

## **13.08.01 – Reading File**

**May 2000**

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 31, 2000

Brian Andrew  
Merrill Lynch  
1 Sealaska Plaza, Suite 301  
Juneau, Alaska 99801

Dear Mr. Andrew:

The *Exxon Valdez* Oil spill Trustee Council is currently in the process of transferring its Joint Trust Funds from the United States Treasury to another entity, per legislation approved by Congress last year. One of the options under consideration for custodianship, management, and investment of the funds is use of the State of Alaska Department of Revenue. To help assess this option, the Trustee Council recently commissioned the enclosed report from consultant Bill Wurts of Wurts Associates.

Based on the information in this report, I am preparing to recommend to the Trustee Council that they take action to have the State of Alaska manage the Joint Trust Fund. I would greatly appreciate your review of the enclosed document. If you have any comments or information that you believe could assist the Trustee Council in making their decision on management and investment of their funds, please respond if at all possible, in writing, by June 15. I will make sure each Trustee received your comments. I anticipate the Council will make a decision on this issue at a meeting some time after June 19. If you would like to testify at that meeting once it is scheduled, I can also make arrangements for that.

If you need any additional information, or would like to discuss this further, please don't hesitate to contact me.

Sincerely,

Molly McCommon  
Executive Director

Enclosed

mm/raw

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WURTS  ASSOCIATES

Telephone: 206.622.3700  
Facsimile: 206.622.0548

May 16, 2000

Ms. Molly McCammon  
Exxon Valdez Oil Spill Trustee Council  
645 G Street, Suite 401  
Anchorage, AK 99501-3451

***RE: State of Alaska Department of Revenue – Division of Treasury  
Investment and Custodial Review***

Dear Molly:

Enclosed are six copies of the Investment and Custodial Review for the State of Alaska Department of Revenue – Division of Treasury that we promised to delivery to you.

Please give me a call if you have any questions. I look forward to talking to you soon.

Sincerely,



Wm. W. Wurts  
President

WWW/ks

## **EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL**

### **State of Alaska Department of Revenue – Division of Treasury** **Investment and Custodian Review**

#### **SCOPE OF STUDY**

At the request of the *Exxon Valdez* Oil Spill Trustee Council, we have reviewed the organizational structure, equity and fixed income management practices, asset modeling procedures, and the custody and safekeeping, as well as the accounting functions of the State of Alaska.

By way of background information, Wurts & Associates is the largest independent investment consulting firm located in Seattle, Washington. Our client base includes a number of sizeable West Coast based corporate retirement funds, Taft-Hartley labor management retirement funds, public funds, including the City of Seattle Employees Retirement Trust, and others. Together with our Santa Monica office, our seven Consultants service over 130 client accounts throughout the West Coast. Mr. William Wurts, the President of Wurts & Associates and an investment consultant for over 25 years, conducted this study.

In the process of gathering this information, we held interviews with Ms. Molly McCammon, Executive Director of the *Exxon Valdez* Oil Spill Trustee Council, Traci Cramer, Director of Administration of the *Exxon Valdez* Oil Spill Trustee Council, John Jenks, the recently-appointed Chief Investment Officer of the Department of Revenue, Robert Storer, his predecessor in that position and now the Executive Director of the Alaska Permanent Fund Corporation, Betty Martin, the Controller of the State of Alaska and Tim Davenport, the Assistant Controller.

Given the need to complete this project in a relatively short period of time, this was the extent of the interview process. It did give us, however, a good feeling for how the Department of Revenue operations are conducted and how they might apply to the *Exxon Valdez* Oil Spill Trustee Council investment program.

#### **ORGANIZATION**

The Department of Revenue, Division of Treasury provides custody and investment management services for all of the state funds, as well as some additional assets that are held on behalf of other entities. The ultimate fiduciary responsibility for state funds rests with the Commissioner of Revenue, Mr. Wilson Condon. The Deputy Commissioner of Revenue, Mr. Neal Slotnik, oversees day-to-day operations. The primary sections within the Division of Treasury are Accounting, which is managed by Ms. Betty Martin, Portfolio Management, managed by John Jenks, Debt Management, and Cash Management. In addition, there is a liaison to the Alaska State Pension Investment Board (ASPIB). In this report we will be dealing primarily with the Portfolio Management and, later in the report, the Accounting sections.

Fixed Income investments are managed internally, while domestic equities are invested through State Street Global Advisors, a division of State Street Bank. The latter funds are invested essentially in a combination of a Standard & Poors 500 Index Fund and a smaller capitalization fund which, taken together with the Standard & Poors Index Fund, provides a combined index fund that approximately equals the characteristics and size of the Russell 3000 Index, a broad market index. International equities are managed by Lazard Asset Management of New York.

We will now address each of these investment sectors.

### **FIXED INCOME INVESTMENT**

The proposed investment vehicle for the *Exxon Valdez* Oil Spill Trustee Council Funds would be the Long-Term Fixed Income Pool, which is run by the Division of Treasury. In the past, this pool (or mutual fund) has been sometimes referred to as the "Unconstrained Fixed Income Pool", although this appears to be somewhat of a misnomer since "unconstrained" in a fixed income sense often means less-than-investment grade and non-U.S. fixed income investments, neither of which are allowed by state policy.

Internal management of fixed income securities seems to have a reasonably extensive history within the Division of Treasury. Michael Cheung, recently departed, along with John Jenks, in the early 90's, managed these assets and produced very competitive results. According to Mr. Jenks, their approach involved a global view of fixed income management and, while their investments were limited to investment grade U.S. fixed income securities, they still spent considerable time taking a top down approach and taking into consideration worldwide events that might be affecting the U.S. markets. In our interview with Mr. Jenks, he indicated that the "Economist" newspaper is required reading within the division, since it had such a global approach to the bond market.

Emphasis has been placed on what is now often referred to as "spread" products within the fixed income markets, i.e., corporates, mortgage-backed securities, asset-back securities, and, in general, non Treasury issues. The investment concept here is that this group of securities, since they are somewhat more complicated to analyze, will always carry a higher yield to maturity, a higher coupon, and, hence, will produce better returns in the long run. This is particularly true for those investors, such as the Division of Treasury, who do not have tremendous concerns about their portfolios' immediate liquidity characteristics.

Under this philosophy, corporate bonds taken as a sector, might be weighted in the portfolio as much as double that of the index, which was the Lehman Government Corporate Bond Index until April 1<sup>st</sup> of this year, and weightings would often end up in the 40% - 50% area vs. closer to 20% for the index. BAA/BBB rated bonds, the lowest general level of investment grade issues, were not overly emphasized in this process since, in the event of a downgrade, their risks were deemed to be too high. Their approach was to stay close to the duration of the Lehman Brothers Government Corporate Bond Index, plus or minus 10%. Hence, the duration (or maturity) "bets" that the managers were making were not large. In general, their maturity spread wound up in the intermediate term phase of the so-called "yield curve" or in the 5 - 12-year maturity range.

While Wall Street research was reviewed extensively by the fixed income investment team, John Jenks estimates that about 75% of the bonds selected for the portfolio came about as a result of internally-generated research. The fixed income investments are managed by a 3-person team that includes the investment officer, a full time fixed income analyst, whose responsibility is to research and produce acceptable ideas for possible purchase, as well as a bond trader.

The above approach, for the most part, was very successful during a good part of the 90's, although in the past 2 years the relative results have fallen off quite extensively. However, the results are still consistent with the overall index. The primary reason for this is that the U.S. Treasury market assumed domination

in the investment world, particularly in the summer and fall of 1998, when the default on the Russian bonds and concern with the Long Term Capital situation caused a considerable flight to quality and, hence, to U.S. Treasuries. Because of their approach, the U.S. Treasury and Agency part of the portfolio is typically underweighted in the Division of Treasury's portfolio, which caused an underperformance during this period and several subsequent quarters. In addition, 1999 was one of the poorest years for absolute bond results in the past decade, and those portfolios that emphasize corporates and, again, so-called "spread" products, generally underperformed, often quite dramatically.

Mr. Jenks did express his strong desire to "stay the course" and continue to pursue this investment approach. Now is not the time to change the investment process, he feels. We would agree with this statement.

Michael Cheung left the Department of Revenue early this year and he has been replaced recently by Mr. Lee Livermore, who has over 20 years of fixed income experience through several insurance companies and bank trust departments located in the mid west, the most recent one being the Royal Neighbors of America. His most significant experience involves 9 years as chief fixed income officer with Anthem Inc., a major Blue Shield/Blue Cross company in the mid west. Mr. Livermore's responsibilities included management of a bond portfolio valued at over \$2 billion. Mr. Livermore is in the process of moving to Juneau and is assuming his responsibilities as this is being written. He will assume responsibilities for all fixed income investments within the division.

Given his lack of firsthand experience with the Division of Treasury and the philosophies described above, Mr. Livermore's arrival does add some uncertainty to the implementation of the investment process in the future. John Jenks does feel that he is a very capable individual and one who will make a strong contribution to the future of the fixed income performance of the division. He also states that his investment approach coincides with that described above. Mr. Livermore himself confirmed that he has a strong belief in the merits of non-Treasury obligations ("spread product") in a managed bond portfolio. In the time allotted, we did not validate Mr. Livermore's past performance record at his previous employer, assuming that one might have been available.

It should be noted that the overall index objective for the division's fixed income total return portfolios has been changed effective the 1<sup>st</sup> of April from the Lehman Brothers Government Corporate Bond Index to the Lehman Aggregate Index. The Lehman Aggregate Index is generally felt to be more representative of the bond market as a whole since it includes mortgage-backed bonds, which the Lehman Brothers Government Corporate Index does not. As a result, it was selected by the Division of Treasury to be a more appropriate index for comparative purposes. Due to the fact that the Index contains over 30% of its weightings in mortgage-related bonds, this switch would put a renewed emphasis on the mortgage-backed sector of the market. Mortgage oriented investments tend to do better in a rising interest rate environment, since they typically return income to the holder on a monthly basis, which can then be reinvested at presumably higher rates. In the last several years, the Lehman Brothers Aggregate has tended to outperform the Lehman Brothers Government Corporate Index, although over a truly long period of time, one would expect the performance of these two broadly based indexes to be approximately the same.

Since the Exxon Valdez Oil Spill Trustee Council Funds fixed income performance objective is the Lehman Brothers Aggregate Index, this would appear to be an appropriate fit for the strategy employed by the Division of Treasury.

Here are the performance results for the Long-Term Fixed Income Pool (previously referred to as the "Unconstrained Fixed Income Pool") for the various periods indicated. I have also included the Lehman Brothers Government/Corporate Bond Index and the median (middle) fund performance for the Independent Consultants Cooperative (ICC) database of unconstrained maturity fixed income portfolios, which our firm uses for comparative purposes. This database has over 5,000 portfolios in it, so I feel it is representative of unconstrained fixed income management.

Periods indicated below are for 12/31/99:

	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>8 yr.</u>	<u>10 yr.</u>
Treasury's Long Term Fixed Income *	-2.4%	+5.5%	+7.6%	+6.8%	+8.0%
Lehman Brothers Govt./Corp. Bond Index	-2.2	+5.5	+7.6	+6.6	+7.7
Median ICC Core Bond Funds	-0.4	+5.8	+7.8	+6.8	+8.1

\* Source: Callan Associates

As you can see from these figures, the underperformance of the last few years has pulled down the longer-term performance to the average to a somewhat below average level. It is important to note in this context that the relative performance for fixed income portfolios does not generally swing the balance fund results, since the difference between "good" and "bad" fixed performance is so small. Please also note, and this is important, that the above database performance is shown on a pre-fee basis and it is my understanding that the State of Alaska fixed income figures are also shown on a pre-fee basis. Note that the fee structure (one basis point) for the Joint Trust Fund would presumably be considerably less than that for the average bond portfolio manager in the ICC database for accounts in the \$100 million total asset range, which typically falls in the 25 - 30 basis point range.

Given the division's proposed fee structure for your account (see fee section which follows in this report), this would add approximately 25 basis points to your results on a relative basis, which would then push the performance results on an after-fee basis very close to the median level for most of the longer time periods under review.

As a result, we would conclude that the fixed income performance, while lagging over the shorter-term, has performed in a respectable manner, particularly when the after-fee results are reviewed. As is typically the case, however, the arrival of the new Fixed Income Investment Officer does add some uncertainty with regard to the future in this asset class. There is simply no way that we can predict the effectiveness of the new management in this regard, except to note that the philosophy and process appear to be sufficiently well entrenched to assure success once the market turns back again to favor the investment approach discussed above.

Based upon the overall process, however, and the fact that John Jenks did himself manage the fixed income portfolio of the State, this does give confidence for the expectation of reasonably competitive results in the future.

## DOMESTIC EQUITY INVESTMENT

The analysis of the Domestic Equity Investment is considerably easier, since all of the funds will be invested in two index funds, as managed by State Street Global Advisors (SSGA), which are designed to replicate the Russell 3000 Index. Located in Boston, State Street is one of the largest investment management firms in the world, presently managing well over \$450 billion in client assets. They also have a very strong reputation in the area of indexed investments.

The Division of Treasury presently has \$1 billion invested with State Street Global Advisors (SSGA). The Russell 3000 Index, which essentially represents the largest 3000 U.S. companies in the market, would appear to us to be a very sensible objective, since it is a broader index than the Standard & Poors 500, which at present is so dominated by its larger component companies. Hence, the true exposure thru the Russell 3000 is to the entire market. The strategy used by the Division of Treasury to gain exposure to the entire market in the past includes investing approximately 75% of the assets in the S & P 500 Index Fund and the remaining approximately 25% would be invested in a fund that is replicated to the approximate performance of the Russell 2000 Index. This latter fund is sometimes referred to as a "completeness" fund, which is designed for investors such as the State, where they decide to replicate the broader market and, in particular, to participate in those stocks not represented in the S & P 500 Index.

Now, we understand, a new arrangement has recently been negotiated with SSGA wherein a new Russell 3000 Fund will be formed directly, without having to use the above combination of funds. This would appear to us to be a more efficient approach and one that will avoid the S & P 500/Russell conflicts that occasionally arise as the indices are reconstituted due to market activity. John Jenks also has stated that the same fee structure (see below) will apply to this new fund. While the Council might be offered both of these options, we would recommend the direct (single) index fund as a more efficient investment, assuming that its initial assets exceed \$1 billion in size.

The fees in this area are estimated at approximately one basis point, since they are calculated at the incremental (or final) dollar on top of the billion dollars already invested by the State of Alaska with SSGA. This schedule would appear to be extremely competitive. The Trustee Council could expect to pay typically 40 to 50 basis points for equity management, given their size of assets, if it were to be invested by an active manager, and 5 to 10 basis points, if the equity funds were to be invested passively. As a result, the one basis point fee figure would appear to be extremely attractive.

