

**EXXON VALDEZ OIL SPILL SETTLEMENT  
TRUSTEE COUNCIL**

RESTORATION OFFICE  
Simpson Building  
645 G Street  
Anchorage, Alaska

Trustee Council Meeting

August 23, 1994  
10:30 a.m.

**TRUSTEE COUNCIL MEMBERS in attendance:**

State of Alaska

**MR. CRAIG TILLERY**  
Trustee Representative for  
**BRUCE BOTELHO**, Attorney  
General, Alaska Department of  
Law

State of Alaska Department  
of Environmental Conservation

**MR. JOHN SANDOR**, Commissioner,

United States Department  
of the Interior

**MS. DEBORAH WILLIAMS**, Trustee  
Representative for **GEORGE  
FRAMPTON**, Assistant  
Secretary

State Department of Fish  
and Game

**MR. CARL ROSIER**  
Commissioner

United States Department of  
Agriculture - Forest Service

**MR. PHIL JANIK**,  
Regional Forester

United States Department of  
Commerce - NOAA

**MR. STEVE PENNOYER**  
Director, Alaska Region,  
National Marine Fisheries  
Service



P R O C E E D I N G S

(On Record 10:30 a.m.)

MR. SANDOR: 10:30 a.m. and this is the meeting of the Exxon Valdez Oil Spill Settlement Trustee Council, and we have a quorum; and Carl Rosier, Commissioner of the Department of Fish and Game; Steve Pennoyer of NOAA; Deborah Williams, representing the U.S. Department of Interior; Phil Janik, representing the U.S. Department of Agriculture; Craig Tillery, representing the Department of Law; and myself, John Sandor, representing the Department of Environmental Conservation. As I understand, we have on line Seward, Cordova and Juneau on teleconference. Is that correct? Beg your pardon.

BRIDGE OPERATOR: (Indiscernible)

MR. SANDOR: Just those three. Thank you. Why don't we welcome Seward, Cordova and Juneau, and there will be an opportunity for public comment between 10:30 and 11:30 a.m. The first order of business this morning is approval of the agenda. Is there any modifications or proposals to modify the agenda? Yes, Steve Pennoyer.

MR. PENNOYER: Mr. Chairman, this is not specific on modification, but I think at this particular juncture, since I don't know when we're going to meet next, it would be nice if Commissioner Rosier give us a brief update on some of the runs -- salmon runs that we're experiencing -- Cook Inlet, Prince William Sound, just to update us, off-the-cuff, nothing in writing.

MR. SANDOR: That's a great ...

MR. PENNOYER: Thank you.

MR. SANDOR: When would you suggest we do that, Steve?

MR. PENNOYER: Oh, why don't we just save it until after the public hearing period.

MR. SANDOR: Okay. Update on salmon runs. Any other suggestions -- suggested changes, additions, modifications in the agenda? Is there a motion to approve the agenda?

MR. WILLIAMS: So moved.

MR. PENNOYER: Second.

MR. SANDOR: Any objection? The -- the agenda is therefore approved. There's some confusion about lunch break. Is there to be a lunch break itself?

MR. AYERS: Mr. Chairman, we plan to have a working lunch, and sandwiches are being ordered, and will be available. I guess the question would be for the Council whether you chose to actually eat right through lunch -- work right through lunch or take a half an hour break, but there will be sandwiches here. And, that was our understanding of your wishes, based on our conversation on July 18th, that there was a fairly pressed schedule for a number of people today, and that you hoped to be out of here at least by mid-afternoon.

MR. SANDOR: Okay, well, perhaps we can see how we progress. And, I also had a question about breaks, and if there's no objection, we'll break perhaps every hour or so for five or seven minutes. We've all had the packets and, as Commissioner Rosier pointed out, staff does an excellent job of -- of preparing

materials. We commend you, Jim and Molly and the staff, for having so many materials, but ...

MR. AYERS: Hopefully, you have the right draft of the various ...

MR. PENNOYER: We'll find out as we go along.

MR. SANDOR: Now, in the package are summaries of the July 11 and July 18 meeting notes, and I guess I would ask if there are any opposed changes in those -- or corrections in those notes?

Actually, there's also some earlier notes that -- I guess the ones for formal review are the July 11 and 18 notes. Can you locate the July 11th notes? I guess for the purpose of -- of the folks on teleconference line, the Trustee Council meeting actions of July 11th include a motion that was adopted -- adopted Publication Policy that was recommended. Motion by Deborah Williams, seconded by Phil Janik. Deborah Williams clarified that in lieu of the disclaimer language, in some cases it would be possible to seek Trustee Council and/or Chief Scientist endorsement of an article for publication. There was no other action on that issue. There was also approval of a resolution honoring Dr. Charles Peterson, moved by Rosier, seconded by Williams. And, the final major motion approved was the outline of the draft fiscal year '95 Work Plan. This motion adopted with changes, a general outline for structure of the draft fiscal year 1994 Work Plan. Is there a motion to approve those meeting notes?

MS. WILLIAMS: So moved.

MR. SANDOR: Second?

MR. PENNOYER: Second.

MR. SANDOR: Second. Any objection? No, that's -- notes are approved. On the July 18 meeting notes, which -- and there the primary motion was Trustee Council authorized an additional one point five million dollars to accommodate the U.S. Forest Service's proposed appraisal schedule and cost estimates. This is to include a timber cruise for Tatilek at two hundred thousand and an expedited Eyak timber cruise and report to be done by mid-September at six hundred thousand. Akhiok, Old Harbor and Koniag report due date to change from mid-September to late August.

Also, requested was a written explanation from the contractor for the cost difference regarding the report due dates. That was the primary motion that was approved at this meeting. Is there a motion to approve these minutes of the July 18 meeting?

MR. PENNOYER: I guess I move.

MR. SANDOR: Second?

MS. WILLIAMS: Second.

MR. SANDOR: Moved and seconded, any objection? That report is approved. I think, Mr. Ayers, those are the only leading notes that we wanted to formally review. Correct me if I'm wrong.

If not, we'll go onto the Public Advisory Group report by Brad Phillips.

MR. McCORKLE: Good morning, ladies and gentlemen. I am not Brad Phillips. I bring you his regrets and his greetings; he could not be with us today. I am Vern McCorkle, a member -- little more, a little better, is that going to do it -- a member of the

Public Advisory Group from the public-at-large. And, I think in your packets there probably are copies of our minutes of the August 2 and 3, '94 meeting, but I'd like to respond to any questions you may have, and perhaps make a preliminary remark or two. The leading item on the agenda that day, for the Public Advisory Group, was to talk about the structure of meetings into the future. It probably is good to footnote this comment by saying that in the next month the -- the charter for the Public Advisory Group, will need to be renewed, both by, I'm sure, action of the staff and recommendation of the Council. We discussed a number of small changes to the way the Public Advisory Group operates, and would operate in the next two years, if it continues, and we can go about the -- more of the particulars of those in a moment. As I move down through the Section C, summary, you can see that a great deal of conversation was also given over to the restoration reserve, and some of our comments, and I think a verbatim report of that are attached, as attachment number two, to which I hope you'll get a chance to look. The -- by summary to that point, the Public Advisory Group voted unanimously last year to support the concept of either an endowment or a restoration reserve, and that is still the position of the Public Advisory Group. We are unanimous in the concepts of our restoration reserve. Our comments will indicate that we are concerned about how the reservation reserve would be used. We are unanimous also that the -- the reservation reserve, if it is created, be used for the purposes of a trust, and that -- that the Council continue to administer that. There was a vote, on

a nine to five majority, which specified some uses to which that should be put -- the reserve should be put. We were particularly concerned that rather than showing a need to use the funds from the reservation reserve for the purposes of the settlement, that a finding be made that there is a need to use those funds for the purposes that the Council may wish. We are concerned about the possibility of some -- at some future time that a raid may be made on the reservation -- on the reserve funds, and would like to guaranty, insofar as it is possible to do, that the -- that the Council have complete authority and power to use any reserve funds in accordance with the terms and conditions of the settlement, rather than having perhaps a -- some movements from left field come out and -- and create a need to use the funds. We hope that there is a -- a modification that would allow those funds to be used specifically for the purposes of the -- the settlement, and that the administration of those funds rest totally with the Council, so there's no chance that might change in future years. With respect to the other work of the Advisory -- of the Council, we discussed a wide variety of topics that were brought to us by staff. Those are also reported on pages three and four of the minutes. I would like to, if I may, briefly and just before I close, call your attention to the recommendations for improving PAG meetings, and the FY '95 budget. The Public Advisory Group has come to the end of two years of its life, and in the first several months of our life we were not exactly sure what our mission would be, and how we might fulfill that, and we took a good deal of time, sort of

arguing with one another, as to how we could best perform the services and the mandate of the Public Advisory Group. It has come to the fact that after two years of working together, all of the disparate parties who composed the group have gained a great deal of respect for the points of view that are brought by each of the user groups, each of the constituencies that comprise the Public Advisory Group, and we, I think, are fairly unanimous in the feeling that of this -- we finally have gotten to the point where we might be able to do some good, at least as far as being a useful tool for the Council. In that regard, we would like to do a little bit more work. We are very aware of our role and do not seek in any way to do the work of the Council, but what we would like to do is we'd like to add a couple of more hours to our meetings and a couple of more meetings a year, so that we can look more particularly at the -- at the various kinds of -- of information that come before us and present maybe a better viewpoint to the Council. To do that, we have asked that in the next year, if we -- if we -- or in the next term -- if we come back to life again after October -- that we have four public meetings a year that are two days in duration, and they would be held here in Anchorage, and that we have two other meetings at some remote site or location that is within the spill area -- spill-affected area -- if that's possible to do, so that we could do two things, (a) make it possible for the Public Advisory Group to have some discourse and dialogue with people who live in the spill-affected areas, and (b) if it's possible to do, to look at some of the work being done that

we have given our opinions on. The upshot of all of this is that a budget for fiscal '95, that would have amounted to a hundred and twenty-two thousand four hundred dollars will be increased by the amount of thirty-seven thousand three hundred dollars, or a total added budget increase of fifty thousand nine hundred dollars. The difference between those two figures is accounted for in twelve thousand dollars allowed for PAG members to come from remote sites or for their home -- from their homes -- to Anchorage to work in community-based meetings or field visits at the request of staff or the -- in the past by the Council. So, we are hopeful that our budget will be proposed. It's a very modest increase. We're proposing to do a little bit more work. We feel -- we have discussed this budget increase with the staff and believe that we have their approval, and request that, at the appropriate time, that that budget be approved for 1995 work. That's sort of a brief overview of our meeting and a quick brush of the minutes that are in your package. I'd be glad to respond to any questions now, if there are any.

