer to
3 is looking at what other agencies are doing. Not
4 necessarily trying to fill in the holes of what agencies
5 are doing but making sure you avoid duplication and that
6 you can weave together what other programs are and do
7 something more comprehensively than just the GEM program
8 alone. So it's really important to know what others are
9 doing in order to really make sure you're not duplicating.

10 Synthesis, again, nobody really has the
11 mission to synthesize ongoing efforts. There are little
12 bits and pieces all over the place. Every time we turn
13 around we find out National Park Service is doing this
14 little project over here; MMS is doing a little project
15 over there. One was just funded by the university here.
16 But trying to pull those together and say what is it
17 telling us, just like we're trying to do now with the oil
18 spill story. So in order to really figure out what you
19 want to do in the long term, you have to figure out what do
20 you know now. And that's the purpose of synthesis, is just
21 to combine that, come through it, what do we know now.
22 What's our kind of current state of information.

23 From that you do research which is
24 basically short-term monitoring. It's the kinds of pilot
25 projects, kind of testing, monitoring, answering some

1 process questions. Figuring out kind of short-term type
2 monitoring. And of course, collecting these observations
3 over time in key areas. Putting that together into models,
4 which again are various ways of either doing numerical
5 stories or there's all kinds of different models. But it's
6 basically a way of organizing information and then testing
7 your assumptions.

8 Lastly, managing the data and information
9 and developing that into information products. Most
10 people, I would say 80 to 90 percent of public and
11 stakeholders, don't want data, they want information. They
12 want it synthesized, pulled together, interpreted for them.
13 Given to them in the form of a product like a map or a
14 summary or some kind of tool that they can use for
15 management application. And then the two main strategies
16 that were incorporated into this is using community
17 involvement and traditional knowledge. And we do have a
18 community involvement plan that's being contracted out to a
19 group -- a planning group right now. It will have draft
20 plan available in June for the Public Advisory Committee at
21 that time. And then it will come before you sometime next
22 fall for your consideration. And that's basically how do
23 you incorporate community involvement into some of these
24 programs. And then the potential for resource management
25 applicability. When we started looking at how to organize

1 things, you have the Public Advisory Committee which has a
2 lot of stakeholders and scientists. You have your
3 Scientific and Technical Advisory Committee. And we
4 thought, where is the management committee to make sure
5 we're on track. You are the management committee
6 ultimately because you do represent the management
7 agencies. And so it really is incumbent upon you to make
8 sure that that management applicability is consistently in
9 there and stays through over time.

10 We did consider putting managers on the
11 Public Advisory Committee and they are on our Scientific
12 Advisory Committee. But on the public advisory, the
13 Federal employees can't be on FACA committees. And so it
14 didn't seem fair to not have Federal employees and have
15 State employees, so we decided no agency people on the
16 Public Advisory Committee.

17 So that's kind of a broad overview of the
18 program itself. I don't know if there's any questions
19 right now. Phil was going to go over the science plan and
20 a little bit over that. And unfortunately it is a
21 PowerPoint, Ernesta, I'm sorry.

22 DR. MUNDY: Oh, no, that's okay. It's not
23 just me, I've also got Brenda Norcross with me. But what
24 we've decided as we put our heads together out in the hall,
25 we've both been teachers for a long time and we figured

1 that we can do this without the PowerPoint. So we're going
2 to take a shot at losing the PowerPoint this afternoon and
3 talking just to the points on the PowerPoint, if that's
4 okay.

5 MS. McCAMMON: If they start twitching, you
6 know it's tough.

7 MS. BALLARD: Well, it will be a lot more
8 pleasant right here in the exhaust of the machine.

9 MS. McCAMMON: I know, definitely. So I
10 don't know if there are any questions at this point or if
11 you want to just get through all of that.

12 MS. BALLARD: I want to be sure we leave
13 either enough time for the action items or we have some
14 plan about what we're going to do when we adjourn. I guess
15 I should be addressing this to you, Jim. That we have some
16 end of day plan because there are a whole lot of people
17 here who want to know what actions we're taking and I don't
18 want to have them missing car pools or, you know, whatever
19 else.

20 CHAIRMAN BALSIGER: Thank you for bringing
21 that to our attention. I was sitting here trying to put
22 times and notes on here and I was -- once we were through
23 with this agenda item, I was going to see what the pleasure
24 was of the -- if we thought we could get through them all.
25 So -- but I'm prepared to do that right now if you'd rather

1 take it up.....

2 MS. BALLARD: It doesn't matter as long as
3 you're paying attention to it, you're in charge.

4 CHAIRMAN BALSIGER: That doesn't mean I
5 have a solution, of course, but I would propose if we go
6 through the science plan for the GEM thing and then face
7 the rest of the agenda and see what we think we can do.

8 MS. BALLARD: Okay.

9 CHAIRMAN BALSIGER: So, Phil.

10 DR. MUNDY: Mr. Chairman.

11 CHAIRMAN BALSIGER: Please.

12 DR. MUNDY: Thank you, Mr. Chairman. Could
13 you give me a sense of about how much time we should take
14 to keep you on track?

15 CHAIRMAN BALSIGER: Let's see, is there a
16 way to get into negative numbers here?

17 DR. MUNDY: I can't give you back time, Mr.
18 Chairman, sorry.

19 CHAIRMAN BALSIGER: Well, what if we said
20 10 or 15 minutes, which would compact the amount of time we
21 have left for the action items but we'll face that when we
22 get through with your presentation.

23 DR. MUNDY: Thank you, Mr. Chairman.

24 CHAIRMAN BALSIGER: Thank you.

25 DR. MUNDY: Good afternoon. I'm here to

1 talk to you about the science management part of the
2 program and that includes not only the science plan, which
3 you've had before you and you've had chance to read, but
4 also to talk to you about the peer review process and the
5 Scientific and Technical Advisory Committee. The
6 subcommittees, the work groups and all the many volunteers
7 from the science community and from the public who come
8 together to make the GEM program work and to be effective.

9 Now in the GEM program document, which is
10 our source document for everything we do in chapter five,
11 you'll see that the GEM program is held to a high standard
12 of scientific excellence. In fact the restoration program
13 has an unparalleled record of peer review of science
14 projects. Every science project that's in the Work Plan is
15 peer reviewed by independent scientific peer reviewers.
16 Now that's becoming much more popular nowadays but this is
17 a 12-year track record of independent scientific review
18 which we are continuing under the GEM program.

19 Now we're going to review for you the
20 process for providing scientific and technical advice which
21 is advice on the program as a whole, which we get from the
22 Scientific and Technical Advisory Committee, and that's the
23 STAC, which is a lot easier to say than that mouthful.
24 Advice at the individual project level, which is the nuts
25 and bolts issues that people in the subcommittee --

1 scientists on the subcommittees handle. And then peer
2 review of all proposals and reports, which is done for the
3 most part by volunteer outside reviewers or technical
4 specialists who may work for government or private
5 entities.

6 Now the spirit of the GEM program is
7 interdisciplinary science and interdisciplinary
8 communication, which includes the public. That means that
9 when I walk into a roomful of physical oceanographers, I am
10 a member of the public because I am not a physical
11 oceanographer. And I want them to tell me and explain to
12 me exactly what it is they're doing and how they're
13 spending our money. Well, we have worked hard to promote
14 interdisciplinary science and interdisciplinary
15 communication. And I have with me today Dr. Brenda
16 Norcross, who is an interdisciplinary scientist in her own
17 right, a fisheries oceanographer from the University of
18 Alaska Fairbanks who has been kind enough to work with our
19 Scientific and Technical Advisory Committee as its co-
20 chair. So I'll introduce Dr. Norcross who will tell you
21 about the STAC.

22 DR. NORCROSS: Thank you. As Phil said,
23 I'm Brenda Norcross. I'm a professor of fisheries
24 oceanography in the school of Fisheries and Ocean Sciences
25 at University of Alaska Fairbanks. And I did make the

1 mistake of introducing myself to Ernesta Ballard this
2 morning and said STAC and she went, okay. But now you'll
3 all be used to that term because I'm just going to keep
4 using it because Science and Technical Advisory Committee
5 is just way too long.

6 To give you a little bit of background
7 about myself so you know why I'm in this position, I was
8 one of those scientists out on a boat in 1989, spending a
9 lot of time out there looking for larval fish. From there
10 I also went to be one of those scientists you heard about
11 that was in the Sound Ecosystem Assessment, the SEA
12 program. I was the herring coordinator for the SEA
13 program. After that I was also one of those people that
14 you've heard good and bad things about who was on the
15 National Research Council's review of the GEM. So I'm one
16 of those people who has read that four inches of the GEM
17 document about three times. And I would suggest that what
18 you do is take Molly's recommendation and just look at the
19 GEM light version.

20 I also have read and written parts of the
21 NRC document. Read the executive summary, Chris Elfring
22 put it together, it's excellent. Don't bother with the
23 rest of it, all right? It's really well done. So
24 currently, as of last year I would say you all put me in
25 this position except for the fact that -- Jim, were you the

1 only person who was on the Trustee Council then?

2 MS. PEARCE: I was.

3 MS. McCAMMON: Drue.

4 CHAIRMAN BALSIGER: Drue Pearce.

5 DR. NORCROSS: Okay, so that's why I was
6 trying to give them the background because I know you guys
7 have read all that. So I'm now the co-chair of the STAC
8 and part of the reason I got voted in as co-chair was
9 because I had this long history or background. And what I
10 -- in your document you'll find something that looks like,
11 you know, one of these lovely diagrams that we all like to
12 make. Basically what it says is the Science and Technical
13 Advisory Committee coordinates with the Public Advisory
14 Committee, directly responds to the Director and the staff
15 for EVOS who then go up to the Trustee Council. And under
16 the STAC are working groups, the Habitat Subcommittee, Data
17 Management Subcommittee and the Oil Effects Subcommittee
18 that Bob Spies talked to you about earlier.

19 So basically the STAC is just this senior
20 advisory group. And what I'd like you know about the STAC
21 is that it's not really just a whole bunch of professors
22 sitting there thinking wouldn't this be cool. Yes, I'm a
23 physical oceanographer. Charlie Miller from Oregon State
24 is a biological oceanographer. There is a slot open at the
25 moment for a physical oceanographer that's on you agenda

1 item for later. Bill Seitz from USGS is on there. Ron
2 O'Dor who is currently with the Census of Marine Life and
3 Steve Braund who is a consultant who works in the TEK end
4 of things. So we have an incredibly broad base of
5 disciplines. But if you think it was difficult walking
6 into this last year when we started it, I was the only one
7 on the STAC, other than the staff who had any knowledge of
8 GEM. So we had to bring all of them up to date so that
9 they could make intelligent decisions and review proposals.

10 And it's has been a very interesting
11 learning process because I've discovered that when you're
12 on this side of things, you get really conservative. When
13 you're on the other side you're saying I want money for
14 this; on this side you're saying no, I don't think so, I
15 don't think so, I don't think so. So that's been really
16 interesting. The STAC has lots of duties to advise the --
17 on the scientific content of GEM, to recommend the
18 invitation, to write and rewrite and keep writing this Work
19 Plan and the Science Plan that we think is going to be an
20 iterative document forever. To advise the Public Advisory
21 Committee. To provide advice to the Trustee Council. To
22 consult with whoever needs -- you know, the committee
23 chairs, the subcommittees. Mostly the STAC is there to
24 keep things flowing, to see that science all fits together
25 and to provide advice. If you come back and say, I didn't

1 understand this part, why in the world would someone want
2 to look at this? You know, who cares what's living in the
3 mud in Prince William Sound. Our job is to come back with
4 a really good reason or to say, you're right, that's a poor
5 idea. But that's the point, to look at it from a
6 scientific point of view.

7 What I do want to tell you is that the STAC
8 has been in existence for 11 months and there are things
9 that we have accomplished in the first year. We've revised
10 and refined the GEM plan in this -- in the STAC -- sorry,
11 the pilot, you already see it and Phil's comment about
12 being a teacher -- Phil is really -- you know, I was into
13 reviewing a lot of student things in the last year, so Phil
14 unfortunately gets all the documents back from me the same
15 way my students would. And he asked me if I always have to
16 use so much red. We've started a draft for the GEM Work
17 Plan which you will also see that we were talking about.
18 We've sent drafts out for review, we've gone over it again
19 and that's the thing that's just going to go on and on and
20 on. We've recommended the structure in the members for the
21 Habitat Subcommittee, which the Trustee Council approved.
22 We've discussed the design and the implementation of
23 monitoring.

24 The Habitat Subcommittee was first convened
25 in December and they also met again in January at the big

1 public meeting. We've reviewed the proposals and
2 recommended the funding for FY03, the part two of the
3 invitation. And we spent a lot of time discussing where we
4 thought the FY04 RFP could go. And a lot of things came
5 out of it. We had several meetings. The January meeting
6 was excellent. There was a public session, then there were
7 the parts where we were all having meetings which were open
8 to the public. So the Public Advisory Committee had a
9 meeting, the STAC had a meeting in which the Public
10 Advisory Committee was there. The Habitat Subcommittee was
11 there. That led to a lot of incredibly interesting ideas
12 of where to go from here. And one of them was something
13 that you'll see over and over again, synthesis, synthesis.
14 Build on what you already know. Spend your efforts right
15 now reviewing and synthesizing the past work. Don't start
16 out on something new until you're sure what your foundation
17 is. And it doesn't mean just synthesizing efforts that
18 have been funded by EVOS in the past. As Molly was talking
19 about partnering, there are a lot of other things that have
20 happened that EVOS was a part of or helped organize or
21 someone else came in and said, hey look what we're doing,
22 it fits with what you're doing. So a big emphasis is on
23 the synthesis.

24 One of the other very key things that came
25 out was this discussion about the word hypothesis, it

1 should be hypothesis driven science. And we probably spent
2 45 minutes or so at this very large meeting in a room four
3 times this size in the Cook. And got the public and the
4 science and the agency members to say, why don't we quit
5 talking about hypothesis and talk about constructing
6 conceptual models, which Molly talked about and said she
7 figured out a model is something you can look at. It gives
8 you the big picture and you get to keep changing it. So we
9 thought that was really a step forward, that we got
10 everybody to go, now I get it.

11 One thing that the STAC has reiterated many
12 times, you'll see in the NRC document, you'll see in the
13 FY04 RFP, is to involve the communities in the design and
14 implementation of this long-term monitoring. There is no
15 way that this long-term monitoring is supposed to be
16 devised for a bunch of people to go out and take data that
17 they're going to put on a shelf forever. And it's not
18 supposed to be only scientists looking at it saying, well,
19 this is a great place or this look like fun or gee, I've
20 never been in this bay before. We want community input and
21 that's part of why the PAC is very successful and all the
22 additional people -- Fred, don't you think -- who did show
23 up at the meeting in January who didn't belong on one of
24 these committees. But they came, they made statements,
25 they contributed.

1 And you will see in your FY04 RFP that one
2 thing that everybody at that same meeting agreed on was
3 when we talked about let's use what's available. Let's not
4 go out and keep dumping money into something if there's
5 another way to do it. Which is why one thing that all the
6 scientists and the public have thought was a great idea was
7 this thing about, let's use the Alaska Ferry System instead
8 of paying boats to go out and sample things, the ferries
9 are going there anyway. What a great way to get continuous
10 data. And as you've heard from several people today, you
11 know, it's really hard to say this happened because of the
12 oil spill or gee, the climate changed. National Marine
13 Fishery Service is quite aware of the fact that there's
14 been a lot of data that came out that said there was a
15 regime shift in the North Pacific and it was the winter of
16 1976-77. And we can look at all these data that show that.
17 And you can, but you can only do that about 15 or 20 years
18 after that regime shift because the surveys that National
19 Marine Fishery Service was doing didn't start until
20 somewhere between 1973 and 1975. So if you don't have a
21 lot of data prior to the change, you can't tell a change
22 has happened. That's why with the oil spill it was very
23 hard to say this changed when you didn't know what was
24 there to begin with.