Here are the performance results for the State of Alaska's Russell 3000 strategy with SSGA, the Russell 3000 Index and the median fund performance for the Independent Consultants Cooperative (ICC) for domestic equities:

	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>
Treasury's Domestic Equities *	24.0%	27.2%	26.6%
Russell 3000 Index	22.8	27.0	25.9
Median ICC Equity Fund	17.9	22.0	24.3

Source: State Street Bank



All returns are on a pre fee basis. Due to the fact that indexing has performed quite well on a relative basis in recent markets, the State of Alaska's equities do outperform the median fund in the ICC database of over 5,000 equity portfolios, which we use for comparative purposes. Hence, the recommendation of this strategy is relatively easy to make. Please also note that on an after-fee basis the difference in relative performance vs. active management would be even higher.

### INTERNATIONAL EQUITIES

The International Equity Program is run by Lazard Asset Management, a substantial international equity firm with offices located in many cities throughout the world and headquartered in New York. In total Lazard manages over \$30 billion in non-U.S. and global equity funds. Lazard has developed a strong reputation over the years as a value style investor, meaning they tend to emphasize equity securities with evaluations, as expressed by price-to-earnings ratio and price-to-book ratios that are often well below that of the market in general.

This has been a good lower risk investment philosophy over the long-term, although during the last year the approach has caused some underperformance, as the world as a whole reacted so enthusiastically to technology and communications stocks that are generally underweighted in Lazard's (and other value style investor's) portfolios.

Here are the performance results for the Division of Treasury's Non-U.S. equities with Lazard, the Europe, Australia, and Far Eastern Index (EAFE), and the median fund performance for Independent Consultants Cooperative (ICC) for Non-U.S. equities :

	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>
Alaska Treasury's Non-U.S. Equities *	25.5	18.0	17.0
EAFE Index	27.0	15.8	12.8
Median ICC Non-U.S. Equity Fund	26.8	15.8	16.9

\* Source: Callan & Associates

Again, all returns are on a pre fee basis. This Fund has tended to perform relatively well, beating both the EAFE Index, as well as the median fund, in the Independent Consultants Cooperative database of over 2,000 non-U.S. equity portfolios over the 3 & 5-year periods.

In addition, as was the case with domestic equities, the fee structure offered by the Division of Treasury for international management is extremely attractive, using the proposal that was made by the division to the Trustee Council of 15 basis points. Most international equity managers charge close to 75 - 100 basis points for their services. 15 basis points is extremely competitive and would simply not be available in the open market to a fund the size of the Council's.

## SSET ALLOCATION

It is our understanding that the Trustee Council recently adopted an overall asset allocation as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>	<u>Benchmark</u>
Domestic Equities (Broad Market)	41%	+/-7%	Russell 3000
International Equities	17%	+/-5%	EAFE
Domestic Fixed Income	42%	+/-7%	Lehman Aggregate

This allocation, according to the asset allocation modeling done by the State's consultant, Callan & Associates, should produce a median expected return of 8.25% with a Standard Deviation of 10.59%.

John Jenks produced the Callan-sponsored assumptions that went into this asset allocation modeling. They represent five (5) year market estimates and are as follows:

	<u>Total Return</u>	<u>Yield</u>	<u>Standard Deviation</u>
Domestic Equities (Broad Market)	9.2%	1.2%	16.2%
International Equities	9.75%	1.4%	21.5%
Bond/Aggregate	7.6%	7.6%	5.5%

The assumptions that went into the Division of Treasury's optimization model were provided by Callan & Associates and, along with certain correlation assumptions, produced an "efficient" number of portfolios that varied in their risk and return characteristics. As in any capital markets process, the greater the expected return potential of an efficient mix of assets, the greater the risk as measured by volatility (or standard deviation).

The mix selected is a relatively conservative one and, in our opinion, is also based on relatively conservative input characteristics. As an example, a 9.2% equity return is well below the 50 and 75 year return figures for the broad equity market. It is also less than half of the return earned by the broad market over the past decade, a highly unusual period, admittedly.

In addition, the relative difference in the return projections for the various asset classes are what is significant here. We would be inclined to argue that a 2.5% real return difference in stock vs. bond returns is certainly on the low side. In fact, for all periods ended December 31, 1999 (i.e., 10, 20, 30, 40, 50, and 70 year periods), there is no period where the differential has been this low. We would be inclined to use a higher equity assumption number and are more inclined to base our asset allocation assumptions on historical returns and spreads between asset classes.

Despite this observation, using higher equity assumptions would only serve to create a higher return projection for the presently proposed 41/17/42% allocation. This would represent a 58% investment in equity and 42% investment in fixed income. While this mix is reasonably conservative by today's standards, it still would seem to fit the broad investment policies and low risk taking exposure typically associated with this type of fund.

In addition, the higher percentage in international equity securities (17%) should also serve to dampen the volatility, since the correlation of non-U.S. to U.S. securities has historically been less than 65%. In other words, while international equities may carry more volatility in and of themselves, only 65% of the time are they typically moving in the same direction as U.S. equities. As a result, they tend to be volatility dampeners for the total portfolio, except during those periods of substantial market stress when both categories are heading in the same direction.

In summary, while we might have some quarrel with the equity assumptions used in the modeling process, we feel that the overall conclusion of a portfolio that is 41% invested in U.S., 17% in non-U.S. equity and 42% in domestic fixed income, is both conservative and over time should produce a return that is compatible with the objectives set forth in the Council's Investment Policy.

## **FEES**

The fee structure, as proposed by the Division of Treasury, appears to be extremely attractive. As I understand it from conversations with Traci Cramer and John Jenks, the proposed fee structure is as follows:

<u>Custodian Fees</u>	<u>Estimate on \$100 mn in Assets</u>
- \$5,000 per account per year	\$ 5,000
- 1 basis point on total assets	10,000
Total Custodian Costs	\$15,000
 <u>Fixed Income Management</u>	
- Indirect Personal Services Fee	\$16,500 approx.
 <u>Equity Domestic</u>	
- 1 basis point - approximate (Assets \$41,000,000)	\$4,100
 <u>Equity International (Lazard)</u>	
- 15 basis points - approximate (Assets \$17,000,000)	<u>\$25,500</u>
 <u>Approximate Overall Fee</u>	<b>\$61,100</b>
 As a percentage of \$100 million in assets:	<b>6 basis points</b>

The reason for the competitive fee structure is the fact that these assets are being added onto the assets already managed by the Division of Treasury. Hence, they are being charged only the incremental fee schedule.

The above fees would appear to be extremely competitive in nature as previously noted. An important point to keep in mind here is that the only thing that is guaranteed going forward is the fee structure that you are going to pay. Future investment results are, at best, estimates. Hence, the fee structure becomes

important to the extent that it is a certainty and, in our opinion, there is no question about the fact that this is essentially as low a fee as you might expect to find anywhere.

Here are some typical figures, based upon a study that we produced about a year ago, which backup these claims. We are basing them upon an actively-managed fund in the \$100 million asset range, which is approximately that of the Joint Trust Fund:

- Custodial Fees	\$ 30,000 (3 basis points)
- Domestic Equity Fees (\$41 mn in assets)	\$164,000 (40 basis points)
- International Equity Fees (\$17 mn in assets)	\$127,500 (75 basis points)
- Fixed Income Fees (\$42 mn in assets)	<u>\$105,000</u> (25 basis points)
<b>- Total Estimated Fee (including Custodial Fee):</b>	<b>\$426,500 (or 43 basis points)</b>

Please note that we have incorporated the fee structure in this example for an actively-managed account. In our opinion, it is the only reason (i.e., seeking active management) the Council might consider going outside of the services offered by the Division of Treasury, since their fees are so competitive for their package of active and passive management services.

In the event that the assets of the Joint Trust Fund were invested outside the Division of Treasury, with a combination of passively managed investments (Domestic Equities and Fixed Income) and actively managed investments (International Equities), again based on a study that we produced about a year ago, our best estimate of the fees would be:

- Custodial Fees	\$ 20,000 (2 basis points)
- Domestic Equity Fees (\$41 mn in assets)	\$ 41,000 (10 basis points)
- International Equity Fees (\$17 mn in assets)	\$127,500 (75 basis points) *
- Fixed Income Fees (\$42 mn in assets)	<u>\$ 42,000</u> (10 basis points)
<b>- Total Estimated Fee (including Custodial Fee):</b>	<b>\$230,500 (or 23 basis points)</b>

\* The fee shown for International equities assumes that this portion of the portfolio will be actively managed.

As a final note, movement to outside management, either active or passive, would involve a considerable amount of time and expense. A consultant would have to be hired, along with investment advisors for each investment sector i.e. U.S. Domestic Equities, International Equities and Fixed Income. This would require several additional Trustee Council meetings, as well as considerable staff and consultant time. Clearly this is an additional expense that should be taken into consideration.

### ASSET ACCOUNTING/CUSTODIAL SERVICES

We did meet with Betty Martin, Controller of the State of Alaska, and the Assistant Controller, Tim Davenport, with regard to the services offered in both Accounting and the Custodial area to all funds in the State of Alaska's Treasury. We will be reasonably brief in our coverage of this aspect because the assets are essentially held at State Street Bank, the largest of the global custodian providers. State Street does not typically take physical delivery of securities, but rather keeps them in electronic format so the securities can be more efficiently traded as necessary.

It is significant to note that the Division of Treasury currently manages assets on behalf of other entities. Examples include the School Public Trust Fund, the Alaska Children's Trust, and the Alaska Advance

College Tuition Payment Fund. Hence, there are other entities that are presently receiving similar services.

The *Exxon Valdez* Oil Spill Trustees Council would have similar services provided under the proposed arrangement and would also have some say in the flexibility of the reporting, according to Tim Davenport, who presently does some customization work for these other organizations in the reporting process and indicated a willingness to provide it to the Trustee Council.

State Street provides all of the pricing of securities in the portfolios, including domestic equities, and fixed income investments. The State's contract with SSGA clearly states how SSGA is to price the portfolio securities. The Department of Revenue cannot influence this pricing except to suggest that State Street might go out and check some other sources, if they feel that the State Street price is not accurate, a matter that does occur from time to time on bonds. Betty Martin must approve any dispute in pricing that is not quickly resolved.

KPMG annually audits assets under the authority of the Commissioner of Revenue, as well as the large public employees and teachers retirement funds of the State of Alaska.

In general, according to Betty Martin, the Department makes a practice of adhering to the standards of ERISA, even though they are not legally required to. In other words, all decisions are made to the best interest of the participants of each portfolio.

All reporting is downloaded via the Internet on a daily basis directly from State Street. Indeed, the State of Alaska has been one of the early influences of State Street to request that they go on line to provide this data via the Internet. Hence, if the Trustee Council wanted to review their own reports with very little delay, they can be produced. State Street also provides quarterly performance results for each fund. This would be available to the Trustee Council as well.

With regard to securities lending, the State apparently experimented with their service under the regime of Robert Storer in the early 90's and ran into some potential minor losses in 1994, when interest rates went up dramatically. As a result, there has been a tendency to draw back from a securities lending program and not view this as a source of additional income.

The bottom line to this section is that in the custodial area all assets are held at State Street and their values can be accessed on a daily basis. Each of State Street's pooled funds, which may be used by the State, are audited on an annual basis and subject to very close scrutiny. Hence, the chance for the loss of assets would appear to be slim. The Division of Treasury continues to be satisfied with State Street, despite the fact that, like many custodians, they are experiencing a high personnel turnover these days. We would have no problems about recommending them. In addition, the accounting and internal administrative operations of this division would appear to us to be very adequate for the needs of the Joint Trust Fund.

## **ONCLUSIONS AND RECOMMENDATIONS**

Our conclusions are that turning the investment management and custodian/administrative responsibilities over to the Department of Revenue, Division of Treasury would appear to be a relatively safe and extremely cost effective method of investing the Council's assets. While the bond performance has suffered somewhat in recent years, the long-term record is reasonably competitive. In addition, the State Street Global Advisors Russell 3000 Fund (Domestic Equities) and the Lazard International (Non-U.S.) Equity performance each appear to be well above average over the long term (3 years and more). Since this is 58% of the portfolio, it should be the dominant factor in future results of the Joint Trust Fund.

Accordingly, we would feel comfortable in recommending the investment management and custodial functions as proposed by the Alaska Department of Revenue, Division of Treasury.

## Molly McCammon

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**From:** Traci\_Cramer@oilspill.state.ak.us  
**It:** Wednesday, May 24, 2000 2:30 PM  
**Subject:** Molly McCammon  
RE: Payout Resolution

The addresses are as follows:

Dave Rose  
Alaska Permanent Capital  
900 W. 5th Avenue, Suite 601  
Anchorage, Alaska 99501

David Young  
Merrill Lynch  
3601 C Street  
Anchorage, Alaska 99503

Brian Andrew  
Merrill Lynch  
1 Sealaska Plaza, Suite 301  
Juneau, Alaska 99801

Kim Jaime  
McKinley Capital  
3301 C Street, Suite 500  
Anchorage, Alaska 99503

Traci

--Original Message-----

m: Molly McCammon [mailto:molly\_mccammon@oilspill.state.ak.us]  
Sent: Wednesday, May 24, 2000 1:59 PM  
To: Traci\_Cramer@oilspill.state.ak.us  
Subject: RE: Payout Resolution  
Importance: High

will do. thanks. also -- we need to send the Bill Wurts report to Dave Rose, David Young (?) at Merrill Lynch, ----Andrews, and McKinley Capital. Do you have names and addresses for all the above?

-----Original Message-----

From: Traci\_Cramer@oilspill.state.ak.us  
[mailto:Traci\_Cramer@oilspill.state.ak.us]  
Sent: Wednesday, May 24, 2000 1:49 PM  
To: Molly McCammon  
Subject: Payout Resolution

Just received your fax. Do you want me to reformat the document? If so, could you please e-mail me the final version of the draft motion. I already have the payout spreadsheet.

Traci

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 31, 2000

Sandra L. Grenier  
2930 72<sup>nd</sup> Street, NE  
Marysville, WA 98271

Dear Ms. Grenier:

Thank you for your May 25, 2000 letter. I'll make sure all of the Trustee Council members receive a copy of it.

If I can be of any further assistance, please don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Molly McCammon'. The signature is fluid and cursive, with the first name 'Molly' and last name 'McCammon' clearly distinguishable.

Molly McCammon  
Executive Director

MM:cw

---

#### Federal Trustees

U.S. Department of the Interior  
U.S. Department of Agriculture  
National Oceanic and Atmospheric Administration

#### State Trustees

Alaska Department of Fish and Game  
Alaska Department of Environmental Conservation  
Alaska Department of Law



**Sandra L. Grenier**2930 72nd St. N.E.  
Marysville, WA 98271Fax (360)659-2312  
Home Phone (360)659-5125  
Email quilceda@email.msn.comFAX Number: (907)276-7178  
pages: two (including this page)

May 25, 2000

Exxon Trustee Council  
645 G Street, Suite 401  
Anchorage, Alaska 99501-3451

Dear Council,

I am a shareholder of Koniag Corporation residing in Washington State on the Tulalip Indian Reservation. I attended junior and highschool in Kodiak, Alaska. I only have an Associate degree in education but I would like you to take into consideration my thoughts on the **Conservation Easement Agreement you are pursuing with Koniag**. I have worked with Indian Students in Washington State as a Program Tutor, than went on to become Coordinator for the Northwest Indian Fisheries Commission in Washington State. The tribes in Washington State fought and won their right to manage their treaty fisheries. (known as the Boldt Decision) The tribes manage the resources on their tributaries and are co-managers with the State of Washington in fisheries, shellfish, hunting and environmental issues impacting the resources.