MR. SANDOR: Thank you, Mr. McCorkle. Mr. Pennoyer.

MR. PENNOYER: Vern, I -- your comments and what I've read in here are strongly and support the reserve concept, yet I note that about a third of the members voted against it. Do you understand why you had that nine to five vote, or can you explain (indiscernible - simultaneous talking).

MR. McCORKLE: Yes. Well, my opinion is that we are -- we have a division in the Public Advisory Group as to how quickly

the funds should be employed in -- in the preservation of habitat -  
- habitat acquisition. There are a number of folks who would like  
those funds to be expended a little more quickly, and if we are  
putting money aside for a reservation -- a reserve fund, those  
funds would not -- might not be available for habitat acquisition  
on a more expeditious basis. The folks who voted on the nine side  
of that equation are not opposed to habitat acquisition. What we  
think we should set aside money for is to acquire habitat or do  
other work of the -- as the Council -- after the expiration of the  
-- of the present term, so that after the year 2002, if there are  
needs that come up, or habitat which has to be acquired, there will  
still be money to do that. We're coming to the view that more and  
more -- the work we do is going to have an impact on the future,  
and with respect to that, we foresee a possibility that there  
should be funds set aside for work of the Council, after the  
expiration of the present document's proviso, some of that money  
should be sent -- or spent -- also on habitat acquisition. So, if  
we put a number of millions of dollars aside, in a reserve fund,  
that effectively removes it from use for habitat acquisition in the  
next four or five years. We don't think that -- the majority of  
us, do not think that's a bad idea. We think that you should have  
money after the turn of the century to buy whatever services,  
including habitat, that might be revealed at that time. We just  
can't predict right now. There may be a very precious piece of  
habitat or an action you'd want to take, and if the money is gone,  
we can't do that.

MR. PENNOYER: Thank you.

MR. SANDOR: Any other comments or questions of Vern from the Trustee Council members? A procedural standpoint, Mr. Ayers, there appear to be at least two, perhaps three items that deserve action, but I'm not sure whether you were going to cover them here or during the matter of the budget presentation. On this first one, which Mr. McCorkle raises about the meetings and the budget, do you want to cover that during your presentation, or do you want to do that now?

MR. AYERS: Mr. Chairman, just briefly, we will cover that under the budget item of administration, science management and public involvement. We have worked with the PAG and Mr. McCorkle and that is included in our recommendation, which we will cover in the budget item later.

MR. PENNOYER: Mr. Chairman, perhaps -- (indiscernible) no action items until after the public comment period anyhow, so I would assume that you bring it up at that time, after we receive that input.

MR. AYERS: Yes. There are actually three items that we -- that the chartering membership issue, the reserve issue, and this issue of meetings and staff are all items that will be covered today.

MR. SANDOR: Okay.

MR. AYERS: And, I'd be happy to -- if -- and, we've talked with Vern about that and I think Vern knows what we're going to be recommending, but I'll be glad to answer any questions now if

you would like that, Mr. Chairman.

MR. SANDOR: Any further questions at this time? We'll then deal with these action items later. Thank you, Vern. And, please convey our appreciation to the Public Advisory Group for a job well done and the interest in assisting us to a greater decree. We can at this time move to the public comments. We have still on line, I trust, Seward, Cordova and Juneau. In addition Dan Sakura (ph) of the Department of Interior in Washington, he's joined the teleconference. Any other communities on line? How many within this audience, Anchorage, would like to make a public comment. Okay, well, we'll begin with Anchorage and proceed with Seward, Cordova and Juneau. I guess Mr. McKee you will lead off. And, in the interest of time, we have thirty-five minutes, please try to summarize your comments, and please state your name and for the purpose of aiding the transcriber, spell your last name.

MR. MCKEE: My name is Charles McKee, and the last spelling is M-C-K-E-E. I'm here today to talk, with all due respect, against Advisory Group. The reason being, it's just another form of bureaucracy, it's germane to another group being formed in the State of Alaska called Alaska Public -- Alaska Coastal Management Group. And, as you all know, I've place a great deal of sacrifice and effort into gaining more funds for the restoration of this unfortunate oil spill. But, I might add that because of the illegal and biased legal system that I've been subjected to, if it wasn't for the Grace of God, I couldn't even stay awake because I'm so broke, I can't even pay attention without

his help, which is why I can't -- it's very difficult for me to prevail in submitting more detailed information beyond what I've already accomplished. I might add that to show you, and it's factual, or tell you, and it's factual, the severity of the problem as I've been shown checks issued out from the treasury to pay the judges so equally they are just as biased, in regard to my particular, I'm not saying that all judgments rendered by U.S. District Court, appellate court, or whatever, and any employees within the process of cases. My particular case has been -- received the utmost bias, irrespective of my accomplishments within the work which is now a part of a lawsuit. And so, there's a society -- a sociological process behind the organizations and it goes all the way up to the chair where decisions are rendered and judgments are rendered to preclude me from being active, financial beneficiary, to the restoration of the Exxon oil spill situation. And, I'd like to bring this to your attention so we can work together to mitigate the problem, for I can bring more money for the actual restoration. Thank you.

MR. SANDOR: Thank you, Mr. McKee. Your comments are appreciated. Let's move on to Seward, and how many people are going to give testimony at Seward?

SEWARD LIO: We have none at this time.

MR. SANDOR: ...this being only -- at Cordova, how many individuals wish to provide public comment at this time?

CORDOVA LIO: I have one.

MR. SANDOR: Why don't we take her testimony, and

please state your name and -- and spell your last name.

MS. MONICA RIDDEL: Yes, my name is Monica Riddel, R-I-D-D-E-L, and I'm speaking for the Native Village of Eyak on a proposal, number 94024, and it's falls under the general restoration projects. A couple of comments I would like to make is that the reason for this proposal is to actually have a working -- a production of enhancing our wild stocks, and ADF&G has proposed a very similar one, based on our proposal, and one of the comments I'd like to make is that we think that ADF&G -- we realize that they have to be the lead agency, however, the Native Village of Eyak believes that we can do the work, and we have a lot of the local expertise right here in the area, and we'd also would like to let it be known that we prefer working with -- or we'd like to use the technical assistance of the aquaculture corporation, mainly because ADF&G doesn't have those facilities anymore, being that PWSAC has taken them over. Basically, I feel that Cordova and the Natives here have been sort of left out in this process, and we feel that we should be given a chance to coordinate a process like this, since it is in our own back yard. And, that the fishermen that live here have been directly affected by the oil spill, and by enhancing the -- the wild stocks and using the fishermen and the local people in the area, we think that it would benefit this area.

Basically, the main point is that we're really tired of studies and we really want to go out and enhance those streams out there, and because it falls under subsistence basis, we believe we definitely should be involved in any -- in any of the studies that

will affect

us. We do intend to coordinate with the SEA plan as soon as possible, and we do propose -- support PWSAC proposal and we would like to coordinate with them on their hatchery and wild stock enhancement efforts. I -- I would be open to any questions at this time, and basically, I would just like you all to consider this proposal. Thank you.

MR. SANDOR: Thank you, Monica. Are there any questions?

MS. RIDDEL: This is Monica, Monica Riddel.

MR. SANDOR: Monica, I'm sorry. Thank you, Monica. Any questions? There being none and no other testimony at Cordova at this time, how about Juneau, anyone at Juneau to provide public comment at this time?

MR. CHIP THOMA: Yes, Mr. Thoma is here in Juneau for some brief comments.

MR. SANDOR: Please proceed.

MR. THOMA: How do you read me?

MR. SANDOR: Mr. Thoma, you're coming in loud and clear, please -- I -- as I recall, you're name is spelled T-H-O-M-A, correct me if I'm right -- if I'm right or ...

MR. THOMA: That's correct.

MR. SANDOR: Okay, please proceed with your statement.