25 The subcommittees, the concept is built

1 into the GEM document that there are subcommittees that --
2 you know, these six people who are the STAC don't do
3 everything. It's kind of the same way I don't do
4 everything, I have to have students and technicians and
5 people who know a lot more of the details. So the idea is
6 that the subcommittees are the experts in that particular
7 field, which is why Bob Spies is doing lingering oil. And
8 the STAC came back to the Trustee Council and said, at this
9 point in time we don't want a Habitat Subcommittee for
10 every habitat. We don't know enough about what we're
11 doing, we wanted a broad-based habitat committee. How many
12 people are on the committee? Twelve? Twenty?

13 DR. MUNDY: Twelve.

14 DR. NORCROSS: See, close. I knew it was a
15 number between 12 and 20. But we had a meeting in December
16 and what you have is a very broad base of people who then
17 can take the overviews first. And that's where we're at
18 from this idea of synthesis. And when you have a group
19 like that together it's really great because it's kind of
20 like, I would assume, with all of you, if one of you said,
21 I know about the fish, would you tell me about the law. In
22 our case it's, I know about the invertebrates and I know
23 about the fish and somebody else knows about the water and
24 somebody else knows about the bears. And we have to keep
25 educating each other too. So in that time the Habitat

1 Subcommittee has been doing all of those jobs that I was
2 trying to tell you. They're working on the GEM plan.
3 They're reviewing proposals. They're looking at ways to
4 lead the groups. They had a really input to this FY04
5 invitation.

6 And then they're the work groups that we --
7 the only work group that we've had set up so far is on
8 shoreline mapping. And I just want to wrap up with giving
9 you one example of the fact that I'm really pleased that
10 this system is going to work. And the reason that I'm on
11 the STAC was because I told you I've been invested in this
12 since 1989, I want to see it work. One thing that was
13 really great about being on the NRC Committee to review GEM
14 was that fact that there were 20 people from around the
15 country going, this has the opportunity -- GEM is the only
16 program in the whole country like that. We looked very
17 hard for other programs on which to model GEM because as
18 Molly and Phil will tell you, NRC's first comment came back
19 to GEM saying that's not how you do it and we don't know
20 how. So we looked.

21 Then we looked around the world. There is
22 not one other system that looks at anything this
23 comprehensive. There is California Cooperative Fishery
24 Investigation, which has been cut down in size, and it
25 samples larval fish off the California coast. It used to

1 do the whole West Coast, it got a little smaller, a little
2 smaller. And what they're finding is they didn't do the
3 synthesis. They haven't looked at it. They've been doing
4 it for 50 years and have never said, oh well, now what's
5 going on. There isn't another program that takes the whole
6 system and links it together.

7 So we had a shoreline mapping workshop
8 which actually I co-chaired with Susan Saupe, who you heard
9 earlier on the phone from Cook Inlet RCAC. And it was a
10 working group. The people who were there -- I was the only
11 person from a university. Almost every State agency and
12 Federal agency sent representatives. There were
13 consultants. There were private industry people. Alyeska
14 came, for which we were very pleased to have their input
15 and cooperation. And I have to tell you that I spent a lot
16 of time at meetings, and I'm sure you do too, and it's the
17 only meeting I've ever chaired when three-quarters of the
18 people came up to me afterwards and said, hey, we got
19 through a whole lot more than I thought. This is great.
20 And we came up with a plan.

21 First of all we determined that there is a
22 value to doing a wide geographic coastal mapping of the
23 state of Alaska but we want GEM to be the keystone of it.
24 If GEM establishes this is how you do it in the GEM region,
25 then maybe it will spread out further. That it fits with

1 the State's Coastal Zone Management program but that this
2 is not -- it's just -- the idea is that it's responsive.
3 It's responsive to industry like oil and fishing and
4 forestry and tourism for resource management, for
5 recreational use, for the local communities. The point is,
6 this is not just science. This is if a fish processor came
7 to STAC and said, I want to dump waste here, is this a good
8 place? We'd look at it and say, well, we have this
9 overview, here's what's going on there. No, you know, if
10 we take this -- why don't you put it over here instead?
11 It's not going to hurt as much over here. This would be a
12 really good place to do it. And we came up with a way, a
13 mechanism. We found a mechanism that's in place and that
14 it would be working and so the result of that was a working
15 group that's set up to get it going.

16 And mostly I would tell you that the most
17 important thing was the level of cooperation all the way
18 down that we got from every agency from the private
19 industries. It was just wonderful. And especially when
20 Alyeska sat at the table and said, well we have all this
21 data we'd be willing to give you. You don't really have to
22 re-survey the whole western side of Prince William Sound.
23 So that was great.

24 Thank you.

25 CHAIRMAN BALSIGER: Dr. Norcross,

1 Dr. Mundy, do you got any -- how are -- are you going to
2 resume?

3 DR. NORCROSS: We're tagging.

4 CHAIRMAN BALSIGER: Okay, great. Any
5 questions for -- on the GEM science plan or the STAC?

6 (No audible response)

7 CHAIRMAN BALSIGER: If not, let's
8 reconnoiter the schedule here briefly. Just for the
9 parameters, is 5:00 o'clock the advertised quitting time.
10 Is that a hard time for everyone? This is my wife, of
11 course, EVOS Trustee, so I'll stay all night if you want
12 but I was checking with everybody else.

13 MR. DUFFY: I know that's not true, Jim.

14 CHAIRMAN BALSIGER: Okay, we'll try to get
15 done by 5:00 I guess, although no one would say they had
16 to.

17 MS. McCAMMON: The flight to Anchorage is
18 at 7:30.

19 CHAIRMAN BALSIGER: Okay.

20 MR. MEADE: So see I have no problem. I've
21 got until 7:30.

22 CHAIRMAN BALSIGER: We've got habitat
23 protection activities, which also is an action item. Molly
24 said she can go through the procedures and policies for us
25 very briefly in three or four minutes. We have Mr. Huber

1 who I believe was here.

2 MR. HUBER: Yes.

3 MS. McCAMMON: Yes.

4 CHAIRMAN BALSIGER: Oh, you're still here,
5 from the Public Advisory Committee that we should hear
6 from. We did the investment fund but that brings us into
7 the long list of action items. Is there any proposals or
8 suggestions?

9 MR. MEADE: Go until 6:30.

10 MS. McCAMMON: I think we can get through
11 the action items very quickly actually.

12 CHAIRMAN BALSIGER: Okay, so.....

13 MS. McCAMMON: Because they're either going
14 to be acted on or they're going to be deferred. I think it
15 should be pretty quick.

16 CHAIRMAN BALSIGER: Okay, so your
17 suggestion is that we page through these very quickly?

18 MS. McCAMMON: Well, I would suggest.....

19 CHAIRMAN BALSIGER: Ms. Pearce.

20 MS. PEARCE: I think we should hear from
21 the Public Advisory Committee before

22 MS. McCAMMON: Right.

23 CHAIRMAN BALSIGER: For sure. Before?

24 MS. PEARCE: Before we do the action items.

25 CHAIRMAN BALSIGER: Oh yes, I -- well,

1 let's do that then, hear from the public action -- hear
2 from Mr. Huber and then perhaps go back to the habitat
3 activities if we could maybe blend into the habitat
4 protection action item. Please, Brett.

5 MR. HUBER: Thank you, Mr. Chairman. As I
6 joked with Molly at the break, I can tell you everything I
7 know and not take a lot of your time so it should be pretty
8 quick. By way of introductions, my name is Brett Huber,
9 I'm chair of the Public Advisory Committee, formerly the
10 PAG, now the PAC. Professionally I'm the executive
11 director of Kenai River Sport Fishing. I'm also the acting
12 president of the Alaska Outdoor Council. And the interests
13 that I represent on the PAC are sport hunting and fishing.

14 I've been involved with the PAG and then
15 PAC since my appointment in 2000 and chair since the PAC
16 was constituted this winter as part of the GEM transition.
17 The PAC consists of 15 members who represent interests from
18 local government to tribal entities to commercial fishing,
19 timber, tourism, et cetera. We've both representative of
20 and a conduit for the affected public and one of the ways
21 that the public can participate in the Trustee Council
22 process.

23 In light of the transition and the new
24 Trustees I thought I would address my comments kind of
25 generally from the PAC on the GEM plan and concept itself,

1 as well as specifically to the Draft Science plan and the
2 invitation for proposals. GEM is really a unique
3 opportunity, as you've heard from a lot of other people.
4 There isn't anything like it. The opportunity to do a
5 coordinated interdisciplinary science over a long-term time
6 horizon with a relatively stable funding source. And
7 because of it being such a unique opportunity, it's really
8 attracted a great deal of attention and a great broad
9 amount of participation. There's been literally, in the
10 time I've been involved with it, hundreds of scientists,
11 hundreds of people from the academic world, hundreds of
12 members of the public that have been involved in the
13 process of bringing GEM to where it's at now. And the PAG
14 and the PAC have been very involved from the outset. Over
15 the last three years we've had numerous formal meetings of
16 the PAC. We've had an opportunity to have dialog with the
17 staff, with the scientists, with the public. We've looked
18 at numerous drafts of everything and provided comment.
19 We've participated in a number of workshops that EVOS has
20 organized. So we put a lot of work into our part of this
21 process through time.

22 I want to let everybody know that the PAC
23 is very sensitive to the constituents' interests and the
24 management needs. While we support the long term goals of
25 GEM and the questions it wants answered over time, the PAC

1 I think has also been very careful to continue to emphasize
2 a mix of some short-term deliverables. Answering questions
3 that need to be answered now, providing tangible
4 information and benefits for the public. I think that
5 emphasis on collecting relevant data and providing that
6 useful information has been reinforced really at the
7 Habitat Committee level and the STAC level, as you've heard
8 described by Brenda and the agency representation on the
9 Habitat Committee. I think it's very important to answer
10 those questions and provide those things over time to
11 satisfy that constituency and provide managers the
12 information they're looking for. But at the same time,
13 snapshots aren't enough. To get the best use out of those
14 individual projects, those individual answers to questions,
15 those individual looks at pieces of the ecosystem, you have
16 to really see the whole picture and understand the
17 ecosystem generally. And I think GEM is designed to give
18 us that opportunity through its long-term goals over time.

19 We weren't long into the assessment process
20 and it continued throughout the restoration effort and it's
21 still true today that we learned how difficult it is to
22 quantify the harm or to monitor the efficacy of restoration
23 efforts without a baseline. Without an understanding
24 really of how the ecosystem works. What forces are at work
25 and what changes result from those forces. Well to date a

1 tremendous amount of funds have been expended, a large body
2 of science has been amassed and a great deal of knowledge
3 has been gained. Arguably probably the most important
4 thing we've learned in the last 14 years is how little we
5 really knew about the ecosystem of the affected area.

6 I think the GEM program has the potential
7 to change that over time, to give us that broad
8 understanding by which we can measure the other things.
9 The PAC is the public advisor to the GEM and to the
10 Trustees. And while conservation and stewardship are
11 ultimately important to the public, much of the public
12 focus on natural resource issues in this process and other
13 processes centers on the benefits that we can derive, the
14 uses that we can enjoy from those resources.

15 Another potential benefit of the GEM is
16 understanding, separating and quantifying natural versus
17 man-caused effects to the ecosystem and/or the individual
18 components to that ecosystem. What we can do, what can we
19 extract, how many fish can we catch. What can we do
20 responsibly, what can we do sustainably and what can we do
21 without perturbing the ecosystems to some negative effect.
22 Those are the kind of things that we want to know. And
23 we've learned through examples like the Steller sea lion
24 that if we don't understand what those natural impacts are,
25 the man-made causes are the ones that are going to take the

1 hit and the public benefits is the one that -- is what's
2 going to suffer.

3 Other benefits of the GEM program I think
4 are -- you've already heard explained. Leveraging
5 information, leveraging the collection of information
6 through other agencies' work, through university work,
7 through national and international science effort work.
8 Identifying those gaps, perhaps filling in some of those
9 gaps. Not duplicating work but gaining more work for the
10 dollar. I think also another benefit that's been expressed
11 is compiling a place where we can synthesize, where we can
12 warehouse that data. Where we can provide that information
13 in a useable format. And I think probably the greatest
14 potential benefit of GEM, although it's going to be the
15 hardest to achieve and take the longest to get there, is
16 the ability to predict. You know, if we can predict then
17 we can position ourselves how to best advantage the future
18 economically, socially with the changes that will happen to
19 the ecosystem over time.

20 You've heard from a number of scientists
21 today and a number of attorneys that have provided great
22 information. And by now listening to me, you realize I'm
23 neither of those. So I'm just going to give you kind of my
24 layman's interpretation of where we are today and what the
25 PAC's position is on GEM, on the Draft Science plan and the

1 draft invitation for proposals. First, a tremendous amount
2 of preparation has been completed. Second, the scientists,
3 the managers and the public have taken their best shot at
4 designing a cutting edge program, one that no other program
5 like it exists. The most expert review available has been
6 performed and the advice that we received has been
7 incorporated as appropriate.

8 A qualified and dedicated team has been
9 assembled to manage the program. And the PAC believes it's
10 time to put the wheels under this program and start it down
11 the road. It's time to get on with the synthesis of what
12 we know and with answering the preliminary questions of
13 what to monitor, where to monitor and how to monitor. The
14 PAC believes that adoption of the draft science plan and
15 invitation will start that process and the PAC unanimously
16 endorse those things being adopted today.

17 That being said, I also acknowledge the
18 Science Plan is a living document and that the GEM program
19 will change and evolve over time. The PAC is committed to
20 the interactive and ongoing process necessary to accomplish
21 the long-term objectives of the GEM program while still
22 providing timely information to the managers and tangible
23 benefits to the public. I think that has to continue to be
24 stressed. And, of course, the final responsibility to
25 maintain that balance lies with you all, the Trustees. The

1 PAC members take their role and responsibility seriously.
2 I think everybody that serves in the PAC believes that it's
3 an important job and works at it. The staff and the
4 Trustees have involved us every step of the way. We
5 appreciate that and we look forward to continued meaningful
6 involvement in any future decisions that the Council takes.

7 Lastly, I'd just like, on behalf of the
8 PAC, to thank the staff. They're incredibly dedicated and
9 hard working. They make our participation a lot easier.
10 And on a personal note, Molly, I'd like to thank you for
11 the work you've done to advance the program, to care for
12 the resource and to serve the public. You're a class act
13 and you'll be missed.

14 MS. McCAMMON: Thank you.

15 CHAIRMAN BALSIGER: Thank you, Mr. Huber.

16 Any questions?

17 (No audible response)

18 CHAIRMAN BALSIGER: Thanks a lot.

19 That's.....

20 MR. MEACHAM: This is Chuck Meacham, may I
21 make one very brief comment?

22 CHAIRMAN BALSIGER: Yes, Mr. Meacham. Just
23 for the Trustees, Chuck I believe is the deputy chair of
24 the PAC or the vice chair or some such thing.