My concern with these negotiations is that the Villages that will be impacted by this agreement were not consulted before the negotiations with Koniag ever took place. Koniag has been emphasizing to all the shareholders through their newsletters and surveys the importance of the Native Culture. In their last survey mailed in May 2000, they state: ***"Villages or clans worked together to ensure the health and survival of the whole group. This collective perspective is demonstrated today by the efforts of those regional corporations that manage their assets to provide benefits—financial, cultural and educational—for this and future generations of shareholders"*** It is my belief that Koniag out of respect for our culture and the native people that will be impacted by these negotiations should have consulted with the villages first to find out their concerns and what they would like to see happen with the land. Had the villages been consulted and been able to give their views to the Koniag Corporation this controversy could have been avoided. Koniag had an obligation to go first to the people that they represent before going into negotiations with the Council.

In closing the land is very important to the Native People. The land is our culture. All our culture revolves around the land. We cease to exist without our land base. Reverence for the land is told in song and dances. We get all our needs from the land. Why would we fight to get

Exxon Trustee Council  
May 25, 2000  
page two

our land back if in the end Koniag sells it?? We are the stewards of the land. God gave it to us to take care of and when we abuse it we destroy it for future generations. I would like this council to take into considerations the concerns of the Native People who on a daily bases have to deal with the strangers coming onto the land with no say on how they can keep their Native way of life with the intrusions of different user groups.

I am one shareholder who resides in the lower 48 who wants to see the Koniag Corporation listen first to the Native people they represent before any further negotiations take place. The concerns of the villages that are impacted needs to be considered.

Sincerely,



Sandra L. Grenier, Koniag Shareholder

cc: Frank Peterson Sr.  
Koniag Corporation

# DRAFT

gemsched

## GEM SCHEDULE (updated 5/18/00)

April 21, 2000	Submit draft GEM science program to NRC for review
June 15-16, 2000	NRC conduct 1st meeting: briefing by TC staff on history of EVOS restoration program and GEM science program; public perspectives on GEM
June 25, 2000	Complete 1st straw draft monitoring plan
July 1-August 15, 2000	Conduct 3 focus group meetings on draft monitoring plan: <ul style="list-style-type: none"><li>• Prince William Sound &amp; GOA</li><li>• Cook Inlet &amp; GOA</li><li>• Kodiak/Alaska Peninsula &amp; GOA</li></ul> Conduct individual interviews as needed
July 20, 2000	Brief PAG on draft monitoring plan
August 3, 2000	Brief TC on draft monitoring plan
September 2000	NRC conduct 2nd meeting: deliberations on GEM science program
September 29, 2000	Distribute 2nd draft monitoring plan (revised based on focus groups and individual interviews) <ul style="list-style-type: none"><li>• special edition of <i>Restoration Update</i> newsletter</li><li>• mailing lists</li><li>• TC's web page</li></ul>
October 10-12, 2000	Annual workshop; purpose is intensive work sessions to further develop draft monitoring plan
November 2000	NRC conduct 3rd meeting: deliberations on GEM science program
November 13, 2000	Distribute 3rd draft monitoring plan for public review (revised based on annual workshop) <ul style="list-style-type: none"><li>• public meetings</li><li>• mailing list</li><li>• TC's web page</li></ul>
January 2001	TC approve draft monitoring plan for purposes of NRC review (revised based on TC and public comment)

February 2001	Receive interim report on GEM science program from NRC
February/March, 2001	Submit draft monitoring plan to NRC for review
April 2001	NRC conduct 4th meeting: deliberations on monitoring plan
June 2001	NRC conduct 5th meeting: deliberations on monitoring plan
August 2001	NRC conduct 6th meeting: recommendations and conclusions on GEM science program and monitoring plan
November 2001	Receive final report on GEM science program and monitoring plan from NRC

# THE NATIONAL ACADEMIES

*Advisers to the Nation on Science, Engineering, and Medicine*

National Academy of Sciences  
National Academy of Engineering  
Institute of Medicine  
National Research Council

## DRAFT

### DRAFT AGENDA

#### **COMMITTEE TO REVIEW THE GULF OF ALASKA ECOSYSTEM MONITORING PROGRAM AND PLAN**

**1st meeting  
June 15-17, 2000  
ROOM NAME  
Anchorage Hilton  
ADDRESS  
Anchorage, Alaska  
PHONE NUMBERS**

**THURSDAY, JUNE 15**

#### CLOSED SESSION

- |            |  |  |
|------------|--|--|
| 8:30 a.m.  | Continental breakfast available in the meeting room  |  |
| 9:00 a.m.  | <b>Committee Business</b>  |  |
|            | <ul style="list-style-type: none"><li>• Welcome and introductions</li><li>• Overview of study charge and process</li><li>• Committee conflict of interest and bias issues</li><li>• Overview of agenda and meeting goals</li></ul> | <p>Mike Roman<br/>Chris Elfring<br/>Chris Elfring<br/>Mike Roman</p> |
| 10:30 a.m. | Break  |  |

#### OPEN SESSION

- |            |   |  |
|------------|---|--|
| 10:45 a.m. | <b>Introductions and Orientation</b>  |  |
|            | <ul style="list-style-type: none"><li>• Welcome and introductions</li><li>• Overview of study charge and purpose of this meeting</li></ul>  |  |
| 11:00 a.m. | <b>Requesting Organization's Perspective: Introduction to GEM<br/>Science Program Review Draft and Discussion, "Why this study?"</b>  |  |
|            | <ul style="list-style-type: none"><li>• Molly McCammon, EVOS Trustee Council Executive Director:<br/>Transition of EVOS program from Damage Assessment to<br/>Restoration to GEM: Process, Policy and the Public</li><li>• Phil Mundy, EVOS Trustee Council Science Coordinator: GEM<br/>Science Management: expectations of NRC review</li></ul> |  |
| 12:15 p.m. | Lunch   |  |

- 1:30 p.m.                    **Overview of Past EVOSTC Damage Assessment, Research, and Monitoring Activities and Lessons Learned**
- Dr. Robert Spies, Chief Scientist
  - Maybe others?
- 2:15 p.m.                    **Reactions to Draft GEM Science Program; How can this committee best help the GEM Science Program**
- Rupe Andrews (Public Advisory Group)
  - Kris Balliet (Environmental NGO perspective)
  - Torie Baker (Fishing community perspective)
  - xxx (oil and gas development – if we can find someone good)
  - Arlis Sturgulewski (general public)
  - Clarence Pautzke (federal agency manager perspective)
  - James Brady (state agency manager perspective)
- 3:15 p.m.                    Break
- 3:30 p.m.                    **Reactions to Draft GEM Science Program; How can this committee best help the GEM Science Program cont.; Community perspective**
- Gary Kompkoff, Village of Tatitlek, Community Facilitator
  - Pat Norman, Village of Port Graham, corporation president
  - Dave Cobb, Mayor, City of Valdez
- 4:00 p.m.                    **Public Comment Session** (“open mike”)  
(Those wishing to speak should sign in at the back table; please plan to take no more than 5 minutes)
- 5:00 p.m.                    Open Discussion/Questions
- 5:30 p.m.                    Recess
- 6:30 p.m.                    Committee working dinner

## FRIDAY, JUNE 16

### OPEN SESSION

- 8:30 a.m.                    Continental breakfast available in the meeting room
- 9:00 a.m.                    **Committee/EVOSTC Work Session: Discussion of GEM Science Program**  
Vision, Structure & Approach  
Program components  
    Leadership  
    Coordination  
    Traditional knowledge, community involvement, stewardship  
    Project administration & management  
    Data management  
    Public information

10:30 a.m.	Break
10:45 a.m.	<b>Scientific Background</b> Status of Gulf of Alaska monitoring & research GEM Conceptual Foundation Information gaps: needs and opportunities
12:15 p.m.	Lunch
1:30 p.m.	<b>Discussion of other monitoring programs as models: e.g., Gulf of Maine, northern Gulf of Mexico</b>
2:30 p.m.	Break
2:45 p.m.	<b>Open Discussion</b> <ul style="list-style-type: none"> <li>• Key questions the committee should address?</li> <li>• What information does the committee need?</li> <li>• How should we obtain it?</li> </ul>
3:30 p.m.	Open Session Ends

#### CLOSED SESSION

3:45 p.m.	<b>Committee Work Session: Review Tasks and Plan Study Strategy</b> <ul style="list-style-type: none"> <li>• Gain familiarity with the relevant body of scientific knowledge</li> <li>• Convene one or more information-gathering sessions where researchers, the public, and others can convey their perspectives</li> <li>• Review the general strategy proposed in the draft Science Program and make suggestions for improvement.</li> <li>• Review (once available) the draft Research and Monitoring Plan, including scope, structure, and quality of the approach proposed</li> </ul>
5:00 p.m.	Recess
6:00 p.m.	Committee Working Dinner

### **SATURDAY, JUNE 17**

#### CLOSED SESSION

8:30 a.m.	Continental breakfast available in the meeting room
9:00 a.m.	<b>Committee Work Session: Discussions and Planning</b> <ul style="list-style-type: none"> <li>• Outline key questions we should address</li> <li>• Draft report outline &amp; plan writing strategy</li> <li>• Plan additional guests/briefings/information needed</li> <li>• Plan how to solicit wider input from relevant communities</li> <li>• Assign research and writing tasks</li> <li>• Review study schedule; set dates for meetings 2 and 3</li> </ul>
11:30 a.m.	<b>Committee Business:</b> Is the committee properly constituted?

12:00 noon

Adjourn



# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

TO: Restoration Work Force

FROM: Molly McCammon  
Executive Director

RE: Small Parcel Program -- June 15 Deadline

DATE: May 23, 2000

Attached is an updated list of small parcels for which funds are currently designated. As I am sure you recall, any of these funds that are not spent by June 15, 2000 will be considered undesignated. At a meeting shortly after June 15 (date not yet set), the Trustee Council will decide whether to redesignate the funds to the same or other parcels or to some other purpose. **The purpose of this memo is to ask that you provide me, no later than June 15, 2000, a status description for each parcel on the attached list.**

Also attached is a list of additional parcels which might be considered by the Trustee Council for use of funds that are undesignated on June 15. **Please let me or Sandra Schubert know no later than June 15, 2000 if your agency would like any parcels added to the list.**

cc: Alex Swiderski, Alaska Department of Law  
Barry Roth, US Department of Interior

**SMALL PARCEL PROGRAM -- STATUS OF FUNDS**  
**MAY 22, 2000**

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**Amount of funds designated for small parcels through 2002:** **\$6,314,900**

Per TC's 3/1/99 resolution (includes \$500,000 for support costs).

This amount ("\$6.32 million") is also specified in Senator Murkowski's investment legislation.

**Funds already spent:** **(\$1,578,000)**

PWS 1056 / Blondeau	626.8
KAP 95 / Inga	84.0
KAP 134 / Ignatin	72.3
KAP 220 / Ayakulik	80.0
KAP 226 / Karluk Lag.	240.0
KEN 1052 / Salamatof	33.5
KEN 1084 / Morris	38.0
Support costs FY 00	373.5
Eyak support costs	29.9

**Total unspent:** **\$4,736,900**

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The \$4,736,900 unspent balance is currently designated as follows. At its 1/31/00 meeting, the TC decided that any of these funds still unspent as of 6/15/00 would be undesignated. The TC will then decide whether to redesignate the funds for the same or other parcels, or for some other purpose.

Purchase agreements signed but deals not closed:	<u>TOTAL</u>	<u>\$373.0</u>
KAP 126 / Christiansen: 3 Saints Bay		\$72.0
KAP 1089 / LBS Christensen		\$13.0
KAP 1090 / LBS Naumoff		\$16.0
KAP 1091 / LBS Easter		\$18.0
KAP 1092-07 & 2024 / 17 LBS parcels		\$254.0

Offers made but not yet accepted by landowners:	<u>TOTAL</u>	<u>\$300.0</u>
PWS 296-308 / 13 Tatitlek homesites		\$180.0
PWS 1028 / Valdez Duck Flats		\$120.0

Offers expired:	<u>TOTAL</u>	<u>\$1,979.0</u>
KAP 145 / Termination Point		\$1,865.0
KAP 2008-11,13,15,17 / 7 KIB tax parcels		\$102.0
KAP 2012 / KIB Brown's Lagoon		\$12.0

Funds earmarked but no offers made:	<u>TOTAL</u>	<u>\$2,084.9</u>
PWS 05,06,1010 / Duck Flats & Jack Bay		\$880.0
KEN 1086 / Stariski Creek		\$500.0
Larsen Bay Shareholder (LBS) balance		\$344.0
Kodiak Island Borough (KIB) Tax balance		\$238.7
Tatitlek homesites (balance)		\$25.6
Support costs balance (FY 01 & 02)		\$96.6

**SMALL PARCEL PROGRAM**  
**ADDITIONAL PROTECTION POSSIBILITIES**  
 updated May 22, 2000

NOTE: This list identifies those parcels that have been brought to the attention of the Restoration Office and that do not have funding earmarked in the TC's March 1, 1999 resolution.

**Small parcels, non-inholdings:**

KEN 146 / Hopkins (Kachemak Bay)      80 ac.      score 3  
 ADNR has requested (11/1/99) this be designated a Parcel Meriting Special Consideration

Tatitlek homesites      up to 225 ac.      PMSC  
 Additional Tatitlek homesite parcels, beyond what the \$205,600 allocated for this purpose will buy, may be available. The cost of purchasing all the additional homesites in Two Moon Bay and Snug Corner Cove, if they are available, would be roughly \$1.4 million.

KEN 293      Yager (Anchor River)      9.7 ac.      score 12  
 KEN 294      Elliot (Anchor River)      19.8 ac.      score 12  
 KEN 295      Brookwood (Anchor River)      60 ac.      score 12  
 ADFG has requested (5/22/00) that KEN 293 & 294 be designated Parcels Meriting Special Consideration.

**Small parcels, additional inholdings (but not Kodiak tax or Larsen Bay shareholder parcels):**

KEN 282	Beluga Slough AMNWR	10 ac.	score 1
KAP 278	Sturgeon Lagoon KNWR	3.7 ac.	score 1
KAP 279	Kaguyak Bay KNWR	160 ac.	score 3
KAP 280	Kaguyak Bay KNWR	160 ac.	score 1
KAP 281	Three Saints Bay KNWR	100 ac.	score 1
KAP 283	Chiniak Bay AMNWR	110.3 ac.	score 8
KAP 284	Portage Bay APNWR	25.3 ac.	score 3
KAP 285	Hook Bay APNWR	160 ac.	score 3
KAP 286	Hook Bay APNWR	35 ac.	score 3
KAP 287	Ivan Bay APNWR	160 ac.	score 3
KAP 288	Portage Bay APNWR	1.9 ac.	score 3
KAP 289	Wide Bay APNWR	2.1 ac.	score 3
KAP 290	Mitrofanina Bay APNWR	2.6 ac.	score 3
KAP 291	Cape Kuyuyukak APNWR	6.4 ac.	score 3
KAP 292	Wide Bay APNWR	625.8 ac.	score 3

These 15 parcels in the Kodiak, Alaska Peninsula, and Alaska Maritime national wildlife refuges were nominated by USFWS 3/1/00 (total 1,563 ac.; estimated value \$2.4 million). Landowners are in the process of being contacted.