MR. THOMA: Thank you very much, Mr. Chairman. Mr. Chairman, I oppose the reserve, or what's better known as the scientific endowment concept. I believe this concept is a direct raid on the corpus of the settlement monies. It is a significant

step backwards by the majority of the Public Advisory Group, but it is understandable when one reflects on the make-up of the PAG, and the stacking of membership by the State of Alaska that occurred at the insistence of former Trustee, Mr. Cole. There has been a documented, concerted effort by the Hickel administration to thwart habitat acquisition, such as the veto of House Bill 411, and the work in collusion with certain timber companies such as Koncor, and to limit as much as possible available monies for the overwhelming expressed desire of the public to acquire valuable and threatened habitat. Further, I believe that the scientific community has acted irresponsibly and totally in their own self-interest to perpetuate this charade, again, in collusion with the log-at-all-cost bunch, led by Mr. Williams of the PAG. I do consider the regular federal and state appropriation process is the correct and meaningful way to address these issues of necessary science, not by a raid on settlement money. Additionally, the attachments noted in the PAG report, I received this morning, specifically the memo cited as authored by Mr. Tillery to explain the nuances of the endowment reserves is not included in the public packet here in Juneau, as it should be. I also oppose what I understand is the preferred alternative in the restoration plan. I understand it would dedicate only forty to sixty percent of the remaining corpus of the settlement to the habitat acquisition. I believe this is contrary to the overwhelming wishes of the public to dedicate between eighty to ninety percent of the remaining funds for these purposes. Last, but certainly not least, I question the

objectivity of the USDA Forest Service in being the lead agency for appraisals of proposed habitat acquisitions. It can certainly be shown in Southeast Alaska that appraisals of this nature concerning, for instance, land trades between public and private entities, have been purposely skewed to carry out the original policy objectives of the trade, that being to allow private entities to log valuable public lands, specifically steep forested fisheries streams without scrutiny by the public. USDA Forest Service has opposed every and all attempts to scrutinize an appeal to these appraisal processes, all the way to the Chief Forester in Washington, D.C. Consequently, in the interests of the public, I do request and recommend that some objective audit of this appraisal process be conducted, especially regarding the public employees who are involved and their contacts with private interests, and that's the end of my testimony. Thank you.

MR. SANDOR: Thank you, Mr. Thoma, and are there any questions, then? Mr. Pennoyer.

MR. PENNOYER: I have one. Mr. Thoma, perhaps you can clarify something for me in your testimony. The PAG recommendation, as I understood it, was that the reserve would be used for anything that our research showed was important in the future, which might not have showed up at this time, including land acquisition, from the testimony we had earlier from Mr. McCorkle. Are you against the concept of us setting something aside as a hedge against our studies showing us things we don't now should be done, period? Or, were you against it being set aside for

research?

MR. THOMA: Mr. Pennoyer, I am against setting aside monies for scientific purposes. I think that three hundred and fifty million of this money has already been used for those purposes. I think the studies that we have are valuable, but they are not going to bring back the resources and they are not going to improve the resource base. So, consequently, I hope that we can dwell and analyze on the three hundred and fifty million dollars of studies that we have, and not continually fritter away this fund on administration and scientific studies.

MR. PENNOYER: Thank you.

MR. SANDOR: Any other questions? Yes, Mr. Janik.

MR. JANIK: Gentlemen, this is Phil Janik of the Forest Service. I just want to provide you with assurance, as I understand the decision made by the Trustee Council, the appraisals on the timber components of the lands being considered are to be done in strict compliance with federal and state standards, and those will be done objectively, and we see to it that those expectations will be, in fact, fulfilled. I realize you have your impressions, but those appraisals will be done credibly.

MR. THOMA: Mr. Janik, I certainly appreciate those comments, and I -- I'm only speaking from direct involvement in appealing these appraisal processes here in Southeast Alaska. I do not believe that in the past the USDA Forest Service has operated objectively in these matters, and I would like to see a -- a -- another objective firm, or someway of checking the actual employees

and their contracts. That's what I've always come against is that there is collusion between the companies and between your agency, and I did appeal these all the way to the Forester and was denied from even looking at the appraisal process. It was a very, very disheartening process on my part, and I lost -- I figure I lost a lot of valuable fishery streams as a result of it.

MR. SANDOR: Any other comments, questions? Thank you, Mr. Thoma. Are there any other individuals to provide public comment at Juneau?

MR. THOMA: No, sir, there are not.

MR. SANDOR: Is there anyone else at Cordova?

CORDOVA LIO: Not at this time.

MR. SANDOR: Is there anyone else at Seward?

SEWARD LIO: Just observers, Mr. Chairman.

MR. SANDOR: That, as I understand it, takes care of all of the communities on line. Are there any other individuals in Anchorage that would like to provide public comment at this time? If not, let's move forward with the report from Carl Rosier, if you could, on the update on salmon runs.

MR. ROSIER: Thank you, Mr. Chairman, I appreciate the opportunity here. Generally, I think salmon runs around the state look -- look pretty good this year. Overall, it appears that we'll probably come in with a total statewide catch of somewhere around one hundred and eighty million, which is not quite the record that we had last year, but it's a pretty respectable year, all things considered. In the spill area, we've got -- we've got some good --

some good -- good, strong stocks, and then we've got some that aren't so strong here at the present time, but generally speaking, the Prince William Sound area this year, the hatchery returns have been -- have been quite good. In the case of -- in the case of -- of Valdez, that particular facility came through with a tremendous run of about thirteen million pinks this year. So, that's -- I don't know whether that's a record for Valdez -- the aquaculture corporation down there or not, but it was certainly -- if it's not a record, it's a -- it's one of the largest returns that they've ever had there at that particular facility. Within the Sound itself, the natural stocks appear to be down. At best, we'll see about a relatively average type of return for the -- for the wild stocks. The PWSAC facilities themselves have done fairly well. They were not as strong as the -- as the Valdez facility, but the -- at least two of the facilities there in the Sound are coming very strong, and I believe that we'll see probably something in the neighborhood of -- of about twenty -- twenty-two million harvest off of those particular facilities in the Sound. In Cook Inlet this year, the red return overall was slightly better than the forecast. We were looking for about three point six, and ultimately the red -- the red return is probably going to total something in the neighborhood of about five million, about five million fish. The Kenai River, which has been a source of considerable concern, generally produced about average this year on the Kenai. We'll end up with about -- I believe our latest escapement is about nine hundred thousand fish into the river, and

a fairly substantial catch that will go along with that as far Kenai stocks are concerned. So -- in the case of Kodiak, the pink return out there has been about average. We've -- we're just starting to see fish now as far as the -- the hatchery facilities are concerned, but generally the Kodiak run is -- is going to be average or slightly below. So, generally it looks like we'll probably be at about the forecast level -- low end of the forecast level on the Kodiak situation. Reds in Kodiak were about average, as well as the Chignik area, the reds will be about average in that particular area as well. Generally, the picture is a little better this year. We certainly don't have the voids that we had this last year on this, but it's looking a lot healthier, and we've got much better distribution of the -- of the base stocks here that we'll be working with in the future, anyway, for this year.

MR. SANDOR: Thank you for that excellent summary. Any questions, or comments? The -- no questions on -- excuse me, Jim.

MR. AYERS: Mr. Chairman, Commissioner, it's my understanding that the wild stocks, in particular, in Kodiak area, however, are showing average to strong returns as well. That they're not in the same kind of conditions as you had mentioned to other places. I just want to clarify that.

MR. ROSIER: Yeah, that's -- that's true. Generally speaking, though, we'll be -- escapement levels and the resource base have been receiving a fairly substantial amount of protection there on this. The catch is going to be down though for the Kodiak area on, so, total production, I think, will be down somewhat.

MR. SANDOR: Any other questions or comments? Thank you, again, Carl, excellent report. Let's proceed with item three of the agenda, restoration plan update. Jim Ayers, do you want to begin with an overview?

MR. AYERS: Mr. Chairman, briefly today, we're going to cover a variety of the aspects of what we have come to call the comprehensive balanced approach. Comprehensive, because we are approaching all aspects of what the scientists have determined is a -- is needed in a restoration effort, and that includes, of course, general restoration, monitoring and research, as well as habitat protection, as envisioned and required by the court. We'll be talking about a variety of those issues today. What I wanted to do, however, is take the time, particularly at this point, to respond specifically to the PAG and what I perceive to be, at least a majority of the public that responded interest in seeing a reserve set up, and I placed that item earlier on the agenda, Mr. Chairman, under investment options, specifically, because we have the opportunity to have Michael Cheung from the State of Alaska Investment -- he's an investment officer with State of Alaska, and we have prepared a brief packet for your perusal. We will not be asking for an action at this time. However, within the comprehensive balanced approach, comprehensive because it addresses all aspects, and balanced because it is not a disproportionate amount of money to any particular aspect, but it includes the reserve, and I thought while the PAG and the public -- we were in that particular part of the agenda, that if you would allow, Mr.

Chairman, I'll circulate these for your review. Again, and ask Michael Cheung if he would just walk through what he perceives to be the Council's options that may be available under the court registry investment system. Let me mention that the first item in this brief packet is a letter from the court outlining that they believe, in fact, that they can accommodate the Council's interest, although they want to hear more from the Council, and in that, what they are suggesting is -- and there's a chart in here that you will see, Mr. Chairman, they're acknowledging that they are beginning to understand what I think we all know, which is their investment on a short term basis is providing us the lowest amount of return. We are not maximizing our opportunities with regard to the public funds that you have at -- within your authority. So, what we did was talk to the court about what is an investment strategy that would maximize our return with minimum amount of risk, and as you read the letter, of course, they talk about, if you know that you have a longer term investment capability, they certainly are interested in working with us. We then talked to the State investment officers, and if you would allow, Mr. Chairman, Michael is here, and I think could walk through the second half of this particular document, which is just an investment briefing of what the Council's options would be. And, what we would do is, based on your direction after this, prepare then a recommendation for the October meeting. But, certainly if -- if you would allow, Mr. Chairman, Michael Cheung from the State of Alaska.

MR. SANDOR: No objection? There appears to be none,

let's proceed.