25 MR. MEACHAM: That is correct. And I would

1 just offer that, you know, as you transact Trustee Council
2 business, please do keep in mind that you have a tremendous
3 asset available to you, you know, in the form of the Public
4 Advisory Committee. It is an all volunteer group, we're
5 not compensated. All volunteer group of Alaskans. Wide
6 range of representative skills and from throughout the oil
7 impacted region. And so I just encourage you to take
8 advantage of our presence, you know, as you proceed into
9 the GEM program. I think we'll serve you well and I know
10 all the PAC members are truly dedicated to the welfare of
11 Alaska resources and to all the users out there.

12 So that's all I have to say. Thank you.

13 CHAIRMAN BALSIGER: Thank you, Chuck.
14 Thanks. Habitat protection? Molly. Do you have something
15 in front of that?

16 MS. McCAMMON: Mr. Chairman, could I do
17 just two minutes on the rest of public and community
18 participation?

19 CHAIRMAN BALSIGER: Oh, yes. Sure.

20 MS. McCAMMON: One thing I did want to note
21 is the Federal General Services Administration recently in
22 the last year did a stakeholder engagement survey of all
23 the Federal advisory committees. And the EVOS PAC is in
24 the top 10 percent for performance in that survey of 470
25 committees. So I think that's really something to be

1 really proud of, so. And I think as somebody mentioned,
2 the PAC is one avenue for providing meaningful public
3 participation which is mandated in the terms of the
4 settlement. And the Council has always taken this very
5 seriously. And in your kind of addendum on your table here
6 was a summary of a lot of the kinds of activities that have
7 been undertaken in the last 10 years. And sometimes some
8 are done for a couple of years and then they get kind of
9 old and people get tired of them and you try something new.
10 And that it's just kind of a rotating thing but it's been a
11 commitment since day one. But one of the things that is
12 pending there and I didn't put it in the original memo
13 because I had -- when I read through it I remembered it --
14 and it's also included in your packet -- was a request from
15 the tribes of the Chugach region to discuss with the
16 Trustees how their relationship should or should not change
17 as a result of the State's millennium agreement and as a
18 result of the Federal trust responsibility with Alaska
19 tribes.

20 MS. BALLARD: That's what's in here.

21 MS. McCAMMON: That's in that.....

22 MS. BALLARD: Yes.

23 MS. McCAMMON: Yeah, there is a two-page
24 letter in there. And they did have a meeting with the
25 Trustee Council, an informal meeting in late October. And

1 at that time the Council agreed to sit down and meet
2 further with them. Unfortunately it was late October and
3 with the transition in the new administration, there wasn't
4 time to have that meeting. So there was a commitment made
5 at that time and I think it's kind of up to the Trustee
6 Council, the new Council, to decide how they want to
7 respond to that. I think at that time Drue Pearce, for the
8 Federal side, agreed to meet informally with this group and
9 then Frank Rue and Craig Tillery for the State side. So I
10 think it's something I wanted to bring to your attention as
11 something that you probably need to respond to at some
12 point. I don't think they're expecting a meeting right
13 away but probably sometime in the next couple of months
14 you'll want to think about that.

15 And then the only other thing I did want to
16 mention, too, just real quickly under procedures, policies
17 and processes. These are all -- copies of these are in the
18 binder. There have been some questions about the meeting
19 chair and how the agenda is put together and those are all
20 procedures that are included in that. Those procedures
21 actually date back to the early days of 1991. But a lot of
22 the other procedures and policies get updated on a regular
23 basis. When it seems like it's too out of date, we have a
24 drafting committee among all the agencies and staff and
25 then it goes to the Trustees, it goes out for public review

1 and then back to you for action. And the last time it was
2 updated was last summer. But any time you think something
3 is out of date or you want to revisit those policies, they
4 are in there.

5 And I did want to mention to everyone that
6 we are subject to the Freedom of Information Act. The
7 State Public Records and Open Meetings Acts and the
8 attorneys always give us advice whenever -- how to respond
9 to those. And whenever we're -- what we need to do in
10 response to that.

11 And then lastly I did want to mention that
12 2004 will be the 15th anniversary of the Exxon Valdez oil
13 spill. And the 10th anniversary saw tremendous public and
14 media attention. We helped coordinate, just because we got
15 -- we had the Exxon Valdez in our title, we got the calls
16 from media across the world. Over a hundred came to Alaska
17 and did stories, documentaries, magazine articles,
18 newspaper stories, all kinds of things. I don't expect
19 there will be as much attention for the 15th anniversary
20 but these kinds of anniversaries tend to generate stories.
21 And so it's something that, I think, the Council needs to
22 be prepared in terms of where are we in terms of recovery
23 and restoration but also in terms of response and
24 prevention. Because those are the other kinds of questions
25 that we really get a lot. And we worked really closely

1 five years ago with DEC and EPA and other State and Federal
2 agencies to help have some fact sheets ready and things
3 like that. But it's another thing just to have on your --
4 kind of back burner, to be prepared for. And then I think
5 that's it, we can go to.....

6 CHAIRMAN BALSIGER: Any comments or
7 questions on policies, public committees, partnerships?

8 (No audible response)

9 CHAIRMAN BALSIGER: If not, please go ahead
10 then.

11 MS. McCAMMON: Okay, habitat. Let's see,
12 in your -- I think in the big packet there was -- there are
13 two reports in there. One is the status of the large
14 parcel program and the status of the small parcel program.
15 And it describes what's been done in the past, what offers
16 are currently out there and what things are kind of
17 pending. In terms of the large parcel program, pretty much
18 most of it has been -- the commitments that were made in
19 1993 and 1994 are pretty much done with a few exceptions.

20 The one Koniag agreement, the agreement
21 that was made several years ago was to set aside a certain
22 amount of money, and at the time it 29.5 million dollars,
23 put it into a fund, invest it, see what -- and from that
24 fund take out a certain amount to pay for an annual
25 conservation easement. And then in 10 years, at Koniag's

1 sole discretion, they can choose to either sell in fee
2 those lands for the amount in that fund or they can choose
3 to extend the conservation easement or they can walk away.
4 They weren't prepared to vote on a fee acquisition at this
5 time. And so this was the agreement that they requested
6 and the Council agreed to put aside that money. So that is
7 a contractually binding agreement. The funds are kept in a
8 separate account in the investment fund. They're accounted
9 for separately. The interest is accrued to it separately.

10 MR. RENKES: Molly, just a quick question
11 about that.

12 MS. McCAMMON: Yeah.

13 MR. RENKES: What did Koniag provide in
14 compensation for the option -- other option?

15 MS. McCAMMON: Public access to those
16 lands. Basically an easement, a temporary conservation
17 easement to those lands. So basically an agreement not to
18 develop them and to allow public access of those lands.

19 MR. RENKES: Well, we pay for the
20 conservation easement, too.

21 MS. McCAMMON: We pay for the conservation
22 easement.

23 MR. RENKES: So what do -- but they -- is
24 the option -- they got to pay something to cause us to put
25 the money aside for 10 years, giving them the opportunity

1 to sell the property at their discretion. So the
2 compensation coming to us so that they could have that
3 option is some portion of the value of the conservation
4 easement or access to the lands or how is that distributed?

5 MS. McCAMMON: Correct. I would say it was
6 -- Craig, correct me but I would say it's compensation,
7 it's access to the lands, it's the ability for Fish and
8 Wildlife Service to manage those lands during this interim
9 period as part of the refuge.

10 MR. RENKES: Okay.

11 MS. McCAMMON: And then the other agreement
12 that was made in last October was for the Council to commit
13 a 10.45 million dollars in matching funds for a potential
14 agreement on North Afognak Island. And that was done by
15 resolution. There is not an official contract on that.
16 This was an action that was done in partnership with a
17 group representing the land owners on Northern Afognak,
18 Afognak Joint Venture, Koniag, the unlisteds. They're in
19 the process of trying to demerge. So that doesn't come
20 back to the Council at this point but it really is up to
21 the State at this point because the money from the Council
22 has to go through the State legislative process. And so
23 that is really up to the State to definitely agree to
24 accept the lands and to have the money run through the
25 legislative process.

1 MR. RENKES: And if the legislature
2 authorizes the receipt of those appropriations, those
3 funds, then they would come out of the 25 million, the 24-
4 whatever million that's in the.....

5 MS. McCAMMON: That's correct.

6 MR. RENKES:habitat fund now?

7 MS. McCAMMON: That's correct. And then
8 the partners have agree to match dollar for dollar whatever
9 money the EVOS Council puts forward, they would match
10 through privately raised funds. And they're in the process
11 now -- and I know Tim Richardson and his group have been
12 meeting with a number of you to explain where they are in
13 terms of that private fund raising. So I just wanted to
14 note that that is out there. It's not as far advanced as
15 the Koniag deal, which is an actual contractual obligation.
16 But it was done by resolution in October. And I don't know
17 if you have any questions at all for Tim or if these.....

18 MR. RENKES: You say it's not as far
19 advanced and just so I understand what you mean by that,
20 because it sounded to me when I talked to them earlier this
21 morning actually that every -- that the action here is
22 finished and if they get their bill through the legislature
23 then basically it's done.

24 MS. McCAMMON: That is correct but I'm not
25 a contract lawyer. But it's not a formal contract like the

1 Koniag deal is, which is a signed purchase agreement and a
2 actual formal contract. What we're operating under is a
3 resolution signed by all six Trustees and a commitment.
4 And explain the different between a contract and a
5 resolution but it's definitely not as binding as a contract
6 is.

7 MR. RENKES: But once the appropriation
8 occurs -- we should ask Craig -- once the appropriation
9 occurs, there's no further action by the Trustee Council,
10 is there?

11 MR. TILLERY: That's correct. Well, no
12 they -- under the -- as I recall the resolution, we would
13 be notifying the Executive Director that certain things
14 have happened. Then we would be instru -- we were already
15 instructed to go get the money out of the investment system
16 and you can send it to the State.

17 MS. McCAMMON: But it doesn't come back to
18 the Council.

19 MR. TILLERY: Right.

20 MS. McCAMMON: It would come back to me to
21 certify that conditions have been met. It would go to
22 Department of Law and to Department of Justice.

23 MR. RENKES: Okay.

24 CHAIRMAN BALSIGER: Go on.

25 MS. McCAMMON: And then the other piece of

1 the -- kind of remaining piece of the program is small
2 parcels. And about two years ago we started looking at
3 other options for running this piece of the program other
4 than using existing agency staff. And we had been working
5 with The Conservation Fund and The Nature Conservancy in
6 the past on several other efforts. And they've been very
7 successful in meeting with landowners. They have a lot of
8 different capability that a government entity doesn't have
9 in terms of providing tax incentives and different estate
10 benefits that governments don't have. And they also --
11 sometimes it's more comfortable for private landowners to
12 work with a non-profit than with a government entity. And
13 so we did a pilot grant with these two entities for a
14 million dollars and they've been in the process this last
15 year of doing some purchases on behalf of State and Federal
16 agencies and the Trustee Council. And there are some that
17 are actually on the action agenda today. And we do have
18 representatives from both of those entities, Brad
19 Meiklejohn with The Conservation Fund and Randy Hagenstein
20 with The Nature Conservancy here to talk about those
21 parcels.

22 And then in your supplemental habitat
23 packet which you should have received, I think, on Friday,
24 we did put some information as to what other kinds of
25 parcels might be pending in the near future. Maybe in the

1 next three months or so. And I think there's some Kenai
2 River parcels there in Nikiski.

3 MR. MEIKLEJOHN: Kasilof.

4 MS. McCAMMON: Kasilof River, yeah those.
5 And Brad can answer any questions about those. So.....

6 CHAIRMAN BALSIGER: Thank you, well let's
7 -- so.....

8 MS. McCAMMON: I think we're doing okay.

9 CHAIRMAN BALSIGER: We're doing okay, Molly
10 says. Okay, so would the Trustees care to hear from The
11 Nature Conservancy or The Conservation Fund on these
12 parcels? Do you have a short presentation to make?

13 MR. MEIKLEJOHN: Yeah, we do.

14 CHAIRMAN BALSIGER: Please do it then.

15 MR. MEIKLEJOHN: I'm Brad Meiklejohn with
16 The Conservation Fund, Randy Hagenstein with The Nature
17 Conservancy. As Molly indicated, in September 2001 the
18 Trustee Council made a million dollar grant jointly to The
19 Nature Conservancy and The Conservation Fund. The
20 Conservation Fund and The Nature Conservancy are both
21 national non-profit organizations with offices here in
22 Alaska. And both groups employ collaborative approaches to
23 balance conservation and economic development. The purpose
24 of the \$1,000,000 grant is to acquire lands or interest in
25 lands that are important to the recovery of resources

1 injured by the spill. The grant was made to The
2 Conservancy and The Fund because both groups are nationally
3 recognized for their expertise in land conservation, have
4 the ability to respond quickly to opportunities and can
5 attract and assemble matching funds from a variety of
6 sources. And the Trustee Council made it clear to us that
7 that was a very serious mandate under this grant and we've
8 taken that quite seriously. And so far we've secured,
9 between the two organizations, 3.6 million dollars in
10 matching funds to match the \$1,000,000 grant.

11 The process outlined by the grant is that
12 public agencies, landowners and/or the general public can
13 recommend properties to The Nature Conservancy and to The
14 Conservation Fund. And The Fund and/or The Conservancy
15 then present those properties to the Trustee Council for
16 preliminary approval to move forward with due diligence
17 steps such as appraisals, surveys, hazardous materials
18 inspections and the negotiation process. At the
19 completion of due diligence, The Fund and/or The
20 Conservancy return to the Trustee Council for formal
21 approval to proceed with the acquisition. Any property
22 acquired under the grant must be within the spill zone,
23 must be a priority for a public land management agency and
24 can be purchased only from willing sellers. As has been
25 the case on all the properties acquired by the Trustee

1 Council, the conservation easement is recorded to either
2 the State or the Federal government on each property
3 purchased under the grant. Both The Conservancy and The
4 Conservation Fund have focused our efforts under this grant
5 on the Kenai Peninsula, along the rivers of the Kenai
6 Peninsula, including the Anchor River, the Kasilof, the
7 Kenai and the Ninilchik River, all of which have very
8 popular sport fisheries that are major contributors to the
9 economy of the Kenai Peninsula and to Alaska in general.

10 In addition to benefiting tourism and
11 recreation, both of which are injured resources, our work
12 under the grant is helping to improve public access and to
13 alleviate trespass problems. Now Randy Hagenstein of The
14 Nature Conservancy will provide you a detailed example of
15 some of our work on the Anchor River, which we think is one
16 of the best examples of our work under the grant.

17 MR. HAGENSTEIN: Well, thank you and thank
18 you for the opportunity to talk briefly about the small
19 parcel grant program. I want to talk about the Anchor and
20 highlight the work not just to The Nature Conservancy and
21 The Conservation Fund but also a strong local partner, the
22 Kachemak Heritage Land Trust that's been working hand-in-
23 hand with us on putting together some of these deal. The
24 reason I want to talk about the Anchor, as Brad said, is
25 that I really think this exemplifies the best kind of work

1 that can happen under this sort of a habitat protection
2 program. We've got an example here of projects that are
3 highly leveraged with public -- other non-Exxon public
4 dollars as well as private money. We've got good strong
5 community support and we've got this framed within a
6 strategic approach on the Anchor River that ensures that we
7 do the minimum amount of work necessary to really insure
8 that we have the biological values and the human use values
9 on the Anchor maintained.