KAP 1087 / Chokwak (Kiliuda Bay)	160 ac.	score 3
KAP 1256 / Erickson (Shearwater Bay)	120 ac.	score 3
KAP 2027 / Capjohn (Kiliuda Bay)	160 ac.	score 9

If the state/Old Harbor Native Corporation land exchange is completed, ADNR has indicated interest in acquiring some of the roughly 8-10 remaining inholdings in the Kiliuda Bay area. These 3 parcels have been nominated by the landowners. [NOTE: Appraisal of exchange lands was completed and reviewed 5/01. Government reviewers accepted appraisal but Old Harbor reviewers rejected it. Under state exchange regulations, Old Harbor has 60 days (till roughly 7/6/00) to submit a second appraisal.]

### **Large parcels:**

#### **Koniag conservation easement**

Extension of conservation easement from 12/15/01 to 10/15/02 would require \$300,000 payment on December 15, 2001.

#### **Sitkalidik conservation easement 65,000 ac.**

As part of the Old Harbor acquisition, the Old Harbor Native Corporation agreed to preserve 65,000 acres of land on nearby Sitkalidak Island as a private wildlife refuge. The corporation is seeking compensation for providing a stronger conservation easement than originally planned.

#### **Karluk Village Council package 1,800 ac.**

Karluk Village Council has hired Walt Ebell to begin discussions of protection of approximately 1,800 acres of Village Council lands, including the weir site (KAP 150). An additional 650 acres of Village Council lands, all within the Kodiak refuge, around Sturgeon, Grant, and Halibut lagoons might also be considered as part of this package. TC authorized ADNR to proceed with appraisal, hazardous materials survey, and title search 3/16/00.

### **Longer-term possibilities:**

#### **Spirit Lake**

DOI continues to be interested in the 9,070-acre Spirit Lake parcel in the Kenai refuge (estimated value \$4.5 million).

#### **Lesnoi, Inc.**

Lesnoi has reportedly expressed interest in pursuing development of a package that would include Termination Point, Long Island (KAP 1058), and potentially thousands of acres in the Chiniak area. Termination Point and Long Island are high priorities of ADNR.

#### **Other**

Over the long-term, it is possible that the remainder of Pauls and Laura lakes, Afognak Lake, additional AJV lands, and additional lands along the Kenai, Kasilof and Anchor rivers may become available. Additional inholdings within the national wildlife refuge system and the national parks (Lake Clark and Kenai Fjords) may also become available, as may other parcels, such as Middleton Island south of Prince William Sound.

\*\*\*\*\*  
\*\*\* MULTI TRANSACTION REPORT \*\*\*  
\*\*\*\*\*

TX/RX NO.

0830

INCOMPLETE TX/RX

TRANSACTION OK

[ 09] 19075867589

JUNEAU OFFICE

[ 13] 19077896608

BRUCE WRIGHT

[ 15] 2698918

CAROL FRIES

[ 16] 2672450

RITA MIRAGLIA

[ 17] 2713992

GIBBONS/HOLBROOK

[ 18] 2672464

C. SLATER

[ 20] 7863350

C. BERG

[ 21] 2572517

B. RICE

[ 22] 7863636

D. BOHN

[ 26] 2697508

MARIANNE SEE

[ 35] 19253737834

B. SPIES

[ 36] 2787022

ALEX-CRAIG

[ 45] 12022083877

B. ROTH

ERROR

Position of agencies to allow continued shore angling at the Stephanka Property:

<u>AGENCY</u>	<u>Signatures:</u> <u>APPROVE</u>	<u>DISAPPROVE</u>	<u>DATE</u>
EVOS Trustees Council	<u>Not applicable - see attached.</u>		<u>5/15/00</u>
Kenai Native Association	_____	_____	_____
K.R.S.M.A. Board	_____	_____	_____
U.S. Fish & Wildlife Service	_____	_____	_____

Please return this form to:

Mary King  
Alaska Department of Fish and Game  
43961 Kalifornsky Beach Road, Suite B  
Soldotna, AK 99669

## Molly McCammon

---

From: Alex Swiderski [Alex\_Swiderski@law.state.ak.us]  
Sent: Thursday, May 18, 2000 9:34 AM  
Subject: mollym@oilspill.state.ak.us  
Letter from Mary King

I have reviewed the April 27 letter from Mary King of ADF&G concerning Kenai River bank closures in the Stephanka parcel. I agree with you that this is an issue for the Fish and Wildlife Service and ADF&G. I do not think it needs council action.

Alex Swiderski  
Assistant Attorney General  
Office of the Attorney General  
1031 West Fourth Av. Suite 200  
Anchorage, AK 99501  
(907) 269-5274  
alex\_swiderski@law.state.ak.us



# STATE OF ALASKA

## DEPARTMENT OF FISH AND GAME

### DIVISION OF SPORT FISHERIES

TONY KNOWLES, GOVERNOR

34828 Kalifornsky Beach Road  
Soldotna, AK 99669  
PHONE: (907) 262-9368  
FAX: (907) 262-4709

RECEIVED

MAY 15 2000

EXXON VALDEZ OIL SPILL  
TRUSTEE COUNCIL

April 27, 2000

To concerned Agencies:

Many of you are aware that during the 1996 Alaska Board of Fisheries meetings the Division of Sport Fisheries, Alaska Department of Fish and Game, was given the assignment to assess shore angler impacts to the riparian habitats of the Kenai River to determine if this activity was causing a net loss of riparian habitat. The attachment to this letter provides a brief history of this project and recent concerns regarding the impacts that bank restoration projects and "bank closures to shore anglers" may have on the overall success of this research project.

Of particular interest in this correspondence is the Stephanka property. This property is located on the right (north) bank of the Kenai River at river mile 46, immediately upstream of Thompson's Hole. In 1997 ADF&G contacted the Kenai Native Association about use of this property in our habitat study. Permission was granted, the appropriate paperwork completed, and we have been conducting habitat assessment on this property annually. In 1999 this property was purchased by the U.S. Fish and Wildlife Service using EVOS monies with the intent to preserve and protect, in perpetuity, in order to restore, enhance, and rehabilitate natural resources injured by the Exxon Valdez oil spill, and the services, including restoration, tourism, and sport hunting and fishing, provided by those natural resources. The U.S. Fish and Wildlife Service, Kenai National Wildlife Refuge, is considering a bank fishing closure for the grassy riverbanks in the vicinity of river mile 46 for habitat protection and concern for potential cultural resources. However, the Kenai National Wildlife Refuge manager has agreed to continue to allow bank fishing in this area for research purposes pending concurrence by the principal parties involved in the land transfer to the U.S.F.W.S..

As explained in the attachment, the success of this project is contingent upon being able to assess shore angler impacts at high use sites (8 sites) as well as low use sites (4 sites). Our annual evaluation of the data includes correlating angler effort with habitat change for each of these 12 sites. As the number of sites is reduced so also is the statistical validity of the study. An inherent problem associated with this study is that 8 of our sites were selected due to higher levels of angler use and, as such, are often candidates for bank restoration and closure. It has been suggested that we add other sites to our study; we could do that but that actually would start a new baseline year for comparisons. Should this occur in 2000, the study would be set back 3 years. Presently, we are considering closure to certain phases of this study by August, 2002 (3 more field seasons for data collection).

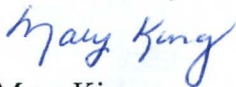


Presently, our data for habitat survey sites at this location shows that in the nearshore area of the riverbank there is a significant decrease in percent cover of vegetation within season (that is, before and after the fishery), but not between seasons (for example, June of 1998 to June of 1999). The latter would indicate that there has been no significant permanent loss of vegetation cover between years, i.e., the plants are annually recovering from trampling by human foot traffic, despite the apparent damage immediately following the fishery. We are asking for 6 years to complete this study (2002) because habitat changes resulting from shore angler impacts are very small and may require several years of cumulated results before a change is detected. These are very subtle changes to measure compared to impacts of heavy equipment, clear cutting, etc.

The Department requests that the principal parties support the tentative decision by U.S.F.W.S. to not close the riverbanks to shore angling, allowing completion of this research project in 2002. We suggest that the concerned parties review the status of this land annually to determine if there is immediate need for riverbank closure to shore angling. We also have concerns that there be no impacts to cultural sites that may be located on this property. If there are regulatory actions that we can enact to prevent impacts to these cultural sites, we would very much be open to suggestions. A good starting point may be to prohibit camping and fires.

Please give this your careful consideration and contact me if you have any further questions. After review, please sign the attached form indicating your agency's position.

Thank you,



Mary King  
Fisheries Biologist  
Project Leader, Kenai River Habitat Study


***Project: Assessment of Shore Angler Impacts to Kenai River Riparian Habitat***

Since 1996 the Department of Fish and Game has been conducting assessments of shore angler impacts to the riparian zone of the Kenai River. This project was implemented as a direct result of Board of Fisheries actions, 1996. At that time the BOF increased the inriver allocation of late-run sockeye salmon, thus providing increased sportfishing opportunity. Their concern with the increased allocation was that there may be increased shore angler traffic that would negatively impact riparian habitat and which may ultimately negatively effect the fisheries resources of the Kenai River. They directed the Department to assess impacts and report back to the BOF at the next scheduled meeting (1999). In that time period (1996-1998) the Department implemented several techniques for assessing angler impacts and we are now becoming more comfortable with the program begun in 1998, which also uses some assessment techniques begun in 1997. The project in its current status assesses vegetation changes, soil compaction, and bank erosion. These variables are correlated with estimates of angler effort at the specified habitat survey sites. At the 1999 BOF meeting, the Department was unable to provide conclusive information regarding shore angler impacts so the BOF instructed the Department to continue their assessment program and report back in 3 years.

By using the current approach, we hope to determine annual levels of bank erosion and if that is related to the level of angler use at specific locations. We also have permanent vegetation plots that were established in June, 1997. We assess the cover in these plots twice annually, immediately before and after the sportfishery for late-run sockeye salmon. This allows us to assess inseason change (June to August) and annual change (June to June). The latter comparison provides information on vegetative recovery. To date, results have shown a strong correlation inseason with percent loss of vegetative cover and level of angler use (high angler use relates to decreased vegetative cover and increase in cover of litter/bare ground). We have only been able to compare two annual cycles for recovery (June 1997 to June 1998 and June 1998 to June 1999) and there was no correlation between cover and angler use; thus, no significant permanent change in vegetative cover.

We are particularly satisfied with the results of the vegetation assessment being conducted in this project and believe that in time it will provide valuable information for future management of the sportfishery. Clearly, all are concerned about vegetation changes along the Kenai River yet there is an ever growing demand for providing shore angler access during the sportfishery for late-run sockeye salmon. Results from this vegetation assessment will provide information regarding vegetation tolerance to trampling and at what point (number of years) plant recovery is beginning to fail. This may provide adequate information for setting up a rotational approach to managing the "shore angler" fishery by allowing agencies to close areas to fishing before serious vegetation loss occurs, letting the area rest for a season or two, and then re-opening the area to bank fishing. Annually, some sites would be closed while others are being re-opened. This would reduce the need for putting "structure" along the bank and also provide adequate public access by reducing the number of permanent bank closures.

This brings us to the point of concern. In the world of habitat assessment, conclusive results usually take several years of assessment and at present we are only 2-3 years into using techniques which we believe will provide useful information for relating angler use



to changes in riparian habitat. During the last 6 months several situations were brought to my attention which concerned the future of this project as related to the sites where vegetation assessment is being conducted. Of the twelve sites where the vegetation assessment is being conducted several are being considered for closure to bank fishing or restoration:

1. Downstream of the Swiftwater Campground launch: Restoration occurring in 2000 will effect one site and there are future plans that will effect a second site.
2. Upstream of Slikok Creek: Restoration will impact one site and bank closure may impact another.
3. Upstream of Thompson's Hole: This is former Kenaitze Native Assoc. property which has been transferred to USFWS to be put in conservation status and thus intended to be closed to bank fishing. There are two sites at this location.

Of the twelve vegetation assessment sites, 8 were chosen to be high angler impact and 4 to be controls, low or no angler impact. All 6 sites mentioned above are high angler impact sites. Loss of these sites would yield too small of a sample size and result in failure of this phase of the study. It would necessitate starting at ground zero, setting the vegetation assessment back 3 years.

There is also an inherent problem associated with this project. Because we select sites that are receiving higher levels of angler impact, these are sites that are often considered for bank restoration or closure to be put in a conservation status. It has been suggested that as we lose sites we replace these with others. That can be done, but, again, this just sets the project back another year or more because of changes in sample size which decrease the validity of the study.

Cooperation by the various landowners may allow the Department to obtain the necessary data in a shorter time period that would ultimately provide information for an improved management strategy for the sportfishery for late-run sockeye salmon while minimizing shore angler impacts to the riparian zone.

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

TO: Marianne See  
ADEC Liaison

FROM: Molly McCammon  
Executive Director

RE: Authorization -- Project 99304 / Kodiak Island Borough Master Waste Management Plan

DATE: May 17, 2000

The purpose of this memorandum is to formally authorize expenditure of up to \$25,000 to implement Phase 1 of Project 99304/Kodiak Island Borough Master Waste Management Plan. Phase 1 consists of preparing a plan for NEPA compliance for all aspects of the project and developing memoranda of agreements with all of the project communities. All work must be performed consistent with the Detailed Project Description dated July 1, 1998.

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#### Federal Trustees

U.S. Department of the Interior  
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National Oceanic and Atmospheric Administration

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Alaska Department of Law

# Exxon Valdez Oil Spill Trustee Council


645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## MEMORANDUM

**TO:** Trustee Council

**THROUGH:** Molly McCammon  
Executive Director

**FROM:**   
Traci Cramer  
Administrative Officer

**DATE:** May 16, 2000

**RE:** Financial Report as of April 30, 2000

Attached is the Statement of Revenue, Disbursements and Fees, and accompanying notes for the *Exxon Valdez* Joint Trust Fund for the settlement period ending September 30, 2002, as of April 30, 2000. The following is a summary of the information incorporated in the notes and contained on the statement.