MR. CHEUNG: Thank you, Jim, thank you, Mr. Chairman. My name is Michael Cheung, I am one of the State investment officer for the State of Alaska. My primary responsibility is in managing the fixed income portfolio for the State, and my presentation today, if -- flipped over into the packet to our section, State of Alaska, Department of Revenue section. What I'm trying to do here this morning is to walk the Council through some of the factors, some of the objectives that the Council will need to come to grip - - how with this flow of money, what's if the purpose of this flow of money, how are you going to come up with the objectives, what are some of the factors that going to put the constraint on you, and how do you come up with a strategy to do that. There's three parts in my presentation here. Again, as I said, the first part is to come to grip with a determination of the investment portfolio objectives and the constraints; and, the second part is try to give the Council a little bit historical perspective on the risk and return relationships of the last sixty-six years among different asset classes; and finally to try to present to the Council that some of the investment policy today -- the Trustee will need to make in the foreseeable future. If you open up to the first section, the first tab, under the determination of portfolio objectives and constraints, first of all, we all know we're going to have this pool of money, the Council needs to determine what is the objectives of this pool of money. Is it to fund the research and development projects down the road? For example, that can be

one of the objectives. In addition, what are some of the return requirements;, are we looking for nominal returns within the next ten years? Are we looking for some kind of inflation or just the returns within the next ten years? And, other thing that the Council needs to consider is the risk tolerance, simply to say that if you gain to, let's say a ten year Treasury note, if the interest rates spikes up again tomorrow, you lose ten percent of market value, can the Council live with that? Or, if you decide to venture into common stock, if the common stock market lose ten percent of the market value tomorrow, can the Council live with it?

In essence, what is the pain level? It's no different than you go out and do your own individual investment. You want to buy stocks or you want to buy bonds. What is the pain threshold? The Council needs to address itself, what is the pain threshold at this point.

What are some of your constraints? Liquidity. When I first looked at the memorandum I received from Jim, looks like this pool of money will not have any spending needs within the next eight years. Each year you're going to receive approximately twelve million from Exxon. So, those are some of the clear concern, you need to address as so. What is the investment horizon? Eight years? You're going to use all the money at the end of eight years, or it's going to perpetual endowment fund for the next twenty or thirty years. But, it's critical because the investment horizon made on -- I'll try to show you -- it dictates how much risk you can take within an investment portfolio. What are some of the regulations? Is this fund going to be regulated by some

federal

investment guidelines? And finally, what is some of the unique needs, for example in -- you're going to get into common stocks, would you allow, you know, someone to get to, you know -- what are some of the constraints you want to have, what are -- are you going to have some kind of special liquidity requirement every six months, and often is for unique needs is -- do you have any special projects you need to fund. Those are, again, some of the -- the requirements the Council needs to address before you can determine what kind of investment objectives and strategies. If you go over to the next tab -- again, I'll try to show you some of the historical risk and return relationship among the different asset class. I tried to simplify only list three asset classes, being common stocks, long-term government bonds, and Treasury bills. These are the actual data for the last sixty-six years. If you invest a dollar in the year of 1925, at the end of year of 1993 that one dollar become eight hundred dollars. If you have invest one dollar income -- in long term government bonds in the year of 1925, it only grows to twenty-eight dollars. The Treasury bill, in essence, a three money investment materials horizons, very risk -- risk free (indiscernible). That one dollar only goes up to eleven dollars. During the last sixty-six year, during this management period, on an average inflation rate was approximately, you know if you're investing a dollar, the inflation rate grossed only about eight dollars. Most of you probably within the last few years all heard about if you have a long-term investment horizon, you should buy common stocks. You've seen in paper, you've seen on TV, those

kind of media. Most of the time we also have to understand the risk, the (indiscernible) the investment decision that you tend to -- tend to consideration. We all talk about debt long period of time, you have to buy stocks to make sense. If you go over to the next stage, the same data on average, on top row, you see common stock for last sixty-six years on average provides the investor with compound average of return of ten percent. However, if you look over to the right-hand side, look underneath risk, twenty point five percent. What it means is, in any given year, with observation we have seen within the last sixty-six years, any given year, stocks return can be thirty-two percent or next to (indiscernible) eight. What you do is take the twenty and one-half standard deviation, plus or minus of debt from the average return.

What's it telling you that true stocks provides you with a high return, but you also have to understand the risk behind it. You go down to the next row, you see long-term government bonds. Last sixty-six years, five point three percent in returns, but the risk or the standard deviation is only eight point four, much less riskier than in comparison with common stock. Treasury bill, in essence, you know, you'll have a three point seven return on an average. At the same time, you also have standard deviation of three point seven. Again, I'm trying to present it to -- Council, the return you can get in different asset class generic, as a class again, and the risk associate with each of those. If you go over to the next page, is the ranges of annual returns, again for those three asset class. Just now we saw common stock quite volatile any

given year. We can tell within the last sixty-six years, the highest in any given one year actual return common stock was fifty-four percent. And, at the same time, volatile aspect of those also reflecting there was one particular year common stock lost forty-three percent. Look over to long term government bonds, one year it returned to forty percent, and thus, one year lost nine point two percent. Treasury bills, one year was a fourteen point seven, that was probably in the early '80s, when double interest rates. And while -- the only treasury bill there's only one year loss, .02 percent. If you go over to the next chart, remember early on I said that the length of the investment horizon tells you how much risk you can take in your investment portfolio. This charts the reduction of risk over time. Just now we saw in any -- over the last sixty-six years, common stock in one year returned fifty-four percent and there was another year lost forty-four percent. Over any five year rolling investment period, the return often -- common stock actually -- the volatility of the -- actually decrease substantially. In any given five year investment period, stock returns render from top of twenty plus percent to a loss of only eleven percent. Amazingly enough, you can have a long investment horizon, let's say twenty year, stocks within the last sixty-six years make money, any twenty year investment period. Range from a high of seventeen percent to a low of three percent. It tells you, if you've got a long investment horizon, you can afford to take a risk. Common stocks thus makes sense. Go over to look at U.S. government bond. Again we see the one year return and we look at

the five year investment period return, high of twenty-one percent to low of two percent. Again, long term government bonds in any given twenty year investment period, again, it makes money. And, you also see the respective returns for treasury bills. I'll also talk about, just now on inflation. If you go over to a next chart, and that scientific -- Council needs to wrestle with is how the inflation is going to affect a return. We'll also have to understand how's inflation, just a return and in comparison with your nominal return. Early we talk about that, last sixty-year common stocks, give or take around ten percent. If you take inflation into consideration, the last sixty-six years, the common stocks only generate seven percent in return. You might recall long term government bonds generate a five point four percent in last sixty-six years, but if you take anything -- inflation into consideration, it knocks you down to one point eight percent. So you want to play it safe, you want to buy treasury bill, no market fluctuations. Loss the (indiscernible), makes sense. Inflation will kill you last sixty-six years. You only generate fifty basis points in return. And, go on to next chart. This is an especially critical year for anyone, for you own individual portfolio or -- for the Council to remember that when you have any common investment, you have any kind of asset allocation, investment strategy, stick with it, especially when you gain to common stocks. One and a half years, the performance of the S&P portfolio, generically called the common stock performance from January 1st, 1965 to the end of June 30th, 1994. During that period we have

opened twenty-four hundred trading days, each year yet -- the entire time you generate the return of ten point seven five percent. Very good. If you have market timer, gee markets very high today, market is very low, no one is wanting to buy stock today, if you miss all the ten best days within that twenty-four hundred days, and you're in for the rest of the time twenty-four and ten days, your returns have knocked you down to only six percent. You lost over four hundred basis points. If you miss all the twenty best trading days within the entire twenty-four trading days, you're returns only three point two percent, and if you missed all thirty of the best trading days, you're return is less than one percent. And, finally, if you miss all the forty best trading days, you actually have lost money, out of forty days of the entire twenty-four hundred trading days, almost the last thirty years. Tells you that -- especially in common stock, stick with it, buy and hold, don't try to con your market. Finally, some of the policy, going to the next step that the Council will need to come to a decision on that is, the first one is asset allocations.

Asset allocations involve diversification and some of the other policy debt, the kinds we will also need to determine this an income generation. When we talk about asset allocation or diversification, in essence, what we mean is don't put all your eggs in one basket. It's very simple like that. And, you go on to the next chart, what we have is the correlations of the historical returns, again for the last sixty-six years. When we think about asset allocations or diversifications, we all know we don't want to

put the eggs in one basket. What it means is, there's certain times, certain periods when stocks -- we ought to (indiscernible) bonds. At the same time they're -- appears the visa-versa. You want to have appropriate asset allocations that -- to minimize your portfolio return, have a smooth average of return. Make sure you have an exposure to different asset classes. So, if we look at this chart, let's look at the column to your left-hand side, look underneath stocks, look across to bonds. You see a number point fourteen. What it means is, during the last sixty-six years on -- our observations, the returns of stocks and bonds only goes in tandem only less than one in fourteen percent of those. Underneath between stocks, and look over to stocks, (indiscernible), when you see two asset classes have correlations of return of one, means the observation of the last sixty-six years, the return of those they go in tandem. And, when you see a number of negative one, it means it's exactly going opposite. So when you see stock down below with treasury bills you see a negative point zero five, means treasury bills or cash, is a good diversification to in comparison with stocks. Same thing between bonds and stocks. And going to the next page, trying to present to the Council a simple to asset class allocation mix. The assumption behind here is common stocks return fourteen percent and the bonds would be eight percent. There are models out there -- mathematical models out there that allows the Council or any investor to come up with the optimal asset mix. In essence, to achieve the highest expected rate of return and minimize the volatility or the risk level. And again,

underneath are standard deviations section within this chart, in essence the risk. Over ten years horizon and your risk level actually decreased. Again, back to the investment fundamentals. Even a long investment horizons, the risk level will decrease. And finally, an early investment fundamental is what I call, a power of compounding, what Albert Einstein said that the eighth wonder of world. We all talk about within the last ten, fifteen minutes, the common stock return ten point three percent over the last sixty-six years. Of that, the reinvestment or the dividends generate four point seven percent, and capital appreciation only generate five point four percent. And, for government bonds we've all seen in the last few years, all the big Wall Street players out there, trade, buy -- buy high -- buy low and sell high, but actually history -- actually goes against that. Long term government bonds last sixty-six year generate five percent return. The reinvestment of the coupon interest actual generate a five point one percent, and actually last sixty-six years government bonds lost money, lost point two percent. So, history actually goes against the folks on Wall Street trying to buy low and sell high constantly on a day-to-day basis. So, these are again some of the factors, some of the issues that I hope the Council understand. We'll sit down and think through it. At the same time, the Department of Revenue, the Treasury Division is willing to assist the Council, you can come up with any kind of investment decision or investment process. We have the software capability to exam -- to help you guys out.