10 Between The Conservancy and The
11 Conservation Fund and in partnership with the Kachemak
12 Heritage Land Trust, we have conserved or are poised at
13 this point to conserve approximately 350 acres in a few key
14 locations, in 10 specific transactions with a value of
15 about a million dollars. Now all 10 of these transactions
16 benefit resources and services that were damaged by the oil
17 spill, so provide real tangible restoration benefits that
18 the Trustee Council is charged with ensuring. Only five of
19 these deals do we envision Trustee Council funding going
20 to. We've got in this mix of roughly a million dollars and
21 350 acres planned about \$400,000 of Exxon Valdez funding.
22 Private funding from a variety of sources to the tune or
23 about \$250,000 and Federal funding through a couple of
24 different grant programs at about \$350,000.

25 A few years ago The Conservancy and the

1 Land Trust received a grant from the Fish and Wildlife
2 Service to do an evaluation of the lower 10 miles of the
3 Anchor River, to look at the biological values, human uses,
4 areas that are at risk for habitat conversion and
5 essentially develop a prioritization of these parcels.
6 We've done that. It wasn't Exxon Valdez funded but there
7 was a strong enough overlap that we think this is a good
8 filter to look at when we think about how we can match up
9 restoration benefits. The point of this is that this isn't
10 -- these aren't random acts of real estate. This is a good
11 strategic program focused on the right places. What that
12 has done is it's drawn our attention to the mouth of the
13 Anchor River and to a few places in the flood plain of the
14 lower Anchor where we feel with a few strategic
15 acquisitions we can block up lands that are important for
16 sport fishing, are important for access, are important for
17 habitat and are complemented by past acquisitions and
18 existing public lands.

19 The Trustee Council previously approved a
20 grant under this small parcel grant to The Conservancy and
21 The Conservation Fund of about \$200,000 for a parcel called
22 the Crowther parcel that The Conservation Fund negotiated.
23 In your packet there's two resolutions. One is for a small
24 but a very strategic property at the mouth of the Anchor
25 River that includes a very, very important salt marsh.

1 It's one of three private parcels in this lower part, in
2 this estuarine part of the mouth of the Anchor River. It's
3 a priority for Department of Natural Resources in part
4 because of habitat but also because there's a planned trail
5 to go from the community of Anchor Point down to the sport
6 fishing access areas that would cross this piece of
7 property. So it meets a variety of habitat and human
8 benefits.

9 There's another resolution in your packet
10 that is for a package of three properties that over the
11 past 18 months The Nature Conservancy has purchased. These
12 are three adjacent properties that, when combined with
13 existing State land and with a piece of property that had
14 been donated to the Kachemak Heritage Land Trust will
15 protect about two river miles and roughly 500 acres. So
16 again, surgical approach here doing the minimum work
17 possible to try to achieve the greatest leverage. These
18 are parcels that provide access for sport fishermen to
19 steelhead and Dolly Varden fishing as well as habitat
20 benefits for two species of salmon, Dolly Varden,
21 steelhead, bald eagles and a host of species that were not
22 specifically identified as injured by the oil spill.

23 We feel that these parcels and this overall
24 approach on the Anchor River really does meet the spirit
25 and the letter of the grant. Because it's a creative use

1 of a variety of different kinds of funding mechanisms,
2 private, Federal, Exxon Valdez dollars, to achieve lasting
3 results that benefit both the public uses and the habitat
4 values of the area.

5 I'm happy to respond to any questions about
6 the specific parcels now or when the Trustees are
7 evaluating the resolutions in front of them. And I know
8 that Brad also wants to open the door and give you a peek
9 into the future at some of the projects that we have
10 planned in the near future that are kind on the near term
11 horizon.

12 CHAIRMAN BALSIGER: Very quickly if you
13 can, Mr. Meiklejohn.

14 MR. MEIKLEJOHN: Okay. I'll make it quick.
15 Alaska Department of -- actually, the Division of Outdoor
16 Recreation and Parks came to us with three properties on
17 the Kasilof River that they are interested in us working on
18 under this grant. You do have materials in your briefing
19 packet on them. Two of the properties are owned by the
20 Mental Health Trust and they've been before the Council
21 previously for preliminary approval to proceed with due
22 diligence. The third parcel 136 acres lower down on the
23 Kasilof. It would serve in Parks' vision as a public boat
24 takeout. Currently there is no public boat takeout and the
25 lower Kasilof and the lower Kasilof is a very popular sport

1 float fishery. And I guess that's been a problem in that
2 area, providing public boat takeout access. So those are
3 the properties that we're interested in working on, on the
4 Kasilof.

5 On the Kenai, Alaska Department of Fish and
6 Game brought to our attention a very spectacular property
7 with almost a mile of river front on the lower Kenai River.
8 It's about 170 acres, it's an old homestead and the family
9 has approached us. They're interested in keeping the land
10 in some sort of conservation status. We're exploring
11 various opportunities to do conservation easements, perhaps
12 partial sale. They're concerned about their estate and
13 property tax planning issues. So we're just in the early
14 stages on that property.

15 CHAIRMAN BALSIGER: Any questions for these
16 gentlemen? If not, thank you very -- oh.

17 MR. RENKES: What's -- I notice that your
18 -- just one quick one. You've been working with the state
19 agencies on this both -- you mentioned DNR but I assume the
20 Alaska Department of Fish and Game also and then Parks as
21 well.....

22 MR. HAGENSTEIN: Yes.

23 MR. RENKES:in helping identify the
24 tracts and how does that process work? You just contact
25 with people at those departments or are they part of a

1 working group view or.....

2 MR. HAGENSTEIN: No, it's really more
3 contact at the staff level, working with biologists out of
4 ADF&G's office and in Homer or State Parks through Chris
5 Degernes in the Kenai/Soldotna area.

6 MR. RENKES: Okay.

7 CHAIRMAN BALSIGER: Ms. Pearce.

8 MS. PEARCE: No, I'll pass.

9 CHAIRMAN BALSIGER: No, okay.

10 MS. PEARCE: He answered my question.

11 CHAIRMAN BALSIGER: Thank you very much.

12 So can we turn to that as an action item then? What would
13 the Trustees -- Molly, what would be the process here, I
14 guess?

15 MS. McCAMMON: Well, the process would be
16 whether the Council wanted to consider these today, were
17 prepared to or whether they would like to have more time or
18 more information, I think is the main thing. We put this
19 tentative action item because this is -- it's a little
20 difficult not knowing, first of all, how much time we have
21 after getting through the briefings and then also where the
22 Council would be in terms of your comfort level on a lot of
23 these decisions. So I put all of this on and called it
24 tentative, not knowing whether you really wanted to
25 consider them or not today. So that's the first thing,

1 whether you even want to take it up today and then
2 secondly, would adopting -- voting to move the adoption of
3 the resolution.

4 CHAIRMAN BALSIGER: So there are
5 resolutions prepared here which we could consider if we
6 wanted to. What do the Trustees feel about their level of
7 preparation for this? The old Trustees had seen these a
8 time or two. They of course are -- probably Mr. Rue was a
9 champion of them since they were going to go to Fish and
10 Game. And I'm not sure Mr. Duffy is prepared to speak for
11 them but I'm prepared to listen to your opinion.

12 MR. DUFFY: Well, thank you, Jim. I did
13 have a chance to meet with a couple of these folks before
14 and have reviewed some of this correspondence. And there
15 is a letter included on those three parcels in here from my
16 predecessor, Frank Rue, on this property purchase. These
17 folks do work with some of our people in Habitat Division
18 to strategically identify sites. The concept, as I
19 understand it, seems to track with our agency's interests.
20 It continues to provide and in some cases enhance
21 recreational access and hunting and fishing opportunities
22 in some cases. However, we do have three new Trustees on
23 the State's side and these things have come at us pretty
24 quick and I want to hear from some of the other Council
25 members before I decide exactly how I want to proceed on

1 these today.

2 CHAIRMAN BALSIGER: Thank you.

3 MS. BALLARD: Oh, well I never met a
4 riverbank I didn't like but that's not the point here. And
5 I would just prefer, if we could, to put this off until the
6 next meeting. I haven't had the benefit of that
7 conversation. Kevin and I had not had a chance to talk
8 about this. Unless there is some aspect of these real
9 estate transactions which is time critical, I would prefer
10 to wait.

11 CHAIRMAN BALSIGER: Would Mr. Tillery -- or
12 who would know the time critical nature of these
13 transactions? Maybe The Nature Conservancy people?

14 MR. HAGENSTEIN: I guess I would say that
15 the transactions we're involved in don't have a real time
16 critical element. In the case of the three parcels
17 packaged together in the single resolution, we have already
18 purchased these properties because they were on the market
19 and at some risk. And so we purchased them using private
20 funds with the hope that at some point the Trustee Council
21 would act, recognizing that that was solely at our risk.
22 So the properties aren't going anywhere very quickly. We
23 are paying interest on an internal loan but my primary
24 interest would be in making sure the Trustee Council felt
25 comfortable and felt that they were sufficiently informed.

1 And if there's anything I can do between now and a
2 subsequent meeting to improve that comfort level, I'd be
3 more than happy to.

4 CHAIRMAN BALSIGER: Thank you. And The
5 Conservation Fund, would that be the same?

6 MR. MEIKLEJOHN: We're currently not
7 exposed at the moment. We'd like to have some guidance as
8 to whether we should proceed with some of the pending
9 opportunities but we're willing to wait.

10 CHAIRMAN BALSIGER: Thank you.

11 MR. RENKES: And the final status of the
12 lands will be State ownership.....

13 MR. HAGENSTEIN: Correct.

14 MR. RENKES:but with some kind of
15 interest in the Federal government?

16 MR. HAGENSTEIN: All the habitat protection
17 projects, as far as I'm aware, have had a reciprocal
18 easement going to the other government. So in the case of
19 these properties on the Anchor River, the three packaged
20 and the one resolution, title of course goes to DNR as the
21 State's land manager. Department of Fish and Game has been
22 the primary interested agency and I think they would be the
23 ones doing the active management and oversight of the
24 property. Bureau of Land Management would hold the
25 reciprocal easement. In the case of the property at the

1 mouth of the Anchor River, we had originally packaged that
2 in with a Federal coastal wetlands grant that was approved
3 a couple of years ago along with the other two private
4 properties that constitute the heavily used lands for
5 angling at the mouth of the river. Because DNR had a very
6 strong interest due to this trail and because of some
7 discussions that were between the Department of Natural
8 Resources and Department of Fish and Game, the various
9 players in the agencies decided it was probably best to
10 strip that one parcel out and try to use the Exxon Valdez
11 small parcel grant to acquire that one and keep the other
12 two in and ADF&G managed grant program.

13 MS. BALLARD: That's the Crowther, the one
14 down here?

15 MR. HAGENSTEIN: No, that's one that The
16 Conservation Fund closed on and the Trustee Council had
17 approved funding on prior to this.

18 MR. MEIKLEJOHN: That's completed.

19 MS. BALLARD: So, okay, it's the other one
20 that's back there.

21 MR. HAGENSTEIN: Yeah.

22 CHAIRMAN BALSIGER: So I'm gathering the
23 sense of the Trustees is that that we should study this
24 further and take it up at a subsequent meeting?

25 MR. RENKES: Yeah, I think that would be

1 best. I would appreciate that, too, just so we could get
2 some feedback from Kevin and from DNR, you know, internally
3 and their recommendation. We haven't had that discussion.

4 CHAIRMAN BALSIGER: Would we need a motion
5 to that end?

6 MS. McCAMMON: You don't need a motion.

7 CHAIRMAN BALSIGER: No motion? No motions,
8 okay.

9 MS. BALLARD: We'll be ready next time.

10 CHAIRMAN BALSIGER: All right. So that's
11 for the three parcels and the McGee but what about the Duck
12 Flats extension? Is that time critical?

13 MS. McCAMMON: Well, somewhat. This one
14 you have a memo in your packet on this. The Council
15 earlier had made an offer to purchase this parcel and that
16 expired on December 31st, 2002. It's a piece of land
17 that's owned by the University of Alaska and the Forest
18 Service is interested in acquiring it. They currently have
19 a lease on that property right now and have basically a
20 trailer and a visitor's center in Valdez on that piece of
21 property. And they've been interested in acquiring it and
22 using it in perpetuity. They weren't able to reach
23 agreement before this expired but the Forest Service has
24 requested that there be an additional extension until
25 October 30th, 2003. The amount of the offer would remain

1 at \$125,000. This has been on the list of priorities for
2 the Trustee Council, for the Forest Service and for the
3 City of Valdez. You may have actually received a letter
4 from Dave Dingle, the city manager of Valdez. So there is
5 a proposed motion in here to extend that offer. This was
6 an existing offer.

7 MS. PEARCE: You mean extend the time.

8 MS. McCAMMON: Extend the time.....

9 CHAIRMAN BALSIGER: Extend the time.

10 MS. McCAMMON:for the offer, correct.

11 CHAIRMAN BALSIGER: So would the Forest
12 Service care to comment further on that?

13 MR. MEADE: The only comment I'd have, I
14 think Molly has well outlined. This is, for us, I've been
15 briefed, a high priority again. This is new to me but as I
16 understand it, it's a very high priority on a piece of
17 property where we have not been able to come into common
18 agreement with the landowners but through The Nature
19 Conservancy, as I recall, that that opportunity is pending
20 but needs an extension of time. For us it's a very high
21 priority and I think the extension of time doesn't obligate
22 us any further, if I understand correctly, at this point,
23 so.....

24 CHAIRMAN BALSIGER: I guess I would say if
25 we don't extend the time, we've gotten out from underneath

1 the obligation that we've adopted several years ago, is
2 that correct?

3 MS. McCAMMON: That's correct. The Council
4 has already made -- authorized the purchase of it and made
5 the offer on it. So this is extending how long that offer
6 is good and requires a purchase agreement. If a purchase
7 agreement would happen in this time period, it would not
8 come to the Council for action.

9 CHAIRMAN BALSIGER: Ms. Ballard.

10 MS. BALLARD: What events will occur
11 between and October 30th that would break the log jam? I
12 mean, what.....

13 MS. McCAMMON: The Nature Conservancy has
14 developed a great relationship with the University and the
15 Forest Service and has already brokered one deal and is
16 very optimistic that they can get this deal done in that
17 time frame.

18 CHAIRMAN BALSIGER: Ms. Pearce.

19 MS. PEARCE: Just as discussion, while I
20 appreciate the Forest Service's interest in this particular
21 piece of property as I've been on the Council now for just
22 over year, I have expressed a number of times and I want to
23 express again, because we do have four new Council members
24 who haven't had to listen to me on this before. I don't
25 think there's value added by a government selling property

1 to another government. I didn't think that when I was in
2 the legislature and I don't think it now. While I
3 appreciate this particular University to Forest Service
4 trade, I think the University -- I don't know whether they
5 received this lands because of the Mental Health Trust
6 settlement but it would seem to me that having the Mental
7 Health Trust sell lands to EVOS, the University sell lands
8 to EVOS -- so we just kind of -- we're not creating value
9 as far as I'm concerned. And on an ongoing basis I would
10 hope that we not see more of those come forward.