Liquidity Account Balance	\$58,888,565	
Plus: Other Adjustments (Note 5)	8,466,848	
Less: Restoration Reserve Adjustment (Note 6)	<u>-58,589,800</u>	
Liquidity Fund Balance		\$8,765,613

Restoration Reserve Accrued Value	\$39,472,622	
Plus: Liquidity Fund Adjustment (Note 6)	<u>58,589,800</u>	
Restoration Reserve Balance		\$98,062,422

<b>Joint Trust Fund as of April 30, 2000</b>		<b>\$106,828,035</b>
--	--	----------------------

Plus: Future Exxon Payments (Note 1)	\$140,000,000	
Less: Reimbursements (Note 3)	-7,500,000	
Less: Commitments (Note 7)	<u>-79,862,567</u>	
Uncommitted Balance		\$52,637,433

<b>Joint Trust Fund as of September 30, 2002</b>		<b>\$159,465,468</b>
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## Attachments

cc: Agency Liaisons  
Bob Baldauf

**Federal Trustees**  
U.S. Department of the Interior  
U.S. Department of Agriculture  
National Oceanic and Atmospheric Administration

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NOTES TO THE STATEMENT OF REVENUE, DISBURSEMENTS AND FEES  
FOR THE *EXXON VALDEZ* JOINT TRUST FUND  
FOR THE SETTLEMENT PERIOD ENDING SEPTEMBER 30, 2002  
As of April 30, 2000

1. Contributions - Pursuant to the agreement Exxon is to pay a total of \$900,000,000.

Received to Date	\$760,000,000
Future Payments	\$140,000,000

2. Interest Income - In accordance with the MOA, the funds are deposited in the United States District Court, Court Registry Investment System (CRIS). All deposits with CRIS are maintained in United States government treasury securities with maturities of 100 days or less. Total earned since the last report is \$312,505.
3. Reimbursement of Past Costs - Under the terms of the agreement, the United States and the State are reimbursed for expenses associated with the spill. The remaining reimbursements represent that amount due the State of Alaska.
4. Fees - CRIS charges a fee of 5% of earnings for cash management services. Total paid since the last report is \$15,625.
5. Other Adjustments - Under terms of the Agreement, both interest earned on previous disbursements and prior years unobligated funding or lapse are deducted from future court requests. Unreported interest and estimated lapse is summarized below.

	Interest	Lapse
United States	\$811,906	\$3,128,914
State of Alaska	\$2,188,171	\$2,337,857

6. Restoration Reserve/Liquidity Fund Adjustment - Includes the \$12,000,000 transfer approved for Fiscal Year 1998, plus \$1,575,000 in interest accrued since September 15, 1997, the \$12,000,000 transfer approved for Fiscal Year 1999, plus \$975,000 in interest accrued since September 15, 1998, and \$12,000,000 transfer approved for Fiscal Year 2000, plus \$375,000 in interest accrued since September 15, 1999. The proceeds from the securities that matured on November 15, 1998 and November 15, 1999 were deposited to the Liquidity Fund have also been included. This includes \$18,627,865, plus \$803,416 in interest, less \$50,569 in fees. Also included is \$284,088 for fees that were assessed against the Restoration Reserve prematurely and deposited in the Liquidity Fund.
7. Commitments - Includes \$2,531,000 for the Archaeological Repository and the following land payments.

<u>Seller</u>	<u>Amount</u>	<u>Due</u>
Afognak Joint Venture	\$23,025,833	October 2000
Eyak	\$18,000,000	September 2000 through 2002
Shuyak	\$8,000,000	October 2000 through 2001
Shuyak	\$11,805,734	October 2002
Koniag, Incorporated	\$16,500,000	September 2002

**STATEMENT OF REVENUE, DISBURSEMENT, AND FEES**  
**EXXON VALDEZ OIL SPILL JOINT TRUST FUND**  
As of April 30, 2000

	1997	1998	1999	To Date 2000	Cumulative Total
<b>REVENUE:</b>					
Contributions: (Note 1)					
Contributions from Exxon Corporation	70,000,000	70,000,000	70,000,000	0	760,000,000
Less: Credit to Exxon Corporation for Deposit of Maturing Securities			9,095,002	9,532,863	(39,913,688)
Total Contributions	70,000,000	70,000,000	79,095,002	9,532,863	18,627,865
Interest Income: (Note 2)					
Exxon Corporation escrow account					831,233
Joint Trust Fund Account	2,971,070	2,673,585	2,124,921	1,650,546	24,799,862
Total Interest	2,971,070	2,673,585	2,124,921	1,650,546	25,631,095
<b>Total Revenue</b>	<b>72,971,070</b>	<b>72,673,585</b>	<b>81,219,923</b>	<b>11,183,409</b>	<b>764,345,272</b>
<b>DISBURSEMENTS:</b>					
Reimbursement of Past Costs: (Note 3)					
State of Alaska	5,000,000	3,750,000	3,750,000	0	99,059,288
United States	0	0	0	0	69,812,045
Total Reimbursements	5,000,000	3,750,000	3,750,000	0	168,871,333
Disbursements from Liquidity Account:					
State of Alaska	17,846,130	15,686,600	62,457,990	1,502,800	252,438,718
United States	60,101,802	39,468,461	32,676,850	639,854	233,389,487
Transfer to the Restoration Reserve	12,449,552				48,445,783
Total Disbursements	90,397,484	55,155,061	95,134,840	2,142,654	534,273,988
<b>FEES:</b>					
U.S. Court Fees - Liquidity Account (Note 3)	254,221	199,946	250,528	82,527	2,311,386
<b>Total Disbursements and Fees</b>	<b>95,651,705</b>	<b>59,105,007</b>	<b>99,135,368</b>	<b>2,225,181</b>	<b>705,456,707</b>
<b>Increase (decrease) in Liquidity Account</b>	<b>(22,680,635)</b>	<b>13,568,578</b>	<b>(17,915,445)</b>	<b>8,958,228</b>	<b>58,888,565</b>
Liquidity Account Balance, beginning balance	76,957,839	54,277,204	67,845,782	49,930,337	
Liquidity Account Balance, end of period	54,277,204	67,845,782	49,930,337	58,888,565	
Other Adjustments: (Note 5)					8,466,847
Restoration Reserve Adjustment: (Note 6)					(58,589,800)
Liquidity Fund Balance					8,765,612
Restoration Reserve Balance					98,062,422
<b>Joint Trust Fund as of June 30, 1999</b>					<b>106,828,033</b>
Future Exxon Payments (Note 1)					140,000,000
Reimbursements (Note 3)					(7,500,000)
Commitments: (Note 7)					(79,862,567)
<b>Joint Trust Fund as of September 30, 2002</b>					<b>159,465,466</b>

**Statement 1**  
**Statement of Exxon Valdez Settlement Funds**  
**As of April 30, 2000**

Beginning Balance of Settlement	900,000,000
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Receipts:

Interest Earned on Exxon Escrow Account	337,111
Net Interest Earned on Joint Trust Fund (Note 1)	22,488,475
Interest Earned on United States and State of Alaska Accounts	8,473,986

Total Interest	31,299,572
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Disbursements:

Reimbursements to United States and State of Alaska	168,871,333
Exxon clean up cost deduction	39,913,688
Joint Trust Fund deposits	570,674,077

Total Disbursements	779,459,098
---------------------	-------------

Funds Available:

Exxon Future Payments	140,000,000
Current Year Payment	0
Balance in Liquidity Account	58,888,565
Other Adjustments (Note 2)	8,466,847
Pending Court Requests	0
Acquisition Commitments (Note 3)	(77,331,567)
Archaeological Repository (Note 4)	(2,531,000)
Alaska Sealife Center (Note 4)	0
Remaining Reimbursements	(7,500,000)
Restoration Reserve Accrued Value	39,472,622

Joint Trust Fund Balance as of September 30, 2002	159,465,466
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Note 1: Gross interest earned less District Court registry fees

Note 2: Adjustment for unreported interest earned and lapse

Note 3: Includes both current year and future year payments

Note 4: Other Authorizations

Footnote:



## Statement 2

### Cash Flow Statement Exxon Valdez Liquidity Account As of April 30, 2000

#### Receipts:

##### Exxon payments

December 1991	36,837,111	
December 1992	56,586,312	
September 1993	68,382,835	
September 1994	58,728,400	
September 1995	67,303,000	
September 1996	66,708,554	
September 1997	65,000,000	
September 1998	66,250,000	
Deposit of Maturing Securities	9,095,002	
September 1999	66,250,000	
Deposit of Maturing Securities	9,532,863	
Total Deposits	<u>570,674,077</u>	<u>570,674,077</u>
Interest Earned	24,799,862	
Total Interest	<u>24,799,862</u>	<u>24,799,862</u>
Total Receipts		<u>595,473,939</u>

#### Disbursements:

##### Court Requests

Fiscal Year 1992	12,879,700	
Fiscal Year 1993	27,634,994	
Fiscal Year 1994	50,554,653	
Fiscal Year 1995	89,989,597	
Fiscal Year 1996	74,388,774	
Fiscal Year 1997	77,947,932	
Fiscal Year 1998	55,155,061	
Fiscal Year 1999	95,134,840	
Fiscal Year 2000	2,142,654	
Total Requests	<u>485,828,205</u>	<u>485,828,205</u>
District Court Fees	<u>2,311,386</u>	<u>2,311,386</u>
Transfer to the Restoration Reserve		48,445,783
Total Disbursements		<u>536,585,374</u>
Balance in Joint Trust Fund		<u>58,888,565</u>

#### Footnote:

A total of \$48,445,783 has been disbursed from the Liquidity Account to the Restoration Reserve. Of the total, \$48,445,663 was used to purchase laddered securities. The difference of \$120 represents costs paid to the Federal Reserve Bank. An additional \$10 Federal Reserve Bank fees was assessed the Restoration Reserve on 11/17/97 for costs associated with the reinvestment of maturing securities.

Exxon Valdez Restoration Reserve								
Matured Securities/Outstanding Deposits								
As of April 30, 2000								
		Deposit	Adjustment	Earnings	Total			
November 15, 1998 Par Value		9,095,002	284,088					
November 15, 1999 Par Value		9,532,863	0					
Total of Matured Securities		18,627,865	284,088	752,847	19,664,800			
Fiscal Year 1998 Deposit		12,000,000		1,575,000	13,575,000			
Fiscal Year 1999 Deposit		12,000,000		975,000	12,975,000			
Fiscal Year 2000 Deposit		12,000,000		375,000	12,375,000			
Total of Outstanding Deposits		36,000,000		2,925,000	38,925,000			
Total Included in Liquidity Account					58,589,800			
Reserve Portfolio Accrued Value					39,472,622			
Total Accrued Value of the Restoration Reserve					98,062,422			
Interest/Fees associated with the 1998 Security:								
	Reserve	Liquidity	Total	Reserve	Liquidity	Total	Reserve	Liquidity
Period	Balance	Balance	Interest	Interest	Interest	Fees	Fees	Fees
11/19/98 - 11/26/98	9,095,002	47,795,857	40,418	7,691	32,727	4,273	813	3,460
12/10/98 - 12/16/98	9,113,858	48,059,641	26,436	5,013	21,423	2,937	557	2,380
adjustment	284,088							
12/17/98 - 12/23/98	9,402,403	48,089,227	29,586	5,785	23,802	3,287	643	2,645
12/24/98 - 12/30/98	9,407,545	48,117,048	27,821	5,439	22,382	3,091	604	2,487
11/12/99 - 11/17/99	9,726,466	50,222,386	47,265	9,154	38,111	2,488	482	2,006
November 15, 1999 Par Value	9,532,863							
1/20/00 - 1/26/00	19,405,259	58,925,192	55,979	18,435	37,544	2,946	970	1,976
3/16/00 - 3/22/00	19,536,208	58,837,806	52,306	17,367	34,939	2,753	914	1,839
3/23/00 - 3/29/00	19,552,662	58,895,985	58,179	19,315	38,864	3,062	1,017	2,045
3/30/00 - 4/05/00	19,570,960	58,649,741	58,056	19,373	38,683	3,056	1,020	2,036
4/06/00 - 4/12/00	19,589,313	58,707,961	58,219	19,426	38,793	3,064	1,022	2,042
4/13/00 - 4/19/00	19,607,717	58,767,461	59,500	19,852	39,648	3,132	1,045	2,087
4/20/00 - 4/26/00	19,626,524	58,826,637	59,176	19,743	39,433	3,115	1,039	2,075
4/27/00 - 5/03/00	19,645,228	58,888,565	61,928	20,659	41,269	3,259	1,087	2,172
Total				803,416	2,138,156		50,569	137,777

Schedule of Payments from Exxon								
As of April 30, 2000								
	September 93	September 94	September 95	September 96	September 97	September 98	September 99	Total
Reimbursements:								
United States								
FFY92	0							24,726,280
FFY93	11,617,165							36,117,165
FFY94	0	6,271,600						6,271,600
FFY95	0		2,697,000					2,697,000
Total United States	11,617,165	6,271,600	2,697,000	0	0	0	0	69,812,045
State of Alaska								
General Fund:								
FFY92	0							25,313,756
FFY93	0							16,685,133
FFY94	14,762,703							14,762,703
FFY95	0	0						0
Mitigation Account:								
FFY92	0							3,954,086
FFY93	0							12,314,867
FFY94	5,237,297	5,000,000						10,237,297
FFY95 (Prevention Account)	0		0					0
FFY96 (Prevention Account)				3,291,446				3,291,446
FFY97 (Prevention Account)					5,000,000			5,000,000
FFY98 (Prevention Account)						3,750,000		3,750,000
FFY99 (Prevention Account)							3,750,000	3,750,000
Total State of Alaska	20,000,000	5,000,000	0	3,291,446	5,000,000	3,750,000	3,750,000	99,059,288
Total Reimbursements	31,617,165	11,271,600	2,697,000	3,291,446	5,000,000	3,750,000	3,750,000	168,871,333

	September 93	September 94	September 95	September 96	September 97	September 98	September 99	Total
Deposits to Joint Trust Fund								
FFY92	0							36,837,111
FFY93	68,382,835							124,969,147
FFY94	0							0
FFY95	0	58,728,400	67,303,000					126,031,400
FFY96				66,708,554				66,708,554
FFY97					65,000,000			65,000,000
FFY98						66,250,000	66,250,000	132,500,000
Total Deposits to Joint Trust Fund	68,382,835	58,728,400	67,303,000	66,708,554	65,000,000	66,250,000	66,250,000	552,046,212
Exxon clean up cost deduction	0	0	0	0	0	0	0	39,913,688
Total Payments	100,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	690,831,233
Remaining Exxon payments to be made:								
September 1994								
September 1995								
September 1996								
September 1997								
September 1998								
September 1999								
September 2000		70,000,000						
September 2001		70,000,000						
		140,000,000						
<p>The December 1991 payment includes interest accrued on the escrow account. The actual disbursements without interest was \$24.5 million to the United States, \$29 million to the State of Alaska and \$36.5 million to the Joint Trust Fund. The total interest earned on the escrow account was \$831,233 which was disbursed proportionately. This included \$226,280 to the United States, \$267,842 to the State of Alaska and \$337,111 to the Joint Trust Fund.</p> <p>The September 1994 reimbursement to the United States included an over-payment of \$80,700 to NOAA. This over-payment is a direct result of final costs for damage assessment activities being lower than what was previously estimated. The funds were returned to the Joint Account by reducing the amount transferred to the United States in Court Request number 15.</p>								