MR. SANDOR: Thank you, Mr. Cheung. Do you have -- are

there any questions? Yes, Deborah.

MS. WILLIAMS: My primary question is, what will the court allow us to do. I was flipping through the letter from the court about what they allowed at the -- they call it CRIS, C-R-I-S fund, and it was obviously a very conservative strategy. Do we have any reason to believe that we could do anything other than investment in -- in T-bill with the money.

MR. AYERS: Mr. Chairman, Deborah, it's our understanding, and I -- I think that the letter is nebulous. What we understand, the court registry investment system to be saying is that they have a committee that has some restrictions. However, currently they invest in, kind of the worst situation, or had been investing in the worst situation, as you see from their chart. Where they actually set up a very limited short term investment funds. I think the maximum it says is like eighteen months. Whereas, they may not allow an investment or diversification that would include stocks, in my discussions with the investment officers at the State of Alaska, who by the way have one of the best reputations in the country, or at least some those that we're talking with, for those of you are familiar with the Permanent Fund, Bob Storr (ph) and Michael -- that staff, some of them actually were part of the Permanent Fund, were the investment officers at the Permanent Fund, or Bob was at one time. In our discussions with them, even if they didn't allow the diversification to include stocks, which has the higher return, a strategic investment in longer term securities would certainly

benefit. For example, right now we're still down around three percent on our investment return, and longer term securities are trading it over seven.

MR. CHEUNG: Five year treasury note right now is ...

MR. AYERS: ... approximately seven percent. They are willing to accept our instructions, and, in fact those are, you know, long term treasury certificates, but we need to make that decision and then give them the instructions to do so. But, we currently are probably dropping four percent on a significant amount of money, which in the September payment very well may go over a hundred million dollars. Did that answer your question?

MS. WILLIAMS: Yes, it did. First of all, I should have preferenced it with saying thank you for so much for doing this work. I know we raised this a couple of Trustee meetings ago. We obviously want to maximize the interest we can to secure the funds and to try to maximize the money for our purposes, and so thank you for doing this. I'm very pleased. What I would like to see for the October meeting is a real sense of -- you know, our latitude, and if our latitude stops at T-bills, be they short or long term, then clearly that is the environment we should be discussing, and then, of course, what we're most interested in and thinking about whether we should look to longer term T-bills is -- a couple of factors, one what we think our spending cycle is going to look like, and again, looking through this I saw they had a quarterly disbursement or provisions (indiscernible), and then secondly, obviously, what we think the economy is going to be doing in terms

of interest rates, and so -- but I do agree that we should be making hard investment decisions, probably in October or November - - October, to do our best shot at maximizing our return, at this point. We may make an error, but I do think we should not let the spread from three to seven go unnoticed, and, so thank you, and I'll look forward to (a) what is legally permissible and (b) what the risks are of looking at the most conservative and the most risky investment plans within that scope. So, thank you for doing this, and I'm excited we're going to be able to address this in October.

MR. SANDOR: Thank you. Any other questions or comments from the members of the Trustees? That completes your ...

MR. CHEUNG: Yes.

MR. SANDOR: Thank you, Mr. Cheung, and you have something more on this subject.

MR. AYERS: I just wanted to thank them, they've been very helpful. Ultimately, the State of Alaska has told me that the -- the gratuitous consideration needs to be considered in light of their other duties and they may at one point want to tell us how much it would cost for them to be giving us ... (Laughter) And, so I -- I assume that at some point I will have to bring to you what it would cost to have them be our investment advisors or our investors so to speak, so ...

MR. SANDOR: You would have that by or before October?

MR. AYERS: Yes, sir.

MR. SANDOR: Thank you. Well -- let's see -- appears

to be a good time for a short break. Five minutes.

(Off Record 11:41 a.m.)

(On Record 11:50 a.m.)

MR. SANDOR: Let's reconvene, please. (Pause) The Exxon Valdez Trustee Council will reconvene, and someone reminded me during the break that our mothers and sometimes fathers told us that we should never talk with our mouth full of food, and -- that a working lunch was an oxymoron and it cannot -- and, so I would -- and there are sandwiches that are going to be available, but in the interest of -- of those who are on teleconference who want to go out and perhaps eat, or at least known breaks and when they're going to occur. I guess the Chair would suggest that we continue until 12:15 and -- that we split and break for about half an hour and have our lunch, eating these sandwiches or whatever else, from 12:15 to 12:45, and reconvene at that time, and continue on. Is there any objection or modification? Is that enough time to do this? Is that acceptable? So, we will continue until about 12:15 or at a convenient break, and then break perhaps an hour at that point, and so, Jim Ayers would you proceed with your restoration plan update.

MR. AYERS: Yes, Mr. Chairman. The comprehensive balanced approach is, as you know, resulted in the -- the development of an EIS, and we have been in the process of a public review of the restoration plan, and seeking comments from the public, and I think if Rod would join us and give us a brief overview of the summary of public -- public comments on the EIS.

MR. KUHN: Mr. Chairman, Trustees, we held six public meetings during the public comment period that ended on August 1st, and we also held one teleconference that was open to all of the communities in the oil spill area, plus, I think Fairbanks and Anchorage and Juneau were also -- anyone could participate by contacting their legislative information office, and we had three communities outside of Anchorage -- Old Harbor, Seward and Cordova -- participate in that teleconference. We received, either through phone conversations, or direct written communication two hundred and eleven responses in the comment period. I would also say that letters still arrive, but there's nothing -- nothing new involved in that, some people just did not foresee exactly when the public comment period took place, and there's nothing -- I review those letters to see if there's anything that -- of any kind of nature, that reflects on the content on the Environmental Impact Statement, but those are not included in this two hundred eleven. Of those two hundred and eleven responses received, you have in front of you a summary of what went on. There were -- one hundred and nineteen of those were from Alaska, and ninety-two were from other locations, one of those being Canada. And, then within the -- further breakdown of that, we have thirty-five responses or slightly less than seventeen percent within the actual oil spill area, eighty-four outside, other Alaska, and then ninety-two, as I said earlier, outside of Alaska. The comments focused around five different areas, primarily. One, which is preference for alternatives, and that was not a dominant theme, as a clear choice

amongst the alternatives. The only thing that was clear from that, was no one chose alternatives one, three or four. The preferences centered around alternatives two and proposed action alternative five. With three people expressing a choice -- a preference for alternative five and seven people expressing a clear choice for alternative two. The Public Advisory Committee in their response supported alternative five, Draft Restoration Plan, with some modifications to clarify certain areas such as the management-by-objective implementation approach and implementation management structure that should be included in the final restoration plan. They also recommended using the restoration priorities in a document entitled "The Approach to Restoration" which was conveyed to the Trustees and it was dated seven -- July 15, '93. As far as habitat protection and acquisition, that was the dominate topic of the comments. Of the two hundred and eleven persons commenting, one hundred and thirty-four wanted the Trustees to spend more than shown in alternative five in table two dash two of the Environmental Impact Statement. There were a number of specific -- a list of comments that I added, included the areas from which they'd like this monies to be spent. But those -- and those are included in your packet as well, which include most areas within the -- the oil spill area, in some fashion or other, including Afognak and Kodiak and the Kenai, and the Native corporation lands in the Prince William Sound area. The other -- next area is general restoration which people commented, and there was an opposite emphasis. The emphasis here was to reduce, or some people

would say slash the general restoration funding. In this case, one hundred and thirty-two requested that the funding for this restoration category be reduced or eliminated. The Public Advisory Group again recommended using the priorities that they outlined in July 15, '93, which included various general restoration-type activities. On monitoring and research, several spoke directly to this, and -- but there was not -- it was not a large number of commenters, and they spoke to restricting the amount that we continue to spend on -- on monitoring and research. The Public Advisory Group, again, spoke to management-by-objective as an implementation approach, and the idea of using the implementation management structure, that that should be included in the final restoration plan. And, again in their priorities that they talk about the science, and they were, in their letter, complimentary of the work that's been done in the work shops with the scientists and various members of the public. Then, lastly on the restoration reserve, there were opposite views expressed in this, and basically the people liked the idea, wanted to see it expanded into ideas of an endowment of chairs at the universities, or something of that nature, or people wanted to see it eliminated, but there were not many people. There were only eight people that commented on this, and two directly supported it and one wanted to limit the amount to just one to three million dollars. Others -- one wanted to wait a couple of years to see what we -- before set aside additional monies for this, and four people were totally opposed to setting aside any monies. The Public Advisory Group supported the concept

of establishing an endowment or trust that will provide funding for the purposes established by the settlement agreement. The Public Advisory Group would like to see the restoration reserve account action clarified in alternative five, and in other alternatives. They say that they would like to see specific criteria attached to the reserve for its expenditure. That, in brief, is what we heard from the public in our meetings. It was not nearly the significant public involvement, public sentiment sampling that went on during the brochure, and over a thousand, maybe two thousand responses received, or responses to the brochure. This is nowhere near that.