11 I would be much more interested in seeing
12 us do -- seeing the governments, whether it's the Federal
13 government, the State government, enter into exchange
14 agreements so both the University and the Mental Health
15 Trust have valuable lands that they can develop and move
16 forward with providing, certainly on the Mental Health
17 Trust, the sorts of monies and values that that trust has
18 set up to provide. And so in this particular case, the
19 Forest Service obviously already has a lease on this
20 property, it's probably too late to have the Forest Service
21 try and enter into any discussions with the University on
22 trying to do an exchange. So I would support this
23 extension, it started so many years ago. But on an ongoing
24 basis, I don't think this adds value.

25 CHAIRMAN BALSIGER: Thank you.

1 MR. RENKES: Well, why is it too late to do
2 an exchange?

3 CHAIRMAN BALSIGER: Please.

4 MS. LISOWSKI: Mr. Chairman.

5 CHAIRMAN BALSIGER: Ms. Lisowski.

6 MS. LISOWSKI: This is Maria Lisowski and I
7 represent the Office of General Counsel for Department of
8 Agriculture and it's my understanding that the University
9 has never been interested in performing a land exchange
10 with the Forest Service. On both sides of the table, our
11 administrative process for land exchange is quite
12 cumbersome and I think they have a similar process that
13 they have to go through with their requirements. And
14 because it's rather time consuming and administratively
15 burdensome, there really hasn't been a whole lot of
16 discussion on pursuing that with the University.

17 Also I think the University and
18 unfortunately they're not here to speak for themselves but
19 it's my understanding that they are looking at this as a
20 revenue-generating transaction, which a land exchange might
21 not generate immediate revenues.

22 CHAIRMAN BALSIGER: Thank you. Mr. Meade.

23 MR. MEADE: I might just add to that, too,
24 in part -- I've been briefed in part response to Drue's
25 concern and I think I'm in agreement with your overall

1 philosophy. As I understand it, part of our interest is,
2 in the fact that this is a piece of land that could be sold
3 for that revenue enhancement purpose, this will not allow
4 it to be sold and used for purposes other than what can be
5 beneficial under the aspect of the purpose here with EVOS
6 securing parcels such as this. I also understand that it
7 is where we have a visitor information facility associated
8 to the oil spill effort and in past we've had some pretty
9 complicated and extenuating circumstances in keeping that
10 relationship for the lease of the property. So there's --
11 I think there's quite a few extenuating circumstances that
12 others here are probably more aware than I. But also I
13 think speaks to what Maria has spoken to as well.

14 CHAIRMAN BALSIGER: Thank you. Ms. Pearce.

15 MS. PEARCE: Can I just ask one question
16 and I should know the answer and I don't. Maria, I know
17 that when we do purchases for the State, as I understand
18 it, there is always public access to.....

19 MS. SCHUBERT: Excuse me for interrupting,
20 this is Anchorage and we cannot hear the speaker.

21 MS. PEARCE: I know that when we have done
22 small tract purchases for the State, at least on the Kenai
23 that I've been involved in, there has always been a
24 requirement that there public access to those State lands.
25 Is that also true on this particular piece of property?

1 That there will be public access on the Forest Service
2 property?

3 MS. LISOWSKI: Mr. Chairman, that's --
4 absolutely. It just goes into general national forest
5 management, which is always open to public access unless
6 there's some specific closure order for public safety
7 reasons that would apply.

8 CHAIRMAN BALSIGER: Thank you. We have a
9 proposed motion here, is there interest in just moving
10 that?

11 MR. MEADE: I'll so propose.

12 CHAIRMAN BALSIGER: Is there a second?

13 MS. McCAMMON: Shall I read the motion?

14 CHAIRMAN BALSIGER: Please read the motion.

15 MS. McCAMMON: The proposed motion is
16 Section 3B of the Trustee Council's resolution 01-12
17 authorizing the purchase of small parcel Prince William
18 Sound 05, Valdez Duck Flats, is amended to approve funding
19 for the acquisition as long as a purchase agreement between
20 the University of Alaska and the U.S. Forest Service or The
21 Nature Conservancy acting on behalf of the U.S. Forest
22 Service is executed no later than October 30th, 2003.

23 CHAIRMAN BALSIGER: Is there a second?

24 MS. PEARCE: Second.

25 CHAIRMAN BALSIGER: Is there any discussion

1 of this?

2 MR. RENKES: You know, since the offer is
3 already expired I think we're not really extending it,
4 we're renewing it, I suppose. And -- well, they don't have
5 a deal. There's nothing to keep the Forest Service and the
6 University, you know, working out some deal here and then
7 coming to the Trustee Council for funds, I don't think. So
8 I don't know, I'd rather leave it the way it is and have
9 them work to, you know, work out a deal or have them work
10 with The Nature Conservancy to work out a deal, bring it
11 back here with real numbers and to understand the
12 transaction and then just approve it, if that's the will of
13 the Trustees. That's just my opinion as opposed to --
14 yeah, we had a situation here where they tried but they
15 didn't do it. It expired and now there's really nothing
16 pending. I mean, it's just sort of -- except the fact that
17 they tried and they didn't get it done. And now we're
18 renewing this thing and I don't know that we're adding any
19 value -- I agree with Drue's point and -- but I don't know
20 if there are any value of the transaction either. Since
21 you've got two government agencies here, they understand
22 the need that a visitors' center with the Duck Flats next
23 to it. They like the land, the University understands
24 that. I guess what they can't agree on is the price. I'm
25 guessing, otherwise they would have had.....

1 MS. McCAMMON: It's not the price.

2 MR. RENKES: It's not the price?

3 MS. McCAMMON: No.

4 MR. RENKES: What is holding up the
5 transaction?

6 MS. McCAMMON: Cultures.

7 CHAIRMAN BALSIGER: Perhaps Mr. Hagenstein
8 can put us.....

9 MR. HAGENSTEIN: Thank you. Molly, that's
10 probably as accurate as anything but the specific thing
11 that made us unable to reach an agreement prior to December
12 31st was the issue about whether or not a quitclaim deed to
13 the subsurface estate would be included as part of that
14 transaction. The University, from my understanding with
15 staff -- discussions with staff with the Forest Service,
16 had agreed to provide that once upon a time. When it came
17 right down to the wire, they didn't agree to do that. So
18 there's some issues about what exactly is going to be
19 included in terms of title. The price at this point is not
20 really a point of issue, as far as I understand.

21 CHAIRMAN BALSIGER: Ms. Ballard.

22 MS. BALLARD: Well, I would think the price
23 really would be, maybe a phantom issue, but if the
24 subsurface either is or isn't out and the price stays
25 constant, then the value is up or down, depending on which

1 components are in or out.

2 MR. HAGENSTEIN: The University has not
3 indicated to me that that's part of the issue.

4 MS. BALLARD: The University would accept
5 the same amount of money for the subsurface or not with the
6 subsurface? I mean that -- the presence of the subsurface
7 estate alters dramatically the totality of the package.

8 MR. HAGENSTEIN: In this case the
9 University doesn't feel it -- their latest stance is that
10 they don't feel they have the legal authority to convey the
11 subsurface. My understanding is that they had been of a
12 position earlier that they would be able to convey a
13 quitclaim but they didn't feel that they really had
14 authority to warrant anything there. So in fact, in a
15 sense they were saying -- I'm saying that they're saying
16 that they felt the subsurface did not have value because
17 they weren't convinced that they had anything that they
18 could deed. And, Maria, perhaps you have a deeper
19 understanding of that.

20 MS. LISOWSKI: Well, the only thing I guess
21 I will say is that I think there were different assumptions
22 going into the transaction. I think the Forest Service
23 always had the assumption that the University would convey
24 both the surface and subsurface estate, be it by quitclaim
25 deed for the subsurface or not. And it sounds like the

1 University either changed its mind or had a different
2 assumption from the beginning that it would only convey the
3 surface estate.

4 CHAIRMAN BALSIGER: Well, could someone
5 explain what would be wrong with Mr. Renkes' suggestion
6 that -- what's the difference in the two processes if we
7 extend this offer or if you work with the University and
8 come back with a package that we could look at later, is
9 there philosophically a different motivation in either
10 approach? Motivation for seller, Mr. Hagenstein?

11 MR. HAGENSTEIN: There's a certain comfort
12 in knowing that as we negotiate a deal the money is going
13 to be there at the end of the day.

14 CHAIRMAN BALSIGER: Ms. Pearce.

15 MS. PEARCE: You're negotiating this under
16 the million dollar and so you will pay the University for
17 the property and then we will pay you for the property? Is
18 that -- is this one working that way?

19 MR. HAGENSTEIN: There's two parts of the
20 question. One is, is this under the million dollar grant
21 through Fish and Wildlife Service?

22 MS. PEARCE: Right.

23 MR. HAGENSTEIN: And these were funds that
24 were set aside prior -- for this transaction prior to that
25 grant.

1 MS. PEARCE: Okay.

2 MR. HAGENSTEIN: The other side of the
3 question is in the other deal we did with the University,
4 The Conservancy fronted the money, closed that transaction,
5 then closed the transaction with the Forest Service and was
6 reimbursed subsequent to that.

7 MR. MEADE: As I.....

8 MS. PEARCE: It is rather amazing that we
9 have to have The Nature Conservancy get between the
10 University and the government.

11 MS. McCAMMON: It's not amazing.

12 MS. PEARCE: You're right but it is.

13 CHAIRMAN BALSIGER: Mr. Meade, do you have
14 a further comment?

15 MR. MEADE: I was just going to say, as I
16 understand it, the purpose for extending the current
17 commitment is to give security, if you will, or assurance
18 to The Nature Conservancy that the Trustee Board here
19 continues to be in support of and behind that purchase as
20 it's able to culminate and it wouldn't leave them with
21 question, it would leave them with surety. Where if we
22 move forward and ask them to continue to expend time and
23 culminate an arrangement then they'll need to come back to
24 the Trustee Board to basically conclude the transaction
25 versus having a commitment that it's there and will be able

1 to be completed.

2 CHAIRMAN BALSIGER: Ms. Ballard.....

3 MR. MEADE: And if the Trustee Board's
4 position hasn't changed, I would urge that we would just
5 stay committed to the course we've been on, realize it
6 didn't get done because of these extenuating circumstances
7 and that way The Conservancy will know with surety that the
8 resources will be there and with strong hope in the next
9 few months that will be culminated.

10 CHAIRMAN BALSIGER: Thank you. Ms.
11 Ballard, were you looking for attention?

12 MS. BALLARD: No, I was looking at the
13 agenda.

14 CHAIRMAN BALSIGER: All right. Well, we
15 have a motion on the floor and a second. Our policy, of
16 course, calls for consensus approval so I guess the easy
17 way is on a vote. Is there anyone opposed to this motion?

18 MS. BALLARD: (Raises hand in opposition)

19 CHAIRMAN BALSIGER: The motion is opposed,
20 so it fails. That leaves the possibility of the two sides
21 working together and bringing the package back at some
22 subsequent time when they can come to terms.

23 Okay, the next agenda on the item are the
24 fiscal year 03 Work Plan, the deferred projects. Molly, I
25 guess it's you or Phil.

1 MS. McCAMMON: Right. And in your packet
2 under FY03 deferred projects. There are four projects that
3 were on the annual work plan for the fiscal year 03 Work
4 Plan. They were deferred pending some revision and
5 additional work on them, some budget reductions. Of those
6 four, we're recommending that two go forward for funding
7 and two not be funded. And you do have backup in there.
8 These have been reviewed by the STAC Committee and by
9 technical peer reviewers. The ones being recommended to go
10 forward are 030635, and this is the Trophic Dynamics of
11 Intertidal Soft Sediment Communities. It's Mary Anne
12 Bishop from the Prince William Sound Science Center.
13 You've heard some public testimony on that. And she has
14 submitted a revised proposal, has reduced her project in
15 scope to a narrower version of the original proposal for a
16 \$100,000. That is still getting the final peer review but
17 we expect it will successfully meet that and that's why the
18 recommendation is fund contingent.

19 030682, Nearshore Fisheries Habitat
20 Assessment. This is Bob Foy's from Kodiak. The STAC had
21 recommended that it be significantly reduced and a revised
22 proposal did come in but it hadn't -- it wasn't as reduced
23 in scope as originally anticipated and there was some other
24 technical concerns that weren't addressed.

25 030522, which is the exchange between

1 Prince William Sound and the Gulf of Alaska. The STAC had
2 some serious concerns about the technical pieces of this
3 proposal. There was hope that if some funding was received
4 from the North Pacific Research Board that would pull
5 together enough information to make this -- that the two
6 projects combined would complete enough to warrant going
7 ahead with. Unfortunately the PI did not receive the
8 funding from the North Pacific Research Board. And so our
9 recommendation is to not fund.

10 And then finally 030670, Monitoring
11 Dynamics of the Alaska Coastal Current. This is a Fish and
12 Game and Kachemak Bay Research Reserve proposal which uses
13 coastal radar data and other physical models. Incorporates
14 them into the data analysis portion of the project -- the
15 revision does this. And this is one proposal that we think
16 would really help with some management applications for
17 that particular -- for the lower Cook Inlet fisheries. And
18 so this has been revised and the revision has been reviewed
19 and the recommendation is to go forward. And so Phil is
20 here if you have any specific questions.

21 CHAIRMAN BALSIGER: So a quick summary, we
22 had four deferred projects and your recommendation would be
23 to fund two of them at these levels you've mentioned and
24 not to extend funds to the other two?

25 MS. MCCAMMON: That's correct.

1 CHAIRMAN BALSIGER: Ms. Ballard.

2 MS. BALLARD: Well, I'll get the ball
3 rolling. I'll make a motion that we fund the Trophic
4 Dynamics Project with whatever this contingent issue is
5 that Molly has described. I was impressed by that project.

6 CHAIRMAN BALSIGER: So that's GO30635, a
7 motion to fund that. Is there a second?

8 MR. DUFFY: Second.

9 MS. PEARCE: Second.

10 CHAIRMAN BALSIGER: Is there any other
11 discussion?

12 MR. DUFFY: Yes, I have question.....

13 CHAIRMAN BALSIGER: Mr. Duffy.

14 MR. DUFFY:for the maker of the
15 motion. Are you going to deal with these individually or
16 collectively?

17 MS. BALLARD: I intended to deal with them
18 individually.....

19 MR. DUFFY: Okay, thanks.

20 MS. BALLARD:but if you want to.....

21 MR. DUFFY: No.

22 MS. BALLARD:package them up, there
23 aren't very many of them.

24 MR. DUFFY: Yeah, I'll try a substitute
25 motion, if I could, Mr. Chairman.

1 CHAIRMAN BALSIGER: Go ahead.

2 MR. DUFFY: I would like to introduce a
3 substitute motion I believe that would concur with the
4 Executive Director's recommendations on all four projects
5 in front of us which would be to approve G030635 and to
6 approve 030670. And I've just been handed a draft motion,
7 it's probably written a lot better than I just stated it.

8 MS. McCAMMON: It has all the contingencies
9 that meet the.....

10 MR. DUFFY: If that was his substitute
11 motion, I accept it or yield or whatever I have to do and
12 I'll second it.

13 CHAIRMAN BALSIGER: So we have a motion
14 that is made and seconded. We have a typed out version
15 which in substance says the same thing but includes the
16 contingencies. Would the Trustees like to have this read?

17 (No audible response)

18 CHAIRMAN BALSIGER: No. Is there any other
19 discussion of this motion?

20 (No audible response)

21 CHAIRMAN BALSIGER: Is there any opposition
22 -- Mr. Duffy.

23 MR. DUFFY: Just real quickly. My
24 understanding of this motion and how I stated is accurately
25 reflected in hard copy that was just handed to me. So if

1 that's the sense of the Trustee Council, I'm in support of
2 this.