**Schedule of Disbursements**  
**Exxon Valdez Liquidity Account**  
**As of April 30, 2000**

	United States	State of Alaska	Court Request Total	Court Fees	Disbursements Total
Total Fiscal Year 1992	6,320,500	6,559,200	12,879,700	23,000	12,902,700
Total Fiscal Year 1993	9,105,881	18,529,113	27,634,994	154,000	27,788,994
Total Fiscal Year 1994	6,008,387	44,546,266	50,554,653	364,000	50,918,653
Total Fiscal Year 1995	48,019,928	41,969,669	89,989,597	586,857	90,576,454
Court Request 17		3,294,667	3,294,667		
Court Request 18	8,000,000		8,000,000		
Court Request 19	3,222,224	1,968,898	5,191,122		
Restoration Reserve Transfer			35,996,231		
Court Request 20		8,000,000	8,000,000		
Court Request 21	1,007,000	5,520,500	6,527,500		
Court Request 22	18,818,600	24,556,885	43,375,485		
Total Fiscal Year 1996	31,047,824	43,340,950	110,385,004	396,307	110,781,312
Court Request 23	2,613,500	0	2,613,500		
Court Request 24	176,500	3,075,625	3,252,125		
Court Request 25	785,859	442,833	1,228,692		
Court Request 26	24,154,000	530,000	24,684,000		
Court Request 27	324,700	1,470,900	1,795,600		
Restoration Reserve Transfer			12,449,552		
Court Request 28	0	2,627,000	2,627,000		
Court Request 29	5,919,169	5,699,772	11,618,941		
Court Request 30	26,128,074	4,000,000	30,128,074		
Total Fiscal Year 1997	60,101,802	17,846,130	90,397,484	254,221	90,651,705
Court Request 31	445,200	643,800	1,089,000		
Court Request 32	464,300	996,100	1,460,400		
Court Request 33	14,150,000		14,150,000		
Court Request 34	4,000,000		4,000,000		
Court Request 35	20,408,961	14,046,700	34,455,661		
Court Request 35 Correction					
Total Fiscal Year 1998	39,468,461	15,686,600	55,155,061	199,946	55,355,007
Court Request 35 Correctio	-300		-300		
Court Request 36		29,520,000	29,520,000		
Court Request 37	13,000,000		13,000,000		
Court Request 38	451,100	1,613,200	2,064,300		
Court Request 39	156,300		156,300		
98180 Revenue Adjustment	21,400	-21,400	0		
Court Request 40	4,951,500	4,858,800	9,810,300		
Court Request 41	14,096,850	26,487,390	40,584,240		
Total Fiscal Year 1999	32,676,850	62,457,990	95,134,840	250,528	95,385,368
Court Request 42	100,500	1,235,800	1,336,300		
Court Request 43	425,254	76,800	502,054		
Court Request 44	114,100	190,200	304,300		
Total Fiscal Year 2000	639,854	1,502,800	2,142,654	82,527	2,225,181
<b>Total</b>	<b>233,389,487</b>	<b>252,438,718</b>	<b>534,273,988</b>	<b>2,311,386</b>	<b>536,585,374</b>

**Exxon Valdez Liquidity Account**  
**Interest Earned/District Court Registry Fees**  
**As of April 30, 2000**

	FFY 1994	FFY 1995	FFY 1996	FFY 1997	FFY 1998	FFY 1999	FFY 2000	Total
Earnings Deposits	33,476	55,809						138,092
Earnings Allocated:								
1991								28,704
1992								1,080,309
1993	1,461,736							2,100,915
1994	1,876,788	1,402,938						3,279,726
1995		3,661,063	1,202,209					4,863,272
1996			2,364,556	810,894				3,175,451
1997				1,905,955	653,461			2,559,416
1998					1,820,177	695,964		2,516,141
1999						1,178,429	597,184	1,775,614
2000							970,834	970,834
Total	3,338,524	5,064,001	3,566,766	2,716,849	2,473,639	1,874,393	1,568,019	22,350,383
Total Earnings	3,372,000	5,119,809	3,566,766	2,716,849	2,473,639	1,874,393	1,568,019	22,488,475
Registry Fees:								
1991								3,189
1992								120,034
1993	179,658							233,435
1994	184,342	180,072						364,414
1995		406,785	133,579					540,364
1996			262,729	90,099				352,828
1997				164,121	52,983			217,105
1998					146,962	166,171		313,134
1999						84,357	31,431	115,787
2000							51,097	51,097
Total	364,000	586,857	396,307	254,221	199,946	250,528	82,527	2,311,386
Gross Earnings	3,736,000	5,706,667	3,963,073	2,971,070	2,673,585	2,124,921	1,650,546	24,799,862

Schedule of Interest Earned on United States and State of Alaska Accounts As of April 30, 2000			
	State of Alaska EVOSS Account	United States NRDA& R	Total
July 1996	128,195		128,195
August 1996	106,079		106,079
September 1996	110,890	29,042	139,933
October 1996	181,598		181,598
November 1996	162,806		162,806
December 1996	153,991	71,093	225,084
January 1997	147,934		147,934
February 1997	125,137		125,137
March 1997	131,457	24,374	155,831
April 1997	122,111		122,111
May 1997	114,954		114,954
June 1997	99,811	368,523	468,334
July 1997	221,906		221,906
August 1997	36,898		36,898
September 1997	159,695	38,289	197,984
October 1997	119,195		119,195
November 1997	49,120		49,120
December 1997	92,204	130,183	222,387
January 1998	120,038		120,038
February 1998	29,888		29,888
March 1998	59,202	76,715	135,917
April 1998	55,222		55,222
May 1998	59,406		59,406
June 1998	50,136	74,613	124,749
July 1998	37,215		37,215
August 1998	78,178		78,178
September 1998	157,591	(44,921)	112,670
October 1998	61,084		61,084
November 1998	(16,484)		(16,484)
December 1998	74,639	87,633	162,272
January 1999	80,222		80,222
February 1999	(78,738)		(78,738)
March 1999	101,632	172,530	274,162
April 1999	58,096		58,096
May 1999	(12,282)		(12,282)
June 1999	37,975	94,821	132,797
July 1999	28,764		28,764
August 1999	37,133		37,133
September 1999	147,627	100,380	248,007
October 1999	80,400		80,400
November 1999	40,543		40,543
December 1999	25,243	64,447	89,690
January 2000	16,945		16,945
February 2000	87,023		87,023
March 2000	98,264	124,514	222,779
April 2000	36,287		36,287
Total	6,583,217	1,890,769	8,473,986
NOTE: The \$117,178 NRDA&R interest figure is cumulative.			
Interest was earned for the period July 1992 through June 1996, but the specific amounts have been hidden to allow the spreadsheet to print on one page.			

**Schedule of Interest Adjustments to the Court Requests  
As of April 30, 2000**

Court Request	United States	State of Alaska	Total	Comments
Court Request 2	39,871	80,775	120,646	
Court Request 3	3,648	35,012	38,660	
<b>Total Fiscal Year 1993</b>	<b>43,519</b>	<b>115,787</b>	<b>159,306</b>	
Court Request 5	51,231	64,944	116,175	
Court Request 6	22,427	180,536	202,963	
Court Request 7		58,554	58,554	
<b>Total Fiscal Year 1994</b>	<b>73,658</b>	<b>304,034</b>	<b>377,692</b>	
Court Request 8	34,621	52,823	87,444	
Court Request 9		117,838	117,838	
Court Request 10	37,618	44,291	81,909	
Court Request 13	3,849	320,837	324,686	
Court Request 15	63,226	449,634	512,860	
<b>Total Fiscal Year 1995</b>	<b>139,314</b>	<b>985,423</b>	<b>1,124,737</b>	
Court Request 19	48,676	262,202	310,878	
Notice 1	37,100	300	37,400	
Notice 2	26,600	289,400	316,000	
Court Request 22	109,666	934,433	1,044,099	
<b>Total Fiscal Year 1996</b>	<b>222,042</b>	<b>1,486,335</b>	<b>1,708,377</b>	
Court Request 25	29,041	398,567	427,608	
Court Request 26a		275,700	275,700	
Court Request 29	463,989	782,501	1,246,490	
<b>Total Fiscal Year 1997</b>	<b>493,030</b>	<b>1,456,768</b>	<b>1,949,798</b>	
Court Request 34a	19,000	8,700	27,700	
Court Request 35	300		300	
<b>Total Fiscal Year 1998</b>	<b>19,300</b>	<b>8,700</b>	<b>28,000</b>	
<b>Total Fiscal Year 1999</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Notice 3	88,000	38,000	126,000	
<b>Total Fiscal Year 2000</b>	<b>88,000</b>	<b>38,000</b>	<b>126,000</b>	
Adjustments to Date	1,078,863	4,395,047	5,473,910	
Total Interest Reported	1,890,769	6,583,217	8,473,986	linked to the Int Acct spreadsheet
Unallocated Interest	811,906	2,188,171	3,000,076	

Footnote: The Total Interest Reported is linked to the INT Acct spreadsheet



**Schedule of Lapse Adjustments to the Court Requests  
As of April 30, 2000**

<u>Court Request</u>	<u>United States</u>	<u>State of Alaska</u>	<u>Total</u>
Court Request 6	3,106,555	3,661,600	6,768,155
<b>Total Fiscal Year 1994</b>	<b>3,106,555</b>	<b>3,661,600</b>	<b>6,768,155</b>
Court Request 15	220,858	2,376,950	2,597,808
<b>Total Fiscal Year 1995</b>	<b>220,858</b>	<b>2,376,950</b>	<b>2,597,808</b>
Court Request 22	1,165,334	2,500,448	3,665,782
<b>Total Fiscal Year 1996</b>	<b>1,165,334</b>	<b>2,500,448</b>	<b>3,665,782</b>
Court Request 29	1,102,442	3,549,927	4,652,369
<b>Total Fiscal Year 1997</b>	<b>1,102,442</b>	<b>3,549,927</b>	<b>4,652,369</b>
Adjustments to Date	5,595,189	12,088,925	17,684,114
Total Reported thru FY99	8,724,103	14,426,782	23,150,885
<b>Unallocated Lapse</b>	<b>3,128,914</b>	<b>2,337,857</b>	<b>5,466,771</b>

**Schedule of Work Plan Authorizations and Other Authorizations**

	FFY 92	FFY 93	FFY 96	FFY 97	FFY 98	FFY 99	FFY 00	Total
<b>Work Plan Authorizations</b>								
<b>United States:</b>								
June 15, 1992	6,320,500	0						
January 25, 1993	0	3,113,900						
January 25, 1993	0	6,035,500						
November 10, 1993	0	0						
November 30, 1993	0	0						
June 1994								
June 1994								
July 1994								
Carry Forward Authorization								
August 1994								
November 1994								
December 1994								
March 1995								
August 1995			6,238,800					
December 1995			3,270,900					
January 1996			150,000					
April 1996			478,000					
May 1996			15,200					
June 1996			23,000					
August 1996				7,923,700				
December 1996				310,900				
February 1997				0				
May 1997				0				
August 1997				85,000	7,263,600			
December 1997					445,200			
June 1998					(39,200)			
August 1998						5,397,700		
December 1998						451,100		
May 1999								
August 1999						91,700	4,859,800	
December 1999 (CR#42)							85,500	
January 2000 (CR#43)							197,400	
March 2000 (CR#44)								
<b>Total</b>	<b>6,320,500</b>	<b>9,149,400</b>	<b>10,175,900</b>	<b>8,319,600</b>	<b>7,669,600</b>	<b>5,940,500</b>	<b>5,142,700</b>	<b>68,714,200</b>

**Schedule of Work Plan Authorizations and Other Authorizations**

	FFY 92	FFY 93	FFY 96	FFY 97	FFY 98	FFY 99	FFY 00	Total
<b>Work Plan Authorizations</b>								
<b>State of Alaska</b>								
June 15, 1992	6,559,200	0						
January 25, 1993	0	3,574,000						
January 25, 1993	0	7,570,900						
November 30, 1993	0	0						
June 1994								
June 1994								
July 1994								
Carry Forward Authorization								
August 1994								
November 1994								
December 1994								
March 1995								
August 1995			12,653,600					
December 1995			2,231,100					
April 1996			500,000					
May 1996			300					
June 1996			0					
August 1996				11,606,300				
December 1996				310,400				
February 1997				275,700				
May 1997				0				
August 1997				(85,000)	9,393,200			
December 1997					643,800			
June 1998					66,900			
August 1998						8,131,400		
December 1998						1,613,200		
January 1999						12,700		
May 1999								
August 1999						(13,000)	4,871,800	
December 1999 (CR#42)							624,000	
January 2000 (CR#43)							76,800	
March 2000 (CR#44)								
<b>Total</b>	<b>6,559,200</b>	<b>11,144,900</b>	<b>15,385,000</b>	<b>12,107,400</b>	<b>10,103,900</b>	<b>9,744,300</b>	<b>5,572,600</b>	<b>105,204,900</b>

**Schedule of Work Plan Authorizations and Other Authorizations**

	FFY 92	FFY 93	FFY 96	FFY 97	FFY 98	FFY 99	FFY 00	Total
<b>Other Authorizations</b>								
United States:								
Orca Narrows (6/94)								3,450,000
Eyak Limited Conservation Easement								200,000
Eyak					27,096,850	29,854		27,126,704
Kodiak National Wildlife Refuge (3/95, 9/95 AKI)			7,500,000	7,500,000				36,000,000
Kodiak National Wildlife Refuge (3/95, 9/95 Old Harbor)								11,250,000
Koniag			12,500,000	4,500,000		4,500,000		21,500,000
Small Parcels			379,000	3,740,200	4,464,300	156,300	286,000	9,025,800
Chenega Land Acquisition				24,000,000				24,000,000
Chenega-Area Oiling Reduction			3,600	157,400	182,000			343,000
Tatitlek					24,719,461			24,719,461
English Bay				14,128,074				14,128,074
<b>Total</b>			20,382,600	54,025,674	29,365,761	31,753,150	315,854	171,743,039
<b>State of Alaska:</b>								
Kachemak Bay State Park (1/95)		7,500,000						7,500,000
Alutiiq Repository (11/93)		1,500,000						1,500,000
Seal Bay (11/93,11/94,11/95,11/96)			3,294,667	3,075,625				39,549,334
Shuyak (3/96, 10/96 - 10/02)			8,000,000	2,194,266	4,000,000	4,000,000	4,000,000	22,194,266
Afognak Joint Ventures (10/98)						50,357,990		50,357,990
Koniag Subsurface						750,000		750,000
Small Parcels			5,020,500	3,738,000	996,100	770,000	664,800	11,189,400
Alaska SeaLife Center			12,456,000					24,956,000
Chenega-Area Oiling Reduction			0	1,732,000				1,732,000
Alaska SeaLife Center Fish Pass				545,600				545,600
Alaska SeaLife Center Equipment				724,000				724,000
Sound Waste Management Plan				1,167,900		1,857,100		3,025,000
Archaeological Repository							129,400	129,400
<b>Total</b>		9,000,000	28,771,167	13,177,391	4,996,100	57,735,090	4,664,800	164,023,590
<b>Total Other Authorizations</b>	0	9,000,000	49,153,767	67,203,065	34,361,861	89,488,240	4,980,654	335,766,629
<b>Total Work Plan Authorizations</b>	12,879,700	20,294,300	25,560,900	20,427,000	17,773,500	15,684,800	10,715,300	173,919,100
<b>Restoration Reserve</b>			35,996,231	12,449,552	0	0	0	48,445,783
<b>Total Authorized</b>	12,879,700	29,294,300	110,710,897	100,079,617	52,135,361	105,173,040	15,695,954	558,131,512