And, one of the factors that -- and I point out in the summary, is that we are grateful to the Rainforest Campaign for helping the public know that this public comment period was going on, and they helped to solicit additional public comments on the alternatives.

MR. SANDOR: Any question of Mr. Kuhn? Yes, Mr. Pennoyer.

MR. PENNOYER: Coming back to your last point, I recall times when we sent out work plans and got six hundred proposals, let alone comments. And, your hearings were attended by fifty-three people. I'm not sure how to deal with this body of comments at this point. If you look back at some of the work plans we've gotten such a spread of ideas of what we ought to do, that it's hard for me to believe that the focus in general out there is so, you know, directional in -- in one point or the other except maybe in the characterization of this response. So, I think I can take

it as an expression of interest and concerns, and strong interests in certain areas, but I'm not sure how to weight it by percentages or something like that.

MR. KUHN: That's one of the reasons why in my introduction to -- to the document that I prepared summarizing the public comments, I point out that this really should not be taken as any kind of public opinion poll. There's no real statistical validity. The public comment period was forty-five days, and in July and August, which in itself makes things somewhat difficult. We did do all we could to facilitate the involvement. In fact, we were accepting radio telephone calls from the marine operator. If anyone on a boat needed to call in, they could do that as well. But, it -- my feeling in looking at what we received and looking at what was received in response to the brochure, the brochure was a much longer period and a much more exhaustive effort, and is much more statistically valid sampling of public opinion, if a person is trying to measure public opinion.

MR. SANDOR: Any other questions? Deborah Williams.

MS. WILLIAMS: Approximately how many responses have we gotten since the comment period was closed, would you say?

MR. KUHN: I would say about fifteen more responses.

MR. SANDOR: Any other questions or comments? Thank you. Jim.

MR. AYERS: Mr. Chairman, for the record, I think it's -- two things that I wanted to note, one is that Rod's experience and knowledge of -- of the issue and also of the process has been

overwhelmingly helpful, and the hard work that they've -- they've performed up to now is -- is deeply appreciated, and we would not be this far. Let me also say, that they also had those some two thousand other comments from the brochures that he referred to, all of which, I think, does reflect support of a comprehensive balanced approach, and he's been very careful to point out at every juncture -- response to Mr. Pennoyer's comment that this is not a statistically valid sample of the public's interest necessarily, but simple reflects those who chose to respond in what actually is a secondary kind of request for comment from the public, but, we have utilized all of the information that's been gathered from the public, which I think supports the recommendation that we'll be getting to later.

MR. SANDOR: Thank you, very much. Deborah Williams.

MS. WILLIAMS: I have more of a comment than a question, if anyone has a question of Mr. Kuhn, I'll defer to question, if not ...

MR. SANDOR: Please proceed with your comments.

MS. WILLIAMS: I had the opportunity to read all of the public comments in this round, and despite, I think, some of the representations that these aren't a lot of public comments. I certainly found them extremely helpful in getting a better understanding of what, you know, a substantial number of people think about this issue. And, particularly combining these public comments with our previous public comments, I think there is a strong message out there. We, of course, were required by law to

go through public comment period, and we have done that, and I think we are required by law to take those public comments into consideration in coming up with our final recommendation. But, even more importantly, even if we weren't required by law to do that, I think the sentiment expressed and the gist of what is expressed in these comments is something that is important for the Trustee Council to consider as we make our final recommendation. What struck me about the public comment, in addition to the numbers, and I came up with slightly different numbers than -- than Mr. Kuhn, but of the two hundred and eleven that I reviewed, only five, only five public commentators said that they thought less money should be spent on acquisition than that which was in the preferred alternative, alternative five, only five. And, I came up with five people as opposed to three people that supported alternative five, so that's ten that my counting did in terms of either at or below the acquisition numbers that were presented in alternative five. All the other with a couple of exceptions was kind of hard to say exactly where the public -- and, you know, a small handful where the commentator was coming to with respect to acquisition -- but, all of the other, and I think it's appropriate to say, approximately two hundred supported more acquisition, and most of those supported substantially more acquisition. Of course, there were some commentators who said, all of the remaining monies, other commentators had quantified it at six hundred million or ninety percent or seven hundred and fifty million, and so forth. But, I do think it's important to realize that of all the public comments, only five

recommended less than that was in alternative five. And, again, what -- another thing that struck me in reading all the public comments was the broad spectrum of people who supported more acquisition. There are people in the tourism industry, such as Annie McKenzie who hand wrote a note on her Boardwalk Hotel. I don't know how many people have had the opportunity to stay at her lovely place, but people in the tourism industry that supported more acquisition; people in the fishing industry that supported more acquisition; people in the recreational fishing industry -- so -- a Michael Swan who said as a fisherman, charter boat captain and Native Alaskan; support from the Native Alaskan community; support from other aspects of the tourist industry; support from tourists, and the only thing that surprised me about the -- so many of the letters that came from the Lower Forty-eight was, I have been to Alaska two times, or I've been to Alaska three times, or I'm planning on coming to Alaska next year, these are people who had the opportunity to enjoy the state and look forward to enjoying it more. These are people who have touched our state, or hope to touch it in the future. Of course, a lot of comments from Alaska recreationists, and as I said before from the fishing industry, and the Native community, and comments from people who -- in the scientific community. One comment that I found particularly interesting was from a Matthew Hare (ph) who noted he was an Alaskan resident earning a Ph.D. in genetics in an out-of-state institution, who again, also supports it. Comments from people who worked in the spill cleaning it up, comments from people who are in

the spill area; and, as I said, from this broad spectrum of prospectives, the consensus, with five exceptions, was more acquisition should be forthcoming. Given this public comment, and again, given from the people that spoke, not huge numbers, but an amazingly interesting cross representation of Alaskans and Lower Forty-eighters who have been or hope to come to Alaska, or who have lived in Alaska. I hope that the Trustee Council will see fit to, when we get to the next action item, to expand our alternative five to reflect this, and by increasing the acquisition amounts in the alternative, and by decreasing proportionately the general restoration amounts. I will be candid to say that I was going to come in here and ask for -- my first thought was a hundred million, and then fifty million, and I think politically, realistically, what would be an appropriate thing to do, given where we come from, given that we want this to be a balanced and comprehensive -- would be to increase the habitat acquisition by thirty million, and so that the alternative five would show a habitat acquisition range of three hundred and twenty to three hundred and fifty-five, and a proportional decrease in general restoration of thirty-five to seventy. I -- I just raised that in the context of the public comments, because, again, I do think it's important for us, we have gone out twice to the public now, and asked for public comment, twice we've heard resoundingly an interest in habitat acquisition, and as a belief that is the best way to restore the lands in the short and long runs. I believe that that is the best way that we can accomplish our objective of -- of restoring the resources in

the Prince William Sound, again in the short and long run. And, so my proposal is to -- a modest one, I think very modest one, given the bulk of public comments. Very modest proposal to increase by thirty million the range for habitat and acquisition and to decrease, but still keep a very handsome budget for general restoration of thirty-five to seventy million. That's a lot of money for general restoration. And, again I think that best meets our requirements as Trustees, under the circumstances.

MR. SANDOR: Any other comments or questions? Yes, Phil.

MR. JANIK: Just to tack on my observation, having also read all the comments that you're referring to Deborah. I was struck by the consistency of the message there. Being somewhat new here to -- to the Council, I was on a learning curve, as well, as I read through there, and looking at some of the previous input that is associated with this subject of habitat acquisition and restoration. For whatever reasons, the numbers didn't meet perhaps expectations in the responses for this go around, as well as the consistency, whatever reasons are for that in total. I do think it's -- it's input that the Council needs to consider. I'm not sure how that can best be treated or handled, and I would encourage us to discuss that, whether there actually has to be an identifiable change in the range. I'm not convinced that's necessary, but I do think this is information that needs to be considered, and maybe we could look at some of the procedures associated with steps yet to come with regard to preparation of the

record of decision and other events.

MR. SANDOR: Steve Pennoyer.

MR. PENNOYER: I think that, Deborah, you're quite right, that the message has been loud and clear, that there's a very strong interest in habitat acquisition and I think the Council in the -- all of this period of time haven't heard any member say that that's not going to be a strong point of our proposal. I guess I'm somewhat confused and concerned by the moving back and forth of ten, or twenty, or thirty million dollars from one category to another. I did not think, and I may be wrong, but somebody better correct me, that I was going to be bound to these exact ranges in terms of what we spend in these different activities. I haven't yet seen a final EIS on the Seward facility, I haven't yet seen the appraisals on all the land acquisition parcels, I haven't yet seen a combination of what we're intending to do with long-term research, including the ecosystem research, that could be horrendously expensive, if we really decided to pursue it at some length, and so, I kind of thought that these were expressions of intent, but not finite amounts. I don't really have any vague idea what the bill -- I have a vague idea, but pretty vague on what the bill is going to come back us on these appraisals on the land acquisition parcels we've looked at. Whether it's a high priority parcels and medium and low, so I had -- I guess I hadn't been prepared here to discuss here whether we should spend ten million more here or ten million less there. I mean, one range of general restoration wouldn't even include the Seward facility. I haven't

reviewed the EIS or the strategy for it adequately yet, to make up my mind in that regard. So, I think I second the concept that we're getting a loud and clear message. We've gotten other messages as well from fishing communities during the initial process, very strong from within the spill area in Cordova, and continuing ecosystem research, better management of resources in that area. I don't know how that all fits together from a dollar standpoint yet. So, I'm having a little trouble in arguing whether something should be twenty million more or twenty million less, and I -- I hope I'm preserving the right to go more on any of those if that's what the data shows come October.