3 CHAIRMAN BALSIGER: So this motion would
4 fund the Trophic Dynamics Intertidal Communities with
5 \$100,000 and the Monitoring Dynamics of the Alaska Coastal
6 Current at 80.9 thousand dollars. Is there any opposition
7 to this motion?

8 (No audible responses)

9 CHAIRMAN BALSIGER: Hearing none, that
10 motion passes. The next item is the fiscal year 04
11 invitation, which is in our books under the tab fiscal year
12 04 invitation. Molly.

13 MS. McCAMMON: Yes, Mr. Chairman. There
14 are actually three pieces to this and one is a schedule,
15 the second is kind of the basic guts of the FY04
16 invitation. What we don't have included here are all the
17 different instructions to proposers on how they put
18 together a proposal and a budget and the different pieces
19 of the actual proposal package. But this is basically what
20 would be invited in FY04. The schedule shows that if you
21 approve it today, it could be posted on the web May 1st,
22 next week. Because of our process using this as a
23 competitive process, we have Federal rules under a broad
24 agency announcement that we have to follow in terms of
25 filing in the Federal Register, giving public notice,

1 allowing for public comment. And so this process would
2 allow you tentatively to meet around the 1st of October,
3 the beginning of the Federal fiscal year to take action, if
4 you go forward with this as proposed.

5 And I'd be happy to go through it, answer
6 questions. We had this out in February and I've talked to
7 several Trustees since that time. We've made some
8 additions in response to some of the comments we've
9 received. Awaiting your direction.

10 MS. BALLARD: Question for Molly.

11 CHAIRMAN BALSIGER: Ms. Ballard.

12 MS. BALLARD: Do we see each proposal then
13 before it's funded?

14 MS. McCAMMON: Absolutely. This commits
15 you to nothing.

16 MS. BALLARD: Except to send out the revi
17 -- I know you think I'm tight, Molly, but you know.....

18 MS. McCAMMON: No, really there's no action
19 on the Council until it actually comes before you for
20 potential funding. And even at that time if in a couple of
21 months you decide that you want to do a supplemental
22 invitation asking for additional things, that maybe you
23 want to decide that not as much money is available for
24 these kinds of things but you want to defer action, then
25 you have that total discretion.

1 CHAIRMAN BALSIGER: Ms. Ballard.

2 MS. BALLARD: Another question, Mr. Chair.

3 I note in the note to proposers that synthesis is first.
4 Would that synthesis be dovetailed in some way with Dr.
5 Spies' work and be expected to complement it or would it be
6 another synthetic -- and I don't mean that in its plastic
7 sense but.....

8 MS. McCAMMON: Right.

9 MS. BALLARD:another synthetic
10 proposal that would take a different cut at it?

11 MS. McCAMMON: I'll let Phil.....

12 DR. MUNDY: Mr. Chairman.

13 MS. McCAMMON:Mundy answer that.

14 CHAIRMAN BALSIGER: Dr. Mundy, please.

15 DR. MUNDY: If I may. Yes, those synthesis
16 efforts will be fully coordinated with Dr. Spies' effort
17 and in fact it could be that some of the people who are
18 working on the current synthesis effort with Dr. Spies
19 might successfully bid for this. Since these are contracts
20 and an open invitation process, we don't know exactly who's
21 going to show up to do this. But some of those people
22 would be in a very strong position to help us move these
23 science plan synthesis efforts forward.

24 CHAIRMAN BALSIGER: What's the pleasure of
25 the Council? Does this take a motion to release this,

1 Molly?

2 MS. McCAMMON: I think it should, yes.
3 Unless you just want to get the general sense. In the past
4 these invitations have been so general that they haven't
5 come to the Council for actual action because it's here are
6 the injured resources, give us -- here's what -- the kinds
7 of things going on, here's some ideas, give us your best
8 shot at it. This is much more specific than it has been in
9 the past and that's why I brought it forth -- brought it to
10 you, so.....

11 CHAIRMAN BALSIGER: Would you tell us the
12 damage that would take place -- that may be the wrong word.
13 The impact of delaying this to another meeting.

14 MS. McCAMMON: Well, as mentioned, it's
15 tough doing a broad agency announcement and the public
16 notice and the peer review. If this was delayed further,
17 it would delay it into the actual fiscal year a lot further
18 into it. We're already about four months out of cycle.
19 We're trying to do peer review in the summer right now,
20 which is going to be difficult as it is.

21 CHAIRMAN BALSIGER: So then interpreting
22 your comments to Ms. Ballard earlier, should the Trustees
23 not become comfortable with this over the next couple of
24 months, they could choose not to fund anything. It would
25 be a disservice to all those people that took time to

1 submit projects but we wouldn't be -- at this point we
2 don't commit any funds.

3 MS. McCAMMON: That's correct. There are a
4 number of projects that were funded last year and the year
5 before with the intention of full funding and those would
6 are still hanging out there. There's also the section on
7 lingering oil impacts, which I think a lot of folks are
8 real interested in seeing go forward. So those I think in
9 particular.

10 CHAIRMAN BALSIGER: Ms. Ballard.

11 MS. BALLARD: Since I know that there's a
12 public record of this and since I've been somewhat
13 outspoken today, I can't quickly find the good wording in
14 the National Research Council book but I clearly will be
15 interested, Molly, as we receive these proposals, and I
16 thought that your testimony was excellent, Brett. But the
17 tension that has emerged, and I mean it again in a healthy
18 sense, the tension between what can be applied practically
19 now and useful to those who are here versus a much longer
20 term is something that at least I and I think Kevin are
21 going to be focused on. I was disappointed that we had so
22 little time with the woman from the National Research
23 Council because I think there was some more forceful
24 language in her written report about the need to have a
25 focus that had some current time, real time applicability.

1 And I'm prepared to support putting the proposal out but I
2 will be looking for a way that we can work together,
3 leading up to or at the next meeting, to try to provide
4 information to those putting the proposals forward of at
5 least the new State Trustees' beliefs that there has to be
6 a voice for current applicability in this to balance the
7 very loud voice we heard today from the more science end of
8 it of this longer term.

9 CHAIRMAN BALSIGER: Mr. Duffy.

10 MR. DUFFY: Just I concur with those
11 comments and a quick question for you, Molly. I notice
12 that there's like nine categories of where projects can be
13 proposed and in some of them you indicate an approximate
14 amount of what a proposal would be. Does that by
15 definition kind of shape in the end the percentage that
16 each category gets or is that a choice that the Council
17 will have a choice to make at some point in the future?

18 MS. McCAMMON: It's totally up to the
19 Council. This is to give some idea to the proposers
20 because often when we're thinking about it, we're thinking
21 well this should be about a \$50,000 proposal. And then
22 somebody puts in a \$200,000. It mainly is to give some
23 range and guidance to the proposer.

24 MR. DUFFY: Okay, no, I appreciate that
25 amount of effort that goes into it, it's just learning the

1 ropes here on how we do business so that's why I asked.

2 MS. McCAMMON: This is new for the staff,
3 too.

4 MR. DUFFY: Oh, okay. We'll learn together
5 then.

6 CHAIRMAN BALSIGER: I would entertain a
7 motion to send this out for -- send the invitation out.

8 MS. PEARCE: So moved.

9 CHAIRMAN BALSIGER: Is there a second?

10 MR. DUFFY: Second.

11 CHAIRMAN BALSIGER: Is there any more
12 discussion?

13 (No audible response)

14 CHAIRMAN BALSIGER: Any objection to
15 sending out the invitation for proposals?

16 (No audible responses)

17 CHAIRMAN BALSIGER: Hearing none, the
18 motion passes. It brings us to.....

19 MS. McCAMMON: Mr. Chairman, as part of
20 that on the multi-year funding, in the past when the
21 Council has funded proposals it's been with the intent of
22 having it multiple year. But, in reality, people have had
23 to come back every year with a whole new proposal and have
24 it peer reviewed. In trying to streamline our process and
25 also be responsive to our researchers and to the peer

1 reviewers to minimize the times they have to keep seeing
2 proposals, either preparing them or seeing them, we're
3 recommending a different process that's included in your
4 packet here.

5 In this case what would happen is a
6 proposer would come forth and if they had a three-year
7 project they would come forth with a three-year budget and
8 a three-year plan. They would do an annual report and
9 based on that annual report, it still gives the Council the
10 ability to stop a project at the basis of the staff
11 recommendation. But as long as things were going forward,
12 they would automatically get the second year's funding.
13 And this would really reduce the amount of peer review that
14 we would have on an annual basis and it would streamline
15 the process quite a bit. So our recommendation is that you
16 consider revising the procedures and allow for this
17 multiple year funding. And there is actual language in
18 here on how the procedures would be revised.

19 CHAIRMAN BALSIGER: Mr. Duffy.

20 MR. DUFFY: A question for Molly. Would
21 the STAC have a role in reviewing these annually before a
22 decision is made to keep them going?

23 MS. McCAMMON: I think the proposal that we
24 have is when the annual reports come in they get reviewed
25 by staff and then depending on their complexity, they could

1 go to the STAC or they could go to some other independent
2 reviewer that had some technical expertise. So it would
3 kind of depend on the situation.

4 MR. DUFFY: Okay, and you and Phil, with
5 his advice, make those kind of calls?

6 MS. McCAMMON: Yeah.

7 MR. DUFFY: Okay. I just want to ensure
8 that there's some scientific review, which you obviously
9 have a lot at the staff level, no doubt about that, but
10 this STAC sure -- it was a good presentation today on their
11 role and I'd like to see them continue to be involved.

12 CHAIRMAN BALSIGER: So perhaps had we had
13 this discussion before we voted to send the proposal out we
14 could have had that as the understanding of the Council but
15 it was -- it trailed so do we need another motion or is
16 that the Trustee Council's sense that -- as Molly described
17 it, there was an opportunity for multiple year proposals?

18 MS. BALLARD: That was my understanding.

19 CHAIRMAN BALSIGER: That's the
20 understanding so we'll adopt that by.....

21 MS. McCAMMON: Adopted by understanding.

22 CHAIRMAN BALSIGER:by reviewing the
23 record. Thank you. I think that's through the invitation.

24 The next item is the ARLIS Library. We
25 have a tab on that.

1 MS. McCAMMON: Have a tab on that. The
2 Trustee Council has supported oil spill information
3 services since 1990, either through the EVOS funded Oil
4 Spill Public Information Center, OSPIC and since 1997
5 through a contribution to the Alaska Regional Library and
6 Information Services, ARLIS. The Council's needs over time
7 have diminished and as a consequence the Council's
8 contribution to ARLIS has declined. Kind of under the past
9 scenario for this coming fiscal year the idea was to go to
10 being just a founding member, which would have been a
11 \$40,000 contribution.

12 However, in discussing with our librarians
13 some of the needs, because of the 15th anniversary of the
14 oil spill, trying to clean up a lot of the past reports,
15 I'm recommending that the Council make a commitment now for
16 the Federal fiscal year 04 to fund our current librarian,
17 Carrie Holba for the entire Federal fiscal year through
18 September 30th, 2004 and then a second librarian, Celia
19 Rosen through March 31st. Originally hers was going to be
20 through the end of the State fiscal year and they said they
21 didn't need the money but now I think they would like it
22 for the nine months. So the recommended motion would be
23 the Council would support in Federal fiscal year 2004
24 funding for one full-time librarian for a full 12 months
25 and a second full-time librarian for nine months through

1 June 30th, 2004.

2 CHAIRMAN BALSIGER: Any discussion?

3 MR. DUFFY: So moved.

4 MS. PEARCE: Second.

5 MR. DUFFY: Question.

6 MS. PEARCE: For nine months?

7 MR. DUFFY: Yes. I want to describe my
8 understanding of the situation here for my fellow Trustee
9 members. The second full-time librarian and the funding
10 needed there is part of our reorganization that we've
11 recently gone through where a number of our habitat
12 biologists are going over to DNR. We thought that it was
13 important to maintain a Fish and Game presence as part of
14 the ARLIS Library structure and so this is really partially
15 a request from the State to maintain this position that we
16 think is very important internally to do a number of the
17 things that the Department will continue to do under this
18 new, newly reorganized habitat structure. So I would
19 appreciate supporting this modest request.

20 MR. MEADE: We're in support of it.

21 CHAIRMAN BALSIGER: Any other discussion?

22 (No audible response)

23 CHAIRMAN BALSIGER: For my purpose, could
24 you give me like one sentence on how this ties into the
25 Trustee Council for me? I was happy with it until you said

1 it supported your movement of the habitat people to DNR.

2 MR. DUFFY: No, I didn't mean it that way.

3 MS. McCAMMON: He didn't really say that.

4 MR. DUFFY: What I meant to say was there
5 are a number of biologists with a habitat focus that are
6 being maintained in the Department to do certain things and
7 they are tied in with what we do through the Trustee
8 Council process and I need that support.....

9 CHAIRMAN BALSIGER: Okay, thank you.

10 MR. DUFFY:to be maintained.

11 CHAIRMAN BALSIGER: Thanks.

12 MR. DUFFY: Sorry about that mix-up.

13 CHAIRMAN BALSIGER: Any opposition to the
14 motion?

15 (No audible responses)

16 CHAIRMAN BALSIGER: If not, it passes. The
17 NOAA grant.

18 MS. McCAMMON: The NOAA grant. As part of
19 the Council's goal in establishing a long-term monitoring
20 program, we've been working with a number of groups across
21 the country who also are interested in establishing
22 regional monitoring systems and then trying to tie them
23 together in some kind of a loose federation network. What
24 we're finding is that under our current system and our
25 ocean system, California, Washington, Oregon are actually

1 upstream of Alaska. Certainly Japan, Russia are actually
2 downstream of Alaska. If you'll look at where the currents
3 flow, we're very connected. So a lot of things happening
4 in other parts of the world are -- have a lot of
5 applicability to what goes on in Alaska.

6 But doing a lot of this ocean observing is
7 very expensive. It's real time moorings, buoys, transects.
8 It's ocean science. It's big bucks. The Federal
9 government is very interested in establishing a program to
10 fund this on a national level. To fund regional observing
11 systems on a national level. In fact, this will be one of
12 the major recommendations coming out of the U.S. Oceans
13 Policy Commission on which Ed Rasmussen is the Alaska
14 representative. And because of the efforts of Phil working
15 with some of these groups on the national level, Alaska is
16 very well positioned to get some of that funding when it
17 does appear in the Federal budget. And this would be a
18 major boon to NOAA, to the GEM program, to the RCAC's
19 operating in Prince William Sound and in Cook Inlet. To
20 shippers, to the PORTS program out of the Anchorage Port.
21 To all kinds of people to have these kinds of efforts
22 funded at the Federal level because it really takes the
23 burden off of Alaska or off of the local programs.

24 Because of our efforts in working with
25 these groups, for some reason a grant to the GEM program

1 appeared in the Federal budget in the fall in the National
2 Ocean Sciences budget. We didn't ask for the money, it
3 just appeared. We got a phone call asking us about it and
4 we started checking it out. We never really could figure
5 out exactly who put it in but it appeared for \$750,000. It
6 was one of those things that appeared through conference
7 committee, you weren't sure it would stay so you didn't
8 really, you know, well maybe it will stay; maybe it won't.
9 Well, it actually did stay although it took a five percent
10 nick so it's down to like \$745,000. We finally received
11 confirmation I think in March, mid-March, that yes, the
12 money was there and in order to get it you have to put in a
13 proposal and we need the proposal right away on how you
14 plan to spend it.