**Exxon Valdez |      toration Reserve**  
**For the period ending April 30, 2000**

	Matured	Purchase Date	Maturity Date	Unit Cost	Bond Yield	Holding Period	Par Value	Purchase Price	Projected Interest	Daily Accrual	Interest Accrued	Fees Accrued
A1	YES	02/15/96	11/15/97	92.014982	4.820%	639	6,520,000	5,999,376.83	520,623.17	814.75	520,623.17	52,062.32
A2	YES	02/15/96	11/15/98	87.582363	4.885%	1004	6,850,000	5,999,391.87	850,608.13	847.22	850,608.13	85,060.81
A3	YES	02/15/96	11/15/99	82.953778	5.050%	1369	7,232,000	5,999,217.22	1,232,782.78	900.50	1,232,782.78	61,639.14
A4		02/15/96	11/15/00	78.462785	5.175%	1735	7,646,000	5,999,264.54	1,646,735.46	949.13	1,458,808.30	72,940.42
A5		02/15/96	11/15/01	73.993112	5.310%	2100	8,108,000	5,999,361.52	2,108,638.48	1,004.11	1,543,322.54	77,166.13
A6		02/15/96	11/15/02	69.640845	5.435%	2465	8,615,000	5,999,558.80	2,615,441.20	1,061.03	1,630,804.51	81,540.23
B1	YES	06/19/97	11/15/98	92.238000	5.835%	514	2,245,000	2,070,743.10	174,256.90	339.02	174,256.90	17,425.69
B2	YES	06/19/97	11/15/99	86.555000	6.095%	879	2,397,000	2,074,723.35	322,276.65	366.64	322,276.65	16,113.83
B3		06/19/97	11/15/00	81.242000	6.195%	1245	2,554,000	2,074,920.68	479,079.32	384.80	402,888.39	20,144.42
B4		06/19/97	11/15/01	76.141000	6.285%	1610	2,725,000	2,074,842.25	650,157.75	403.82	422,804.45	21,140.22
B5		06/19/97	11/15/02	71.628000	6.270%	1975	2,896,000	2,074,346.88	821,653.12	416.03	435,580.16	21,779.01
B6		06/19/97	11/15/03	66.930000	6.360%	2340	3,106,000	2,079,915.79	1,026,084.21	438.50	459,106.91	22,955.35
C1		11/17/97	11/15/04	66.629000	5.890%	2555	9,281,000	6,183,837.49	3,097,162.51	1,212.20	1,086,128.22	54,306.41
											10,539,991.12	604,273.97
Status:						Deposits:				FRB		
A1 The proceeds were reinvested 11/17/97 (C1).						FY 96 (Securities A1-A6)				35,996,170.78	60.00	
A2 The proceeds were deposited into the Liquidity Account.						FY 97 (Securities B1-B6)				12,449,492.05	60.00	
A3 The proceeds were deposited into the Liquidity Account.						FY 98				10.00		
						Principal				48,445,662.83		
B1 The proceeds were deposited into the Liquidity Account.						Gross Earnings				10,539,991.12	Fees to Date	Unpaid Fees
B2 The proceeds were deposited into the Liquidity Account.						Less: 1998/1999 Securities				18,724,011.76 (Par)	151,404.12	452,869.85
						Less: 11/97 Fee				336,150.75		
						Book Value				39,925,491.44		
						Less: Unpaid Fees				452,869.85		
Average CRIS Liquidity Yield				5.72%		Net				39,472,621.60		
						Pending Deposits				58,589,800.32		
						Balance				98,062,421.92	130.00	
						Prior Period				97,651,297.75		
						Net Change				411,124.17		

	Principal	Adjustment	Interest	Total
FY 1998 Deposit	12,000,000	0	1,575,000	13,575,000
1998/1999 Par Value	18,627,865	284,088	752,847	19,664,800
FY 1999 Deposit	12,000,000	0	975,000	12,975,000
FY 2000 Deposit	<u>12,000,000</u>	<u>0</u>	<u>375,000</u>	<u>12,375,000</u>
Liquidity Account Total	54,627,865	284,088	3,677,847	58,589,800
Fiscal Year 1998 Contribution				
Period Ending	Principal	Interest @ 5%	Total Transfer	
September-97	12,000,000	25,000	12,025,000	
October-97	12,000,000	75,000	12,075,000	
November-97	12,000,000	125,000	12,125,000	
December-97	12,000,000	175,000	12,175,000	
June-99	12,000,000	1,075,000	13,075,000	
July-99	12,000,000	1,125,000	13,125,000	
August-99	12,000,000	1,175,000	13,175,000	
September-99	12,000,000	1,225,000	13,225,000	
October-99	12,000,000	1,275,000	13,275,000	
November-99	12,000,000	1,325,000	13,325,000	
December-99	12,000,000	1,375,000	13,375,000	
January-00	12,000,000	1,425,000	13,425,000	
February-00	12,000,000	1,475,000	13,475,000	
March-00	12,000,000	1,525,000	13,525,000	
April-00	12,000,000	1,575,000	13,575,000	
May-00	12,000,000	1,625,000	13,625,000	
June-00	12,000,000	1,675,000	13,675,000	
July-00	12,000,000	1,725,000	13,725,000	
August-00	12,000,000	1,775,000	13,775,000	
September-00	12,000,000	1,825,000	13,825,000	
Fiscal Year 1999 Contribution				
Period Ending	Principal	Interest @ 5%	Total Transfer	
September-98	12,000,000	25,000	12,025,000	
October-98	12,000,000	75,000	12,075,000	
November-98	12,000,000	125,000	12,125,000	
December-98	12,000,000	175,000	12,175,000	
July-99	12,000,000	525,000	12,525,000	
August-99	12,000,000	575,000	12,575,000	
September-99	12,000,000	625,000	12,625,000	
October-99	12,000,000	675,000	12,675,000	
November-99	12,000,000	725,000	12,725,000	
December-99	12,000,000	775,000	12,775,000	
January-00	12,000,000	825,000	12,825,000	
February-00	12,000,000	875,000	12,875,000	
March-00	12,000,000	925,000	12,925,000	
April-00	12,000,000	975,000	12,975,000	

May-00	12,000,000	1,025,000	13,025,000	
June-00	12,000,000	1,075,000	13,075,000	
July-00	12,000,000	1,125,000	13,125,000	
August-00	12,000,000	1,175,000	13,175,000	
September-00	12,000,000	1,225,000	13,225,000	
Fiscal Year 2000 Contribution				
Period Ending	Principal	Interest @ 5%	Total Transfer	
September-99	12,000,000	25,000	12,025,000	
October-99	12,000,000	75,000	12,075,000	
November-99	12,000,000	125,000	12,125,000	
December-99	12,000,000	175,000	12,175,000	
January-00	12,000,000	225,000	12,225,000	
February-00	12,000,000	275,000	12,275,000	
March-00	12,000,000	325,000	12,325,000	
April-00	12,000,000	375,000	12,375,000	
May-00	12,000,000	425,000	12,425,000	
June-00	12,000,000	475,000	12,475,000	
July-00	12,000,000	525,000	12,525,000	
August-00	12,000,000	575,000	12,575,000	
September-00	12,000,000	625,000	12,625,000	

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 15, 2000

Mr. Tim Tomastik  
NOAA Public Affairs  
14<sup>th</sup> & Pennsylvania NW Rm 6013  
Washington, D.C. 20230


Dear Mr. Tomastik;

Enclosed are two copies of the certificate to be presented to Steve Pennoyer upon his retirement as Alaska regional director of NMFS. Please have Dr. Baker sign both copies. This will give us a backup in case there is an error in getting the other signatures.

Please return the certificates via FedEx using the envelope provided. The address label is already filled out using our FedEx number.

Thank you for your assistance in this project.

Sincerely

  
Joe Hunt  
Communications Coordinator

---

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 8, 2000

Enclosed is a copy of the draft Gulf Ecosystem Monitoring (GEM) Science Program that has been sent to the National Research Council (NRC) for its review. This document provides the foundation for a long-term research and monitoring effort in the northern Gulf of Alaska. The *Exxon Valdez* Oil Spill Trustee Council has endowed the GEM program as a legacy of its mission to restore the fish and wildlife resources injured by the 1989 *Exxon Valdez* oil spill. It was drafted with guidance from a wide assortment of scientists, agency biologists and managers, and members of the public.

The draft GEM Science Program is not itself a research and monitoring plan. Rather, it provides the overall processes, policies and foundation for such a plan. The actual research and monitoring plan will be developed using a collaborative approach that began more than a year ago and will intensify over the next six months, pulling in stakeholders from the spill-impacted region, federal and state resource managers, and scientific experts from representative disciplines across the marine ecosystem.

Our current schedule calls for the NRC to begin its review of the draft Science Program document this month, with an interim report due in February 2001. The Trustee Council is expected to deliver a draft GEM Research and Monitoring Plan to the NRC in March 2001. A final report on both that plan and the original Science Program document is expected by November 2001.

If you have comments on this draft document, please share them with us. You can do so by writing us at this e-mail address: [gem@oilspill.state.ak.us](mailto:gem@oilspill.state.ak.us) or by calling us at 907-278-8012 or toll-free in Alaska at 1-800-478-7745 or outside Alaska at 1-800-283-7745.

Sincerely,

Molly McCammon  
Executive Director

Enclosure

mm/raw

---

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✓ Molly  
✓ Phil  
✓ Sandra  
✓ Joe

# GEM distribution - printed version (can also send <sup>extra</sup> Xeroxed versions)

Restoration Office	10
molly Phil Sandra	Joe + 5 extra
X NRC	20
X TC -	6
Craig Marilyn <del>Barry</del>	Michelle Frank Steve Dave
X RWF	8
Carol Catherine Dee Dee	Bud Ken Claudia
	Marianne Bruce
	Harver?
Attorneys	4
Martin Gina	Barry Alex

✓ ARJIS - a couple reference copies

X PAG 19.

might ask Hugh to ask each if they want a copy

X Community Facilitators ?  
Peer reviewers - 5

Others  
Pete Peterson  
George Rose  
Alan Sprung  
fish guy  
Steve Breland

Jim Ayers + John Sisk

David Benton

Mark Lloyd - Suicide center

Guy Thomas - PWSSE

Scott Smiley - Kodak center

Mead Treadwell

Walt Parker

Congressional staff - 5  
Stevens  
young  
Murd.

Anna Kettner

Bob Spies - 2

Ad hoc work group members

Stan Senn  
Hal Batchelder  
Jim Bohin

Henry Hinder  
David Sims  
Golden Kruse

John Pina  
Genna Van Blum  
Jesp Rice

10  
Jeff Shurt

(over)

CDFFU  
Who?

Dan Ogg  
Chris Blackburn  
Clarence  
Pautzke  
James Brady  
Jamie Kenworthy  
Jack Roderick



Others

Vera Alexander

Syun-ichi Akasofu IARC

Tom Malone U.S. GOOS

Richard Marasco PICES/NMFS Seattle

Pat Livingston PICES/NMFS

Alexander Bychkov

Bychkov, Exec Secretary  
PICES

Carl Schoch, Science Coordinator BNER

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 8, 2000

Steve Smith  
POB 1724  
Cordova, Alaska 99574

Dear Mr. Smith:

Your comments on the Trustee Council's 2000 Status Report and your kind words for the restoration program are very much appreciated. In addition to thanking you for your letter, I want to respond to the points you raised about herring harvest management, the possibility of long-term immune system problems in herring, and past zooplankton work.

The 2000 Status Report did not discuss fishery harvest management in relation to the "crash" of Prince William Sound (PWS) herring populations in 1999 primarily because it is well outside our sphere of interest to analyze harvest management decisions for the herring fisheries. I am advised by James Brady, South-central Regional Supervisor for the Commercial Fisheries Division, that since the oil spill ADF&G has taken a more conservative approach to managing herring fisheries. Actions taken include increasing the minimum biomass threshold from 8,000 tons to 22,000 tons in the PWS Herring Management Plan and keeping the fishery closed even when the biomass was slightly above threshold.

However, this is not to say that the case you make for over-harvest of PWS herring in 1998 as a factor in the currently depressed status of herring populations might not have merit. Harvest management is an important mortality factor over which humans have direct control. It is therefore essential to the recovery of a stressed population. A copy of your letter will be given to our fisheries peer reviewers as they plan for next year's herring research. The process of funding fisheries modeling activities and other research and monitoring needs to consider all relevant factors, including the impacts of harvest management actions, as your letter makes clear.

Long-term suppression of immune systems of herring in PWS as a result of exposure to the oil from the 1989 spill seems an unlikely explanation for current population levels, based on Trustee Council- funded work on the life span of a herring that was conducted by Dr. Richard Kocan. Since that life span is about 12 years, most of the herring exposed to oil in 1989 are now gone from PWS. More research on PWS herring by Dr. Gary Marty is planned to provide data on the role of disease in controlling PWS herring population levels.

---

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Pre-spill zooplankton volumes were available from some localities in the spill area, but these are probably not extensive enough to help evaluate the herring problems you identify. Dr Ted Cooney and Mark Willette have authored reports for the Trustee Council on the relation between spring zooplankton and the subsequent rate of return of hatchery pink salmon to PWS. More information on these studies is available on our web site, <http://www.oilspill.state.ak.us/> or from ARLIS librarian Carrie Holba (907-271-4511).

Again, thank you for your comments. I will provide them to all the members of the Trustee Council, along with this response.

Sincerely,

A handwritten signature in black ink, appearing to read 'Molly McCammon', written in a cursive style.

Molly McCammon  
Executive Director

cc: Mark Willette, ADF&G  
James Brady, ADF&G  
Doug Mecum, ADF&G  
Frank Rue, Commissioner, ADF&G

mm/raw



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APR 14 2000

EXXON VALDEZ OIL SPILL  
TRUSTEE COUNCIL

Ap. 12, 192000

B4 1724

Cordova AK. 99574

(907) 424-7354

Dear Ms. Mc Common,

I am writing to you after reading The Trustee's 2000 Report. In particular, I'd like to make a few comments about conclusions regarding herring.

The "Crash" of the herring populations in 1999 was almost assuredly the result of biomass assessments being badly flawed (ADP+6) and harvests allowed in 1998 or 1999. The Science Center had population figures much lower (and I believe more accurate) than ADP+6. Fish and Game was possibly influenced by one or more of the following factors in their decision to open the Season: (1) erroneous computer models (untested over time) regarding biomass size; (2) pressure by 3-4 herring bait servers (Note that the last Season for herring was bait and the first season after a few years w/o seasons — bait again. ??) and (3) coming up to the "10th anniversary" after the spill and political pressure to show the sound was recovered. We all know our state legislature is "Oil minded".