MR. SANDOR: Any other comments or questions? Mr. Kuhn, do you have something -- some comments?

MR. KUHN: I'll just mention from a NEPA standpoint that in our analysis, we've -- we do not intend to portray any of these budget numbers as decisions of the Trustee Council. They were solicited and negotiated through with the staffs, something that could be a reasonable number for analysis purposes in our document, and we needed something that would get us in the -- the area of where people were thinking at -- at any given moment, but they were not decisions. And, I would hope that we did not portray them as such. The Draft Restoration Plan contains no dollars and cents in it.

MR. SANDOR: Your point is well taken. Any other comments or questions? Craig Tillery.

MR. TILLERY: I, too, had a problem in looking at this

as any -- some kind of a public opinion poll. I read each of the comments. They were clearly -- I mean the results of a -- these vast number of comments were clearly the results of some kind -- the campaign letters were virtually identical. I was struck by the lack of letters from the fishing community asking for research funds, yet, I go back to the annual work plans, and there are numerous letters from the fishing community asking us to put money into Prince William Sound fisheries research, and I would find no -- my recollection is there are very few letters asking for additional habitat acquisition money in each of the annual work plans. I -- it seems we're going to have to -- to me we're going to have to look at all of these things when we come up with what we eventually do. Nevertheless, I don't think we can just ignore the message that's sent here. I -- I get solicitations to send in opinions all the time, and I don't usually do it because I don't feel that strongly enough about a particular issue, and I'm a busy person, but a lot of people do feel very strongly, and I think that depth of feeling is something we have to take into account, we just shouldn't simply ignore. I also think that these comments, probably do represent some significant input from the people who are strongly in favor of habitat acquisition, and there are two messages that I got out of it, and I'd like to hear from these people if I'm getting the wrong messages on this. Strictly about habitat acquisition, one of those is that with the exception of a very few comments, and including the Sierra Club's comments, other than the Sierra Club and a couple of other people, almost everyone

was strongly against the small parcel acquisition program. I'm not sure exactly why that -- well, I guess I understand the rationale for it, and I think that's something we should look into before we start spending anymore money on evaluating small parcels. Secondly, although many of these letters would recite from a list that would include a lot of areas such as Kenai Fjords and Kodiak refuge, when the people departed from that list and started talking about what concerned them most, the passion that I saw in there, and what really got people upset, was forested lands. And, it seemed -- I perceived from reading these letters that that was where most of the concern lay was with the coastal rain forest and that is where our emphasis should lie in the habitat acquisition areas.

MR. SANDOR: Any other comments or questions? Carl Rosier.

MR. ROSIER: Thank you, Mr. Chairman. Yes, I'd kind of like to echo some of the things that Steve talked about here, in terms of the ranges that were developed around the alternatives. Certainly alternative five, you know, from my perspective anyway, has been my major -- major interest so to speak, right from the very beginning, that provided us with an excellent amount of flexibility. I see now, in terms of the set-aside, which is -- has been introduced as well that, again, the people are asking for flexibility within this. I'm bothered a little bit by my review of the letters here, talking -- you know, pretty much along the same lines, and there's obviously been some type of an orchestrated

approach involved here in my view, because of the contents of the letter being very, very similar on this. I'd point out that as far as the fishermen are concerned here on this, the time frame that we've been working with as far as comments are concerned, their out trying to make a living on this. I mean, they've been busy since the first of June trying to make a living, so, I think -- I think that we saw comments from within our own Public Advisory Group, which I consider to be a real cross-section of the -- the interest groups out there on this thing. I think again we saw the need for, in fact, maintaining some flexibility here on this, and not get set in hard figures, but there seems to be some comfort there in terms of where we were at with alternative five. In terms of adjusting by the thirty million dollars one way or the other, I think we've got that that capability myself, and, I would be certainly hesitant to -- to move to start developing those kind of figures because I think adjusting the figures in that particular manner, because I think it really begins to move in a direction of locking us in. People interpret that as a sign that -- that's what we're going to get out of this, and I don't think that's the signal we should send at all. Thank you.

MR. SANDOR: Thank you. Any other comments or questions? Yes, Deborah Williams.

MR. WILLIAMS: Mr. Tillery invited reaction to his observations, and so for the record I will give them. With respect to the small parcel issue, I think Mr. Tillery correctly observed that many of the comments said, please don't just pick small

parcels, the rest of which can be clear cut around it, but pick large parcels where you can retain the integrity of the ecosystem.

And, I think with respect to the small parcel acquisition effort, what much of the emphasis is on is where you have, you know, an intact ecosystem with a small parcel in the middle of it. And, so when you purchase that small parcel, you are satisfying the intent of the commenters which is, you know, protect major ecosystems. Clearly, what I think the commenters were trying to avoid is, let's say you had a big piece of public -- privately owned property, perhaps this owned by private entity X and this owned by private entity Y, there was less of an enthusiasm about buying the small one if the larger piece was going to still be -- have the potential of being logged or whatever. But, I think, this other effort in buying small parcels in a larger ecosystem sense, there was nothing in the comments that would speak against that, and I think that's consistent with the -- again, the concept of, let's protect large ecosystems. With respect to what was the preference if, you know, the four or five areas with -- were not stated in the letter, clearly there was a great deal of concern expressed about clear-cutting. No doubt about that. There was a strong theme that clear-cutting was something that would jeopardize the habitat, would jeopardize the resources that we are trying to protect, and a desire to purchase land that would eliminate the possibility of clear cutting. But there are also quite a few comments that, you know, people, for example who had visited Kenai Fjords, they thought it was the most beautiful area they'd visited in Alaska, or

who particularly care about the Kenai Fjords -- supporting Kenai Fjord acquisition, other people supporting Kodiak acquisition because of the fisheries, and so forth. So, I -- I don't think there was a preponderance of -- of comments in one direction or the other, except to the extent that people -- there were a lot of commenters about the adverse habitat implications of clear cutting, no doubt about that.

MR. SANDOR: Any other comments or questions, then? Do you have to that to add, do you have anything to add on this subject?

MR. AYERS: Mr. Chairman, only to say that I made a point to visit the various communities, including Kodiak, Valdez, Cordova. We had intended a trip over to Chenega, and we ended up in a teleconference conversation because of fog and some problems, but I have talked with a variety of people. I -- it is my understanding, and let me say that it's certainly has been my representation that the EIS provides the Trustee Council -- affords them the flexibility that is being discussed, to meet the needs as they arrive, so long as there's not some major significant deviation from what the array of alternatives, and in particular proposed alternative envisioned. Now, that has been my understanding, that in fact, there may be a consideration if there's an increase in those funds if the Council would so desire, to move in it additional amount of money into a particular category, let's say habitat acquisition, that there is that flexibility, and the question of EIS, is does it change -- is there

an environmental impact that hasn't been considered? And, at that point, if there was an environmental impact, a significant change, there would have to probably be a supplemental action taken. But, if that is incorrect, let me say that I have visited with communities, and many people throughout the state on this issue, and that's my understanding of what they perceive, at least those that I have talked to. It's my understanding that what people are saying in the comments is they believe that the Council ought to maintain that flexibility to expend more funds at some point, if necessary, and I certainly believe that that's what the PAG has said, is that the Council ought not to lock itself into a situation that there couldn't even be more money spent on the habitat acquisition if someone were so desire to use the reserve. And, I think that's what has been said, and certainly my understanding, Mr. Chairman. I just wanted to express that for the record, and if that's different than what the attorneys or someone else understands, maybe this is the time to express it, but I think that flexibility is there and I certainly agree with some of things that have been said by Deborah.

MR. SANDOR: Any other comments or questions? Yes, Mr. Kuhn.

MR. KUHN: I have in front of me the summary of public comments that came in September of last year. It was given to the Trustees, and on page twenty-eight of that, it shows an average allocation of the remaining civil settlement fund to habitat protection and acquisition, and it shows the breakdown in

there. At that time, the average of all responses looked at sixty-six percent, within the spill area it was slightly lower at sixty percent; and other Alaskans we're looking at forty-two percent. Outside of that time there's an eighty-one percent of the budget that they felt should be spent towards that end. Since we've discussed what had gone on previously, I thought that might be enlightening.

MR. SANDOR: Any other comments or questions. My only observation is that we -- I don't think they should be critical of there only being thirty-five responses from the EVOS area, that's sixteen point six percent, considering the fact that the public comment period closed August 1, and as somebody said people are out working. Any other comments on this before we adjourn? Can we recess for lunch? Is this a convenient break to return at 1:00. Thank you. We will begin again at 1:00.

(Off Record 12:28 p.m.)

(On Record 1:03 p.m.)

MR. SANDOR: The Exxon Valdez Trustee Council meeting resumes, and is there any last minute questions of Mr. Kuhn? If not, you are excused. Thank you.

MR. KUHN: Thank you.

MR. SANDOR: The next item on the agenda, is a continuation of Restoration Plan update. Jim Ayers, continuing.