15 Phil and I put our heads together and we
16 put together that one way of doing this would be to offset
17 money that the Council had already approved for data
18 support, STAC support, planning, kind of that
19 infrastructure of getting the GEM program going. And then
20 by using the Federal money for that, it would release
21 Trustee Council money for other projects and other things.
22 So we wrote the grant, sent it back hurriedly and at the
23 same time, Fish and Game was closing out the EVOS budget in
24 the legislative process. Kevin Brooks had called me and
25 said we didn't have enough receipt authority, Federal

1 receipt authority in the budget. We put together a budget
2 amendment, unfortunately I didn't know that questions would
3 be -- that it would be sent to Commissioner Ballard and
4 some others, otherwise I would have made sure you had all
5 the information and I really apologize for you being
6 blindsided and not having the information there that you
7 needed.

8 So this isn't -- I think this is something
9 the Council should decide, whether you want to pursue. I
10 didn't -- I just assumed, and I shouldn't assume, that
11 additional money would free up Trustee Council money to do
12 other things. But it's certainly something that if you
13 would rather we not accept these funds then we need to tell
14 them right away. And also we need to get an amendment to
15 the Fish and Game budget to increase the receipt authority.
16 We did do the planning so it would be received over a
17 three-year period. And we're here to answer any questions
18 on that.

19 CHAIRMAN BALSIGER: Are there any
20 questions?

21 MS. BALLARD: I don't even know where to
22 begin.

23 CHAIRMAN BALSIGER: Ms. Ballard, please.

24 MS. BALLARD: What you just described isn't
25 exactly what I initially understood it to be, Molly. I

1 just -- I don't even know where to begin with this. I
2 mean, if \$750,000 would fall out of the sky for me to do a
3 rural diesel study, I'd really be grateful. I mean, I just
4 -- I don't know sort of how these things happen. And I
5 realize -- I mean, I have no reason not to believe what you
6 say. You just talked about hardware, buoys and, you know,
7 sonobouys and stuff like that and the proposal talks about
8 writing the science plan. You're right, I knew nothing
9 about it. I was asked by the Governor's office.....

10 MS. McCAMMON: Right.

11 MS. BALLARD:I could picture myself
12 having to somehow testify about it and I thought how do I
13 explain to a legislature confronted with dramatic proposed
14 cuts in the Governor's budget that we're going to propose
15 to receive a Federal grant for one of the best funded
16 research programs in the country if not in the world. I
17 mean, it just didn't hang together for me and I'm still
18 somewhat baffled about it. I do know from my own
19 experience with Federal grants that there are strings and
20 sometimes they take you in a different direction. Given
21 the somewhat amorphous direction in which GEM is headed,
22 maybe that's not possible, you know, to head off in the
23 wrong direction because there are plenty of opportunities
24 for direction setting. So I confess to being really
25 baffled here.

1 CHAIRMAN BALSIGER: Dr. Mundy.

2 DR. MUNDY: Mr. Chair, if I may. Had I had
3 a little more time on the Science Plan I was going to
4 address some of the issues associated with the NOAA grant.
5 Even though I haven't been able to get anyone to admit to
6 it, the GEM program has been adopted by the National Ocean
7 Service, Center for Coastal Studies and by the U.S.
8 Steering Committee of the Global Ocean Observing System
9 which works closely with NOS and with NOAA on these issues
10 as a national model for regional observing systems. So
11 we've been picked up and touted as the group to watch and
12 the group to follow. I think that perhaps some, you know,
13 because of the interest in our program and the desire to
14 see it succeed and to be out there as a model around which
15 they can design other regional observing systems throughout
16 the nation that someone decided to give us a little
17 jumpstart. Initially in how fast we implement the -- even
18 though the GEM program is relatively well funded, we're
19 going to have a lot of infrastructure costs up front early
20 on.

21 One of the proposals that we recommended do
22 not fund was Hinchinbrook Entrance Mooring Project, which
23 is one of the most important areas in which we collect data
24 because this monitors the input of nutrients and carbon
25 from the Gulf of Alaska into Prince William Sound which

1 drives the herring and the pink salmon fisheries, among
2 others. We said do not fund on this because the equipment
3 we have that they proposed to do the project with is
4 antiquated and needs to be replaced. The whole thing needs
5 to be replaced. So we're going to have infrastructure
6 costs at the outset which, you know, we will meet those but
7 we'll meet them over a period of time. We can't meet them
8 all at once. So having this money will allow us to move
9 that much faster in getting the GEM program implemented.

10 And we are -- the Science Plan is fairly
11 definite on certain locations and certain types of data
12 that need to be collected. And we can be sure that those
13 sites and those types of data will be part of the long-term
14 program and that's where we're proposing to move right now.
15 So that's my explanation. But as I say, I have not been
16 able to get a staffer to raise their hand and say that they
17 put it in but maybe I didn't ask the right staffer.

18 CHAIRMAN BALSIGER: Well, any further
19 comments?

20 MR. RENKES: Any comments from NOAA?

21 CHAIRMAN BALSIGER: Well, I -- you
22 know.....

23 MR. RENKES: It's your money.

24 MS. BALLARD: Can you make it rain again?

25 CHAIRMAN BALSIGER: Of course, NOS isn't

1 the same as the Fishery Service and I know that I represent
2 NOAA here but I also don't know where the money came from
3 or why it was put in there. I'm generally reluctant to
4 turn down money but I don't believe that there's any reason
5 to expect this is going to come back year after year. I'm
6 also not certain whether Dr. Mundy and Molly are suggesting
7 that this be spent outside the RFP process for hardware or
8 whether you would fund proposals or whether you're going to
9 set up your own buoy system. I'm not quite sure of those
10 things and I'm not sure I'd be in favor of if it was the
11 latter part. So, Dr. Mundy. I know we're running out of
12 time so I'm not quite sure how to get around this.

13 Ms. Ballard.

14 MS. BALLARD: Before he answers your
15 question, is there a way -- I don't know, who knows about
16 the budget? Maybe Kevin knows. Is there a way for us to
17 seek the budgetary authority to receive the grant without
18 committing ourselves to receive the -- Drue knows how
19 to.....

20 MS. PEARCE: Yeah, we can.....

21 MS. BALLARD: If we can do that and try to
22 find out more about this, I mean, I would be content to put
23 the placeholder in the budget but I'm not content to take
24 money that nobody seems to understand the source of and we
25 don't have clear agreement yet about the purpose of.

1 MS. PEARCE: You can put unlimited Federal
2 receipt authority into the State budget and only if the
3 money comes do you actually accept it and does it flow
4 through, whichever department it comes to.

5 CHAIRMAN BALSIGER: I would actually think
6 that we'd have trouble getting the money if we didn't tell
7 what we're going to use it for. And my grants man is over
8 in the back there.

9 MS. PEARCE: Well, he would still have to
10 -- the point is they're -- the legislature, if the House
11 didn't -- the Federal receipts, which I assume they did
12 not, the Senate needs to do so before they go to the floor
13 when they go to the floor because they can't do it when
14 they get to conference committee. So if we want the
15 authority there in case we decide we want to accept the
16 grant, we have to have that happen tomorrow at the Senate
17 Finance Committee. So we can have them do that, if
18 everybody is agreeable. And we, as I understand it, the
19 Trustee Council can decide whether we're comfortable with
20 this particular -- I mean the money is there but we would
21 still have to say yes and this is what we're going to use
22 it for.

23 MS. McCAMMON: Well, we have submitted the
24 grant.

25 MS. PEARCE: And does it have to go to

1 LB&A?

2 MS. McCAMMON: It's already gone. There's
3 also another option that Kevin Brooks, the admin director
4 at Fish and Game said. Because EVOS has been moved into
5 the commissioner's -- the administrative BRU, there is
6 sufficient Federal receipt authority in that BRU now. So
7 theoretically, we don't have to go back to the legislature,
8 we can use some -- a little excess Federal authority. But
9 we didn't want to do that without your kind of consent and
10 knowledge.

11 MS. BALLARD: Since you're not going to get
12 any money anyhow, Kevin.

13 MS. McCAMMON: So really we can avoid going
14 to the legislature but we just wanted to make sure you
15 knew. But the grant has gone for what you see in the copy
16 that was included there. So if you don't want it spent on
17 that, we need to know that right away.

18 DR. MUNDY: Let me.....

19 CHAIRMAN BALSIGER: Very quickly if you
20 could, Phil.

21 MS. McCAMMON: Yeah.

22 DR. MUNDY: If I could just try one more
23 shot at clarifying the purpose here. We were given -- we
24 were told to write a grant proposal, which we did. This
25 grant proposal was written under the rules for the Coastal

1 Service's Center of NOS. Okay, so we're sure -- we were
2 very clear about what we're going to do with the money and
3 that is subsidize or pay for administrative costs of GEM.
4 This fits the purpose of the -- through which the money is
5 granted for CSC. So we wrote to those purposes and so we
6 know that we're meeting the NOS requirements. The reason
7 we targeted those was so that we would free up money in
8 other parts of the GEM program. We know that these costs
9 are going to be borne by the GEM program. These are basic
10 administrative costs and we will pay those out of Trustee
11 Council money. If we have money for three years to bear
12 the costs of those, that means that we can put more of our
13 budget into building the infrastructure for GEM and that's
14 what it has to do with buoys. It's not that we're going to
15 spend any of this CSC money on buoys or surveys but that
16 we're going to free up money that would otherwise be spent
17 on administrative costs in the GEM program. And that we
18 had a very limited amount of time to do that and that was
19 the easiest way for us to qualify for this money.

20 CHAIRMAN BALSIGER: Molly.

21 MS. McCAMMON: Well, but Phil, that does
22 not commit us to any other money -- spending the money on
23 buoys. You could use the money for.....

24 DR. MUNDY: Oh, yes. Oh, right.

25 MS. McCAMMON:some other, you

1 know.....

2 CHAIRMAN BALSIGER: For the RFP.

3 MS. McCAMMON: Something that's still
4 consistent with the settlement but something unrelated to
5 kind of the GEM and ocean observing so.....

6 MS. BALLARD: It seems that then there's
7 nothing for us to do right now. You've applied for the
8 grant so we can't.....

9 MS. McCAMMON: It's a pro-forma application.

10 MS. BALLARD:un-apply -- I mean, we
11 can't go to FedEx or whoever it was that it says here and
12 get it back. Kevin has the ability to receive it. I don't
13 see that any action is required. It is, however, a
14 frustrating and a bizarre experience. Unique in my
15 experience.

16 CHAIRMAN BALSIGER: Well, with the
17 understanding that we don't need to seek further receipt
18 ceiling, or whatever it's called, I think that you're right
19 that there's no further -- there's no action that we have
20 to take. Can we move on? Any other discussion? Ms.
21 Ballard.

22 MS. BALLARD: Yeah, can I -- can we just
23 have the opportunity, Molly, at the time the grant is
24 awarded to review this one more time before we accept it?

25 MS. McCAMMON: Yes.

1 MS. BALLARD: I mean, if we can do that,
2 that at least provides us an opportunity to get our act
3 together and have a common script and be sure we understand
4 what we're doing.

5 CHAIRMAN BALSIGER: Mr. Duffy.

6 MR. DUFFY: No, no comment.

7 CHAIRMAN BALSIGER: Okay, thanks. All
8 right, that brings us to the science planning STAC
9 Committee.

10 MS. McCAMMON: Yes, under the tab STAC, we
11 have one opening on our STAC Committee created by the
12 resignation of Warren Wooster. I think in November the
13 Council actually appointed our alternate and then it turned
14 out his supervisor said he was overcommitted and didn't
15 want him to participate on the committee. So we did
16 solicit some additional nominees. There were three of
17 them. They were reviewed by the nomination committee and
18 the recommendation was to have the name of Tom Royer, who
19 is professor and acting chair of the Department of Ocean,
20 Earth and Atmospheric Sciences at Old Dominion University
21 and he's currently a professor emeritus at the University
22 of Alaska, too. He was in Fairbanks at UAF for quite some
23 time. And so the recommendation is to have him be
24 appointed to serve out the remainder of Warren Wooster's
25 two-year term until April 2004. And at that time he would

1 be eligible for reappointment to a full four-year term.

2 CHAIRMAN BALSIGER: Any discussion?

3 (No audible response)

4 CHAIRMAN BALSIGER: Does this take a motion
5 to add him?

6 MS. McCAMMON: Yes.

7 MS. PEARCE: So moved.

8 CHAIRMAN BALSIGER: There's.....

9 MR. MEADE: Second.

10 CHAIRMAN BALSIGER: Any opposition to this
11 motion?

12 (No audible response)

13 CHAIRMAN BALSIGER: If not, we've added Dr.
14 Tom Royer to the STAC. The next item on the agenda is the
15 habitat, which we've dealt with. We've come to meeting
16 note corrections which.....

17 MS. McCAMMON: Yes, and we do have to
18 approve the November of 25th, 2002 meeting notes, it's here
19 up at the top.

20 MS. PEARCE: So moved, for the 2000 -- for
21 the meeting November.....

22 CHAIRMAN BALSIGER: So the very first
23 action item -- agenda item has been moved that we approve
24 the November 25th, 2002 notes. Is there any.....

25 MS. PEARCE: Right.

1 CHAIRMAN BALSIGER: Is there any -- is
2 there a second?

3 MR. DUFFY: I'll give it a second.

4 CHAIRMAN BALSIGER: Any discussion of that?

5 MR. DUFFY: Yes, I would like his comment
6 on that. I was not a participant in the Council at the
7 time but I will rely on the expertise of those who were.
8 And as you as Chairman today and Molly and Drue, so if you
9 people say those are an accurate reflection of the
10 discussions then I don't have any reason not to believe
11 that so I will support it.

12 CHAIRMAN BALSIGER: Any further discussion?

13 (No audible response)

14 CHAIRMAN BALSIGER: Any opposition?

15 (No audible response)

16 CHAIRMAN BALSIGER: If not, those notes are
17 adopted. The corrections and -- which were incorporated.

18 MS. McCAMMON: We hope they're accurate.
19 Can we go to the next item.....

20 CHAIRMAN BALSIGER: Yes.

21 MS. McCAMMON:which are corrections
22 to past meeting notes. I'm not sure of the segue there.

23 MR. DUFFY: Oh-oh.

24 MS. PEARCE: Mr. Chairman, I would move the
25 corrections.

1 CHAIRMAN BALSIGER: Thank you. These
2 corrections are to minutes prior to the ones which you just
3 approved. They don't apply to the ones that we just
4 approved.

5 MR. DUFFY: So assuming the minutes improve
6 over time then I'm still correct?

7 CHAIRMAN BALSIGER: Yes.

8 MR. MEADE: And I'm still abstaining.

9 CHAIRMAN BALSIGER: Well, is there any
10 opposition to adopting this motion?

11 (No audible response)

12 CHAIRMAN BALSIGER: If not, those
13 corrections are adopted.

14 Kodiak waste management.

15 MS. McCAMMON: Fortunately we do have
16 transcribed minutes.

17 CHAIRMAN BALSIGER: Yeah.

18 MS. McCAMMON: So sometimes our meeting
19 notes, which are a summary, don't always reflect those.

20 This you have some public comment from,
21 let's see, the Kodiak Island Borough, the City of Ouzinkie
22 and a couple of others. But this is a project that was
23 approved in FY99 by the Council for \$1,857,100 for
24 implementation of the Kodiak Waste Management Plan. It was
25 funded as a capital project. It had a lapse date of

1 September 30th, 2003 with a three-year completion schedule.
2 This is a project that's being administered by the Kodiak
3 Island Borough through an MOU with the Alaska Department of
4 Environmental Conservation. But because of a number of
5 delays, primarily because the borough lost some of its
6 staff and had quite a period of time where they weren't
7 able to get staff to oversee this project, there wasn't
8 much work done on this. So the borough has requested a no
9 cost extension of the lapse date to September 30th, 2004.
10 They think this project will be on track and so that's the
11 recommended motion. And there is a summary of the project
12 and a list of project accomplishments, a chart showing the
13 project's schedule and all in the attachment.