I've read all the disease studies and



(2)

been to Dr. Marty's Oral presentations.  
He is a good, sound Scientist.  
I've been involved in the PWS  
herring fisheries since 1974. Die offs after  
~~or~~ spawning are not uncommon, esp.  
among older age classes. Disease (VHS)  
seems to be endemic to herring populations  
and held at bay by their immune systems  
as long as they are well fed and not  
overly stressed. As a prey species,  
stress is somewhat a way of life.

all through the 80's and early 90's  
we had pound fisheries, Sacral Seem & Gillnet  
fisheries, Kelp (wild) harvests, and a bait fishery.  
During this time populations rose to very high  
levels (already in 1989). Years of high  
populations may have depleted food supplies  
— we don't know? One thing we do know  
is that Sitka populations and Kodiak populations  
either side of us, have stayed fairly healthy. No  
mention is made in your report about long  
term immune system damage post spill as  
a result of crude oil ~~toxicity~~ — toxicity??  
Healthy populations withstand stress and disease  
to a quite surprising degree.

The decision to open the herring  
Season in 1998 was a major blunder by ADFG,  
and ranke up there with the "Coghill"



over escapement situation as the top blunders in biological management here in P.W.S. in the last 40 years. It's inconceivable to those of us who live here and have watched the herring fisheries for decades that there is no mention of mis management as a possible factor???

Unfortunately, we had no biomass estimate for plankton pre-spill? The spill damage to plankton was hard to measure, but was likely significant. We need basic research in our marine environment, and the trustee council is doing many good projects. Keep up the good work!

Sincerely,  
Steve Smith



# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 3, 2000

Vera Benedek  
Managing Editor  
Kodiak Daily Mirror  
1419 Selig Street  
Kodiak, Alaska 99615

Dear Ms. Benedek:

On behalf of the *Exxon Valdez* Oil Spill Trustee Council, I would like to correct an error that was made in a recent article in your April 19, 2000 issue, regarding habitat protection on Kodiak Island.

Contrary to your article, the Trustee Council is not negotiating for the purchase of the Karluk and Sturgeon Rivers. The landowner, Koniag, Incorporated, has made it very clear they are not interested in the sale of these lands at this time. The Council respects these wishes. We are indeed interested in the long-term protection of these lands, however. For that reason, we have been talking about extending the existing conservation easement on these lands now held by the federal and state governments. In addition, the Council is considering setting aside a sum of money in a special account to be invested and earn interest. If Koniag decides at some point in the future that they are interested in a sale, the money in the Council's account would be available for that purchase.

We are hopeful that this kind of an agreement would respect Koniag's wishes not to sell these lands at this time, preserve Koniag's future options, and still ensure protection of these lands. However, we are still in the talking stage and no agreement has been reached. I would appreciate your clarifying this for your readers.

Sincerely,

  
Molly McCommon  
Executive Director

mm/raw

---

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 4, 2000

Virginia Squartsoff  
President  
Larsen Bay Tribal Council  
POB 35  
Larsen Bay, Alaska 99624-0035

Dear Virginia:

On behalf of the *Exxon Valdez* Oil Spill Trustee Council, I would like to clarify the position of the Trustee Council regarding the Koniag-owned lands on the Karluk and Sturgeon Rivers.

The Council is very interested in the long-term protection of these lands. However, we understand that Koniag is not interested in a sale at this time and we respect those wishes. The Trustee Council has been talking about extending the current conservation easement in order to ensure protection of these lands in the near future. The kind of easement we have been talking about has provisions that allow for more cooperative management of these lands as well as economic opportunities for Koniag shareholders in Larsen Bay and Karluk.

We also have been discussing with Koniag setting aside a sum of money in a special fund in case, 10 to 20 years from now, Koniag decides a sale is in the best interest of its shareholders. The money in this fund would be invested by the Trustee Council, and all the interest earnings would stay with the fund. Koniag, at its sole discretion, could choose to sell these lands for the accrued money in that fund at some point in the future.

As you requested, I have also sent a letter to the Kodiak Daily Mirror clarifying the negotiations. I am enclosing a copy for your information.

---

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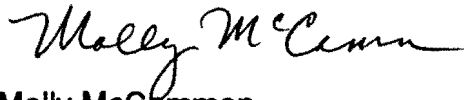
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I hope this clarifies the Council's position. Please don't hesitate to contact me if I can be of any further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Molly McCammon". The signature is fluid and elegant, with the first letters of the first and last names being capitalized and prominent.

Molly McCammon  
Executive Director

enclosure

cc: Dennis Metrokin

mm/raw

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 3, 2000

Chris Rutz, Procurement Officer  
Alaska Department of Natural Resources  
550 West 7<sup>th</sup> Avenue, Suite 1230  
Anchorage, Alaska 99501

Re: Peer review services for the Trustee Council

Dear Mr. Rutz:

This is to provide information relevant to the determination of a single source renewal on the contract for peer review services to the Trustee Council now held by Applied Marine Sciences. As the Science Coordinator for the Trustee Council, I work with the contractor on a daily basis to provide quality control and assurance for the scientific program. I ask that the following information be considered in making the determination on how to proceed with procurement of these services.

Given the large number and diversity of scientific projects we manage and due to the multi-year duration of many of these projects, maintaining continuity in the services provided by the Chief Scientist and the peer reviewers is essential to the success of the Trustee Council's mission in three key areas. First and foremost is cost efficiency, since new peer reviewers take some time to climb a very steep learning curve on background information before they can provide reviews on specific projects. Second is effective scientific leadership, which requires someone in the role of Chief Scientist whose experience encompasses the more than eleven-year duration of the oil spill damage assessment program and who has earned the respect and cooperation of scientists in all disciplines. Third is quick and effective communication between Trustee Council staff and the contractor, which requires an adequate historical perspective on the origin and purpose of each of the Trustee Council's scientific policies.

The quality of the services that can be provided by the contractor is directly related to continuity. As dictated by the Trustee Council's annual cycle of field work, data analysis, report writing and proposal preparation, timely completion of peer review work products is mandatory. The contractor is allowed only six weeks to review and report to the Council on each of the more than one-hundred proposals received each year. Knowledge of the proposals of past years greatly improves the quality of peer reviews of current proposals, as it helps to lessen the chances of making past mistakes. Knowledge of past years' proposals also improves quality by reducing duplication of effort among projects, since an experienced peer reviewer can readily spot overlap in functions among projects.

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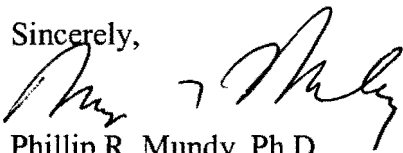
Alaska Department of Fish and Game  
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Given the high quality of the record of performance of the current contractor, Applied Marine Sciences (AMS), the length and breadth of experience of current Chief Scientist, Robert Spies, and the nature of the labor pool, the availability of similar services is highly unlikely. The Trustee Council and its staff have developed a substantial degree of trust and cooperation in working with AMS to date. Given that the Restoration Program only has two years remaining (FY 01-02), it is not likely that a similar level of trust and cooperation could be established with another contractor before the end of the Program. A successful alternative to AMS would need personnel of knowledge and scientific credentials comparable to those of AMS, which seems highly unlikely due to the limited number of qualified private enterprise personnel who have not been employed by Exxon Corporation or its subsidiaries. Former Exxon contractors dominate the private labor pool for oil spill professionals familiar with the northern Gulf of Alaska. Former Exxon contractors would not be acceptable alternatives to AMS for reasons of real or perceived bias.

In view of concerns relating to continuity of services, quality of delivery, and my assessment of the availability of similar services, it is my opinion that the best interest of the state would be served by retaining the services of AMS. The scientific program of the Trustee Council now has a well-earned reputation for scientific integrity, cost effectiveness and public service that is in large part due to the peer review services delivered by the current contractor. In recovering damages from Exxon Corporation and for restoring to the citizens of the state the resources and services lost due to the Exxon Valdez oil spill, the interests of the state are best served by retaining the peer review contractor.

If further information would be helpful, please call me at 907-265-9332, or e-mail me at [phil\\_mundy@oilspill.state.ak.us](mailto:phil_mundy@oilspill.state.ak.us). Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Phil Mundy', written over the printed name.

Phillip R. Mundy, Ph.D.  
Science Coordinator

cc: Molly McCammon, Executive Director EVOSTC

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



**FAX COMPLAINT**

## FAX COVER SHEET

To: Carol Number: \_\_\_\_\_

From: Phil Date: May 3, 2000

Comments: Total Pages: 3 with cover.

Letter for Chris Rutz

HARD COPY TO FOLLOW NO

Document Sent By: [Signature]

3-16-99

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/278-7178



## FAX COVER SHEET

To: Carol Number: \_\_\_\_\_  
From: Phil Date: May 3, 2000  
Comments: \_\_\_\_\_ Total Pages: 3 with cover.  
Letter for Chris Rutz  
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Document Sent By: \_\_\_\_\_

3-16-99

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NAME: EVOS TC

TYPE : TRANSMISSION

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 3, 2000

Vera Benedek  
Managing Editor  
Kodiak Daily Mirror  
1419 Selig Street  
Kodiak, Alaska 99615

Dear Ms. Benedek:

On behalf of the *Exxon Valdez* Oil Spill Trustee Council, I would like to correct an error that was made in a recent article in your April 19, 2000 issue, regarding habitat protection on Kodiak Island.

Contrary to your article, the Trustee Council is not negotiating for the purchase of the Karluk and Sturgeon Rivers. The landowner, Koniag, Incorporated, has made it very clear they are not interested in the sale of these lands at this time. The Council respects these wishes. We are indeed interested in the long-term protection of these lands, however. For that reason, we have been talking about extending the existing conservation easement on these lands now held by the federal and state governments. In addition, the Council is considering setting aside a sum of money in a special account to be invested and earn interest. If Koniag decides at some point in the future that they are interested in a sale, the money in the Council's account would be available for that purchase.

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Sincerely,

Molly McCammon  
Executive Director

mm/raw

---

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 1, 2000

David Oesting  
Davis Wright Tremaine  
701 West 8<sup>th</sup> Avenue Suite 800  
Anchorage, Alaska 99501

Dear Mr. Oesting:

The enclosed letter was sent to us for a response by the Commissioner's office of the Alaska Department of Fish and Game. As you will see from the contents, it appears that you or your office could best answer this gentlemen's questions or direct him to someone who can.

I would appreciate it if you could reply to him directly. Thank you.

Sincerely,

Molly McCarron  
Executive Director

Enclosed

cc: ADF&G, Commissioner's Office  
mmfaw

---

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APR 24 2000

EXXON VALDEZ OIL SPILL  
TRUSTEE COUNCIL

RECEIVED

APR 18 2000

DEPT. OF FISH & GAME  
COMMISSIONER'S OFFICE

4-13-2000  
0863

To whom it may concern:

I am writing this letter in regards to a very horrible incident that did happen on the coast and gulf of Alaska, created by one Joseph Hazelwood, known as the Exxon Valdez oil spill.

I am to the understanding that this situation was announced by C.N.N. that there was a settlement made by the Exxon Corporation, that the state of Alaska, boat owners, fishermen and cannery workers were awarded a settlement for loss of revenue, am I correct?

Well I was a licensed fisherman on a long liner & trawler by the the name of the Barbara Jean owned by one Bob Kincaid, I lost alot of money that year, plus I lost my boat Registered through the United States Coast guard by the name of the Sokol in Sitka AK. I mostly worked out of Yakutat, Alaska. What is bothering me is why haven't I been notified of this outcome of events?

(2)

My Name is James Theodore -  
Tollisen, SSN # 536-62-1550.  
Born Portland, OR, The U.S. Coast  
Guard should have all the  
information needed,

If you have any paper work  
that is needed for me to fill out  
I would appreciate as much  
information as I can receive  
as soon as possible and explain  
what is needed to receive any  
type of settlement from Exxon  
because I do believe I do have  
some coming,

Thank you for your patience  
into looking into this matter, I lost  
a lot of revenue because, and lost  
my fishing career behind this, after  
10 years of fisheries in 3 states,

Sincerely James T Tollisen  
536-62-1550 - DOB 8-20-55.  
Born Portland OR.

Thank you Very Much,  
Respectful A C A P

19

Address James Tollisen

310 - Center Ave <sup>space #</sup> - 3

Bisbee ARIZONA

85603

ASAP

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



May 1, 2000

James Adams, President  
Alaskan Earth Development Corporation  
PO Box 8712252  
Wasilla, AK 99687

Dear Mr. Adams:

RE: Parcel KEN 275, Anchor Point

Thank you for nominating your property for consideration under the Trustee Council's Small Parcel Habitat Protection Program. Your parcel was recently evaluated for its restoration value by an interagency team of land and resource managers.

One of the threshold criteria in the Trustee Council's evaluation scheme is that each parcel must be linked to restoration of a resource or service injured by the *Exxon Valdez* oil spill. Your parcel was not found to have this link and is therefore not eligible for purchase by the Council. The Council does, however, maintain files on all parcels nominated and may give further consideration to your parcel at some time in the future if new or additional information becomes available.

Thank you again for your interest in the Small Parcel Habitat Protection Program. If you have questions about the status of your parcels, please contact Sandra Schubert at the Anchorage Restoration Office.

Sincerely,

Molly McCammon  
Executive Director

---

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## Restoration Office Tentative Meeting Schedule

### May 2000

- 21-24 Peer Reviewers Meeting on FY 2001 Detailed Project Descriptions
- 22 Trustee Council meeting, Investments

### June 2000

- 7 RWF finalize draft recommendation on Draft FY01 Work Plan
- TBD Trustee Council meeting, investments and small parcels
- 15-16 National Research Council GEM review meeting (Anchorage)

### July 2000

- 19 Public meeting on Draft FY01 Work Plan, 7 p.m.
- 20 Public Advisory Group - Draft FY01 Work Plan
- 21 RWF, Draft FY01 Work Plan

### August 2000

- 3 Trustee Council meeting on Draft FY01 Work Plan

### September 2000

### October 2000

- 10-12 EVOS FY2001 Workshop

### November 2000

### December 2000

### January 2001

### February 2001

### March 2001

\* tentative meeting dates

For more information on any of the above meetings, please contact the Restoration Office.

5/1/00 F:\MOLLY\MTGSCHED.RWF

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# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



## FAX COVER SHEET

To: **Restoration Work Force**

Date: May 1, 2000

From: Molly Mc Cammon

Total Pages: 2

Comments: Please forward to those in your office  
listed below.

**FAX COMPLETE**

### RESTORATION WORK FORCE MEMBERS INCLUDE:

Bruce Wright

Carol Fries

Catherine Berg

Bonnie MacElmurry

Bill Hauser

Claudia Slater

Bob Spies

Bud Rice

Dede Bohn

Marianne See

HARD COPY TO FOLLOW no

FAX SENT BY: Rebecca

9/29/99pdb

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[ 15] 2698918

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[ 16] 2672450

RITA MIRAGLIA

[ 17] 2713992

GIBBONS/HOLBROOK

[ 18] 2672464

C. SLATER

[ 20] 7863350

C. BERG

[ 21] 2572517

B. RICE

[ 22] 7863636

D. BOHN

[ 35] 19253737834

B. SPIES

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