MR. AYERS: Mr. Chairman, the -- the actual items on the agenda have to do with the time line of completing the process for an official adoption of the Restoration Plan, and completing

the Record of Decision for the EIS. The action that you will take today, the action we're asking that you would take today, is the adoption of a proposed action in the final EIS. And, only after the completion of the FEIS, which is the Record of Decision, can you officially adopt, or will you officially adopt the Restoration Plan. So, the next item is the adoption of the preferred -- actually it's not the preferred alternative, it's the proposed alternative, which is alternative five, and the -- the Final Environmental Impact Statement. But, before we get to that, I wanted to mention that the two things that actually we have heard clearly from the public about with regard to the restoration, and remember that the restoration plan is what's being considered in this EIS, is that the management-by-objective structure that clearly outlines some -- a mission statement and what our goals and objectives and strategies are, is this packet of information that we've been through on two previous occasions, which has the mission statement, it holds out the goals, but it also establishes some guiding principles that have been discussed at the work session, and with the public, and based on public comments. This would be an appendix, we envision, but it will be incorporated into the Restoration Plan. The other item that was discussed by Vern McCorkle from the Public Advisory Group, and that they have endorsed, is that the Restoration Plan actually be clearer in its description of a reserve, as he described and as you have discussed. And, those are two of the areas, or two specific things that need to be incorporated into the Restoration Plan, that we're

recommending be incorporated into the Restoration Plan. The Restoration Plan, again, would not be officially adopted until the October meeting, but I do need you to direct me or to provide me the authorization to begin to prepare a review draft of that Final Restoration Plan, based on all of those comments that we heard during this public comment period. And, I have, Mr. Chairman, a draft of the motion which I think best describes what I think needs to occur with regard to your telling us what you want to have happen next, which is to complete the FEIS, and to prepare a review draft of the Restoration Plan.

MR. SANDOR: Are there any questions of Mr. Ayers?

MR. AYERS: We have circulated both of those items -- this is -- in your -- should be at your place. This is, again, the implementation management structure, which incorporates many of the things that are actually in the Restoration Plan, in a goal and objective format. It also has a monitoring program that we're still working on, but that would be incorporated into the Restoration Plan Draft.

MR. SANDOR: Members of the Council, are there any questions regarding this package that Mr. Ayers has presented, and/or any comments, or action to be taken on the his draft motion? Mr. Rosier.

MR. ROSIER: Thank you, Mr. Chairman. Mr. Chairman at this point I would move the Council pursue the array of alternatives as described in the Draft Environmental Impact Statement for the Draft Restoration Plan, with alternative five as

the proposed action at this time in final EIS, and (1) the Council request the Executive Director to direct the EIS team to objectively address the public comments received on the DEIS; complete and print the Final Environmental Impact Statement; complete the process for the Record of Decision, and (2) direct the Executive Director to prepare and review -- a review draft, preliminary, final Restoration Plan which responds to public comments and incorporates the implementation management-by-objective structure and the restoration reserve, for consideration after the Record of Decision is final.

MR. SANDOR: You've heard the motion, is there a second to that motion? Mr. Janik seconds the motion, and is there a discussion on this motion? Mr. Pennoyer.

MR. PENNOYER: So, I'm quite clear on the process, Jim, you have the steps indicated under item two to incorporate this and the restoration reserve discussion in the -- in the draft, review draft, right? Does that change anything that has -- problem for us with public review then in this process? Are we -- is this conforming to the NEPA process that we're required to go through to end up with an October final document?

MR. AYERS: Mr. Chairman, this is -- this is exactly what we talked about with the attorneys, and we've talked with the public about it. The PAG actually has reviewed this information. It's a part of the recommendation of the PAG. These are comments directly from the PAG with their recommendations, who have also participated in putting both the information about the reserve

together you've heard, and also participated in organizing what an implementation structure ...

MR. PENNOYER: ... response of the public comment and would be a logical thing now to enter into the final draft.

MR. AYERS: That is correct, Mr. Chairman.

MR. PENNOYER: Tell me then, in the second part of that, the restoration reverse, what is going in relative to that, the motion we passed last time, or the PAG recommendation, or what's going into this final draft and under the reserve?

MR. AYERS: Mr. Chairman, Steve, my understanding from the PAG is that they would like to see something in the restoration plan that talks about the reserve, and what we intend is to hopefully work out some language with you that describes this reserve, why it's needed, as you -- as we've discussed before for the long-term benefit, but also provide you the flexibility, and it would be language that describes the reserve and what the intention is, which is to provide flexibility in the future.

MR. PENNOYER: I guess my point is, if we vote in favor of this motion, I'm still not sure what that second part looks like yet that we're saying we ought to put in there, so I don't know if we deal with that first and then the motion, or what?

MR. AYERS: Mr. Chairman, Mr. Pennoyer, the reason that it says a review draft, preliminary, is that we would -- you were instructing us to put something together that you would then get to look at, and we would circulate that before anything happens with it, and we would not, you would not even be asked to adopt it

until the end of October.

MR. SANDOR: Mr. -- if I can follow up on that question that Steve asked. Then this is just the direction to prepare this review draft which will then be reviewed?

MR. AYERS: Yes -- by you, yes, Mr. Chairman, that is correct. That simply instructing us to put together a final draft for your review, not for your adoption until October. You're just reviewing it so that you can see the whole package together, and the Restoration Plan.

MR. SANDOR: Mr. Janik.

MR. JANIK: Clarification question, Jim, if you would, in response to Steve's question about NEPA procedures. A very key statement in the motion is after the Record of Decision is final, and -- and I took from that that regardless of what's being reviewed or examined, it would not be until after the Record of Decision is final that we would then finalize anything else that should flow from that Record of Decision, and that is the proper sequence as I understand it. Getting nods from legal advisors here, yes.

MR. SANDOR: I presume that's the case. Is there any objection to that understanding? There is to be a consensus on that? Are there any other comments and discussion on this motion on the table? Yes.

MS. WILLIAMS: I will just restate my observation in light of the discussion on the motion. I have listened very carefully to the comments about the flexibility in the numbers in

alternative five and to the other issues that are going to be presented, but I still think that this Trustee Council should be responsive to the vast bulk of the public comments that we've received both in this cycle and before, and not only the numbers, but also the weight of the comments, the persuasiveness of the comments. I think we have an opportunity now to show that we are being responsive to the magnitude of the comments, and the persuasiveness of the comments, by changing alternative five, by increasing habitat protection by thirty million on both sides of the range and decreasing general restoration. I think that we would still indicate in our Record of Decision that we believe that these numbers are illustrative, that they do not and cannot strictly bind the future Trustee Councils, but again, I think to show our responsiveness and to have a better Record of Decision, given what we have been through in the last several years in this process, I think a better Record of Decision would reflect a slightly higher range for habitat acquisition and a slightly lower range for general restoration. So, I would still urge the Trustee Council to consider that action.

MR. SANDOR: Any further comments or -- Mr. Janik.

MR. JANIK: It occurred to me one way to treat this without referencing absolute numbers or change in range, which I heard some exceptions to before lunch, and I share those, is to in the Record of Decision, perhaps, to consider documenting the discretion that the Council intends to use with regard to that flexibility in response to the persuasive message that has been

brought forward in their comments to the EIS, and I guess from other sources as well, or other events that have taken place. And, that's my personal view, would be an appropriate way to deal with that.

MR. PENNOYER: Mr. Chairman.

MR. SANDOR: Go ahead.

MR. PENNOYER: How would you do that specifically?

MR. JANIK: It would be a statement of the Record of Decision with regard to the flexibility of the Council intends to use to really bring home that this was not seen as a restrictive range, in alternative five, in fact, and, I heard testimony to that all through this morning's discussion, and to clarify with the public that that flexibility was always intended and will so be executed by the Trustee Council, especially since we have gotten such a strong message here in our public responses that we need to take a closer look at the emphasis given habitat acquisition. But, those decisions should come forward subsequent to the ROD. I'm not saying you identify there what it is you're going to be doing with habitat acquisition, other than just acknowledge that the message has been heard and we will be responsive as we can to it in our deliberations.

MR. SANDOR: Any other comments or questions on the motion on the floor? Is there a call for a question on the motion on the floor?

MR. PENNOYER: So moved.

MR. SANDOR: The -- Mr. Rosier read verbatim the

motion, I guess, which one?

MR. PENNOYER: Well, I was moving the full motion that was presented to us, items one and two.

MR. SANDOR: Yes, and Mr. Rosier, that motion is as it is written. A question has been called for ...

(Aside comments)

MR. PENNOYER: I already moved it.

MR. SANDOR: Yes, I know, I've just -- there was a call for the question, so all those -- is any objection to the motion on the floor? If not, ...

MS. WILLIAMS: May I ...

MR. SANDOR: Yes.

MS. WILLIAMS: Let -- let me, if I could, break away from the call for the question for a moment. I would -- I would propose to amend the motion to reflect what Mr. Janik just said, and that is that the Record of Decision would reflect the expectation of the Council that the numbers on habitat acquisition could be increased in response to the, you know, needs for acquisition, and -- and in response to -- or, in reflection of the public comment that has been received. I would feel comfortable with the motion, if again, it was very clear in the Record of Decision, that the future Trustee Councils would not be bound as a result of this document, in any legal sense, to a -- you know, maximum habitat acquisition expenditure of three hundred and twenty-five million dollars, but the future Trustee Councils would have flexibility to increase that as -- as the need and opportunity warranted.

MR. SANDOR: Clarification. The Chair request -- you say only increase, nothing could happen that would decrease. You use the word "increase."

MS. WILLIAMS: Yes, I did. It is inconceivable to me that we would go below two hundred ninety-five, and so I did use the word "increase" intentionally.

MR. SANDOR: Okay, you've heard an amendment. Is there a second to that amendment?

MR. PENNOYER: I'll second it.

MR. SANDOR: It's been seconded by Pennoyer. Any discussion of the amendment? Yes.

MR. TILLERY: I guess I am unsure and would like some legal advice as to whether we can bind the Council not to go below the floor on this. I -- I guess I had thought we had flexibility all along. You're asking to put it in writing. This seems to me, you're actually restricting, not -- not stating flexibility, you're putting a restriction there.

MR