14 CHAIRMAN BALSIGER: Any discussion? Ms.
15 Ballard.

16 MS. BALLARD: This kind of falls in DEC's
17 area and we had a talk about it in the staff yesterday -- I
18 don't know if this possible. We'd like to just give the
19 money to the borough and let them work all this out. I
20 mean this seems to me to be very trivial in terms of what
21 we're dealing with. I mean, when I listened to the
22 discussion about GEM and the Science Plan and, you know,
23 the future, this just -- if DEC was running this project,
24 we wouldn't be running it this way. We'd give the money to
25 the borough, let the borough get together with these small

1 communities, let them work it out. We just don't -- I
2 mean, I realize that that's not the way it's structured
3 here.

4 MS. McCAMMON: I think -- Sandra, are you
5 online?

6 MS. SCHUBERT: Yes, I am.

7 MS. McCAMMON: And I don't know if Tracy
8 Mitchell is, but that was the intent that the money
9 basically has to go to the borough because it's through a
10 contractual grant then they have to do deliverables.

11 MS. BALLARD: If that way.....

12 MS. McCAMMON: I don't think we can just
13 give them money.....

14 MS. BALLARD: Why can't we just give them
15 the money and let them work it out?

16 MS. McCAMMON:without any strings
17 attached.

18 MS. BALLARD: Just the level of detail that
19 this lofty effort, I just -- I'm somewhat embarrassed to
20 have us working on incinerators and scrap metal. It just
21 doesn't -- I was not impressed by this. I mean, it's a
22 wonderful effort but it -- that was my reaction. I knew
23 that you would expect me to have a reaction because it's
24 kind of in DEC's area.

25 MS. McCAMMON: I don't know if Tracy

1 Mitchell -- are you on the line? She may have had to go.

2 MS. SCHUBERT: Tracy Mitchell was here with
3 Bud Cassidy, yes?

4 MS. McCAMMON: What did she ask?

5 CHAIRMAN BALSIGER: I'm sorry, we couldn't
6 hear that question.

7 MS. MITCHELL: This is Tracy Mitchell in
8 Kodiak with Bud Cassidy for the borough.

9 MS. McCAMMON: Tracy, maybe you could
10 describe -- it's my understanding, and I haven't tracked
11 this project in awhile because there hasn't been any real
12 action on it in quite a long time. Maybe you could just
13 briefly describe what your plans are for actually getting
14 it going and -- to me, I thought the burden was on the
15 borough to actually pull this off.

16 MS. MITCHELL: Well, I'd say yes to that
17 but there has been some complications as far as staffing is
18 concerned. And as far as getting things going, I feel that
19 we are -- we progressed by -- in the six months that I've
20 been here in getting things to move forward.

21 CHAIRMAN BALSIGER: Well, Ms. Ballard, your
22 concern is that we're micro-managing this money, would be
23 another way to put it?

24 MS. BALLARD: Yes, and we at DEC have a
25 good deal of experience with sanitation and waste projects

1 and these would not have even passed muster with our
2 standards for design and for scheduling. She's right,
3 they've had a lot of difficulty getting it going. I don't
4 know what the best way to move this off our plate is but
5 that's my -- that's what I'd like to do, is to put our -- I
6 mean, we've got a valuable resource, which is the six of
7 us, and this doesn't to me rise to the level of what we
8 should be doing with our valuable time. And I don't know
9 how to make that happen.

10 MS. McCAMMON: Mr. Chairman, maybe what I
11 would suggest is we look back at the original terms of the
12 grant or the contract with the borough and see if there is
13 a way of streamlining the deliverables and the oversight
14 and your involvement in it, DEC's involvement in it. I
15 don't think there's a mechanism to just give them the money
16 completely without any.....

17 CHAIRMAN BALSIGER: Having some
18 accountability.

19 MS. McCAMMON: Yeah, some accountability
20 there. So -- but maybe that part could be streamlined. Or
21 you could give it to Department of Administration to
22 oversee or some -- I don't know.

23 CHAIRMAN BALSIGER: Well, let's see, the
24 action here is we have a date that's lapsing so we at least
25 need to keep the money available, is that correct?

1 MS. McCAMMON: That's correct.

2 CHAIRMAN BALSIGER: And so Ms.....

3 MS. McCAMMON: Without extending the lapse
4 date it dies.

5 CHAIRMAN BALSIGER: Yeah, Ms. Pearce.

6 MS. PEARCE: And it's a lapse date that we
7 put on it. That's not a lapse date for a capital project
8 through the.....

9 MS. McCAMMON: Correct.

10 MS. PEARCE:legislative process,
11 right?

12 MS. McCAMMON: Correct.

13 MS. BALLARD: Well, I'll move then to
14 extend the lapse date so we can get our arms around it but
15 I'd like to try to find a way first to deal with it one
16 more time, period.

17 CHAIRMAN BALSIGER: Is there a second?

18 MR. DUFFY: Second.

19 CHAIRMAN BALSIGER: Is there any
20 opposition?

21 (No audible response)

22 CHAIRMAN BALSIGER: Hearing none, that
23 moves with the understanding that we look to find a way to
24 make this more simple and less involving of our time. That
25 goes through, I believe, the list of action items that were

1 typed up here. We had -- at the very start of the meeting
2 today we had noticed that our Executive Director was going
3 to resign. So is there any Trustee action that should
4 follow that?

5 MS. BALLARD: Yes.

6 CHAIRMAN BALSIGER: Ms. Ballard.

7 MS. BALLARD: Mr. Chairman, I propose that
8 we embark on an effort to replace or to seek a new
9 Executive Director and that that effort be coordinated by
10 Craig and Molly and entail a notification and a recruitment
11 and a screening process to be designed by them.

12 CHAIRMAN BALSIGER: Is there a second?

13 MR. DUFFY: Second.

14 CHAIRMAN BALSIGER: Is there any further
15 discussion?

16 (No audible response)

17 CHAIRMAN BALSIGER: Is there a sense of a
18 time on this, Ms. Ballard?

19 MS. BALLARD: Yes, that it be a short
20 advertisement period and that they have an opportunity to
21 discuss the length of the advertisement relative to the
22 media that they're in. And I think the sense of some, as
23 we had an informal opportunity to discuss this, might be
24 that it would be two weeks.

25 CHAIRMAN BALSIGER: Ms. Pearce.

1 MS. PEARCE: I would just ask that the
2 Department of Justice attorneys also just know what the
3 process is going to be and be involved in the discussions
4 with Mr. Tillery.

5 MR. RENKES: Well, I'll let Maria.

6 MS. PEARCE: Maria, okay perfect.

7 CHAIRMAN BALSIGER: Any further discussion?

8 (No audible response)

9 CHAIRMAN BALSIGER: Is there any opposition
10 to this motion?

11 (No audible response)

12 CHAIRMAN BALSIGER: Hearing none, we will
13 embark on such a search. Ms. Pearce.

14 MS. PEARCE: Going back to the habitat
15 protection activities, I heard, I think, a plea from both
16 The Conservancy and The Conservation Fund, from Randy and
17 Brad, to give them some sort of direction before they
18 continue to negotiate because they did tell us that they
19 have a number of additional projects that they're looking
20 at beginning or have at least began talking and I don't
21 think it's fair that we not give them something before they
22 head out the door. I made my piece about government buying
23 government lands but we're leaving -- we would leave
24 private landowners and also The Conservancy and The Fund
25 kind out there hanging. I don't think that's fair. Having

1 said that, I'm not sure what the sense of the group is,
2 other than I don't know what the sense should be. But I
3 just think we should give them some sense.

4 CHAIRMAN BALSIGER: Well, I'm the Chair, I
5 guess, so I should probably listen to everyone else's
6 comments first. But I also was here when we sort set them
7 on this task and it seemed like at that time I was
8 convinced that it was a very effective way to leverage a
9 small amount of Trustees' funds for larger amounts of
10 public -- other public funds and private funds to preserve
11 some very critical habitat. So I'm still favorably
12 impressed with the habitat areas that we've been able to
13 get conservation easements on or to own or to transfer to
14 State land. I still think it's a good program. I don't
15 know if there's a way to give them more specific direction
16 on what kind of sites to get but I still support the
17 proposal. And again, I may have spoke out of term being a
18 chairman but that's my perception.

19 Ms. Pearce.

20 MS. PEARCE: Well, perhaps -- it's my
21 understanding that certainly the agencies in my department
22 and perhaps Forest Service and certainly.....

23 UNIDENTIFIED SPEAKER: This is Anchorage, I
24 can't hear the speaker.

25 MS. PEARCE: It's my understanding that the

1 agencies in my department and I believe the Forest Service
2 and I know Fish and Game and I believe DNR have in the past
3 somehow given a list or a priority or identified lands that
4 they were interested in. Perhaps it would be incumbent
5 upon all of us to go back to our individual agencies, look
6 at what was put together at that time -- I admit I have not
7 done that -- look at what was put together at that time and
8 ask that The Fund and The Conservancy perhaps wait until
9 we've had a chance to look at those and decide whether the
10 present priorities of all of our agencies are the same as
11 the previous priorities were. There may be some changes
12 for a whole bunch of reasons and we might just want to
13 update what those lists were. Because I know we've got --
14 the staff has been working. I don't know, for example,
15 what the Fish and Wildlife folks have been talking about in
16 terms of additional projects other than the one I stopped
17 in its tracks a year ago.

18 CHAIRMAN BALSIGER: I think that's -- any
19 other -- Mr. Duffy.

20 MR. DUFFY: Yeah, I think -- we haven't
21 discussed what our next meeting is yet but I think we
22 should all come prepared to take action on those requests
23 that were brought forward and we decided to delay action
24 today on. I think that in terms of my perspective or Fish
25 and Game's perspective at this point, I think that they

1 should be reading into it that I'm very supportive of these
2 activities. I don't want them to get the wrong message
3 but, you know, we haven't had a lot of time to discuss some
4 of these things among some of our State representatives on
5 the Trustee Council and I -- that's a part of my role, is
6 to make sure that we coordinate our efforts to some degree,
7 so.....

8 CHAIRMAN BALSIGER: Thank you. Mr.....

9 MR. DUFFY: And I'd like to deal with it in
10 the next meeting.

11 CHAIRMAN BALSIGER: Mr. Meade.

12 MR. MEADE: I apologize, I was kind of in a
13 post-noon ebb during the discussion or the presentation.
14 But as I understand it, it's pretty much focused on State
15 land so unless, Drue, I'm misconstruing with the exception
16 of Duck Flats, aren't we mostly looking at lands that you
17 are looking to acquire on behalf of the State? And so I
18 don't -- you know, I don't have a, I guess, a formed
19 position of the -- the support the past actions of the
20 Board in that regard.

21 CHAIRMAN BALSIGER: Let's see, perhaps
22 we'll get an answer to that question, but is it necessarily
23 so that any small purchases would go to the State?

24 MR. HAGENSTEIN: Under the terms of the
25 grant no, but we've been focusing our efforts in that

1 direction because we thought that would have the greatest
2 amount of support on the Trustee Council.

3 CHAIRMAN BALSIGER: Ms. Ballard.

4 MS. BALLARD: In light of the hour, I think
5 the spirit of Drue's suggestion and Kevin's response should
6 suffice for this discussion, that we've all got some
7 homework to do and we need to have another meeting in two
8 or three or four month timeframe. And we need to be
9 prepared at that time not to have so many reports, which we
10 had to have today, but to spend some more time on these
11 things substantively.

12 CHAIRMAN BALSIGER: Thank you, I think
13 that's a good summary. So that's the sense of the Council,
14 we want to continue it. Is there any other business?
15 Molly.

16 MS. McCAMMON: Mr. Chairman, just one
17 addition. Because this grant is a pilot grant, it actually
18 expires September 30th. And so it had been our intent to
19 give you a report in advance of that saying this is how
20 it's working. So maybe in conjunction with that, that
21 would be the time to kind of seek what additional interest
22 from the Federal agencies and have that as part of kind of
23 the report on the status. And then come before you,
24 whether you want to continue with the grant, following
25 that. Does that make sense?

1 MS. PEARCE: Sure.

2 MR. RENKES: Do we a time set for the.....

3 MS. PEARCE: But we have additional habitat
4 acquisition funds and there are lists floating out there, I
5 know, from the Park Service and Fish and Wildlife Service.

6 MS. McCAMMON: Right.

7 MS. PEARCE: The parcels that they think
8 they want.

9 CHAIRMAN BALSIGER: So what is the
10 timeframe for the next meeting that people have in mind?
11 We've deferred a few things, we have homework to do.
12 Molly.

13 MR. RENKES: We might be able -- this is a
14 suggestion, you know -- we might be able to take up some of
15 these things and we have personnel issues too. And maybe
16 take up some of these things with a telephonic meeting in
17 a, you know, quicker timeframe. And then, I don't know, do
18 you traditionally have a meeting in August or something?

19 MS. McCAMMON: Traditionally in August for
20 the Work Plan although this one is -- some things need to
21 happen in August. I would say the next ones could
22 definitely be teleconferenced.

23 CHAIRMAN BALSIGER: Ms. Ballard.

24 MS. BALLARD: Mr. Chairman, since you're
25 sitting as the Chairman and we'll all know Cherri's

1 capabilities because she's managed to reschedule these
2 meetings several times, why don't we just leave it at your
3 call?

4 CHAIRMAN BALSIGER: I think I will do that.
5 And are we thinking like late June, early July? Just as a
6 general window that Cherri and -- we can work in?

7 MR. RENKES: Well, not for the Executive
8 Director.

9 MS. BALLARD: Yeah, we've got to move
10 it.....

11 CHAIRMAN BALSIGER: No, the Executive
12 Director clearly is on the short.....

13 MR. RENKES: That's going to require a
14 telephonic meeting. And I don't know if we want to do any
15 other business at that meeting. We've got these deferred
16 issues.

17 CHAIRMAN BALSIGER: Okay, well perhaps the
18 best thing is -- Ms. Ballard's advice is to consider this
19 when we can get it done and propose something through email
20 to everyone as early as we can get it going. Any other
21 topics? Issues?

22 MS. BALLARD: I move we adjourn.

23 CHAIRMAN BALSIGER: Is there a second?

24 MS. PEARCE: Second.

25 CHAIRMAN BALSIGER: We're adjourned. That

1 means that the next meeting there will be a State chair.
2 Thank you very much for attending. The public was very
3 patient and orderly, thanks a lot.

4 (Meeting adjourned - 5:35 p.m.)

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, Joseph P. Kolasinski, Notary Public in and for the state of Alaska and reporter for Computer Matrix Court Reporters, LLC, do hereby certify:

request THAT the Transcript has been prepared at the of:

DATED at Anchorage, Alaska this 6th day of May
2003.

Joseph P. Kolasinski
Notary Public in and for Alaska
My Commission Expires: 04/17/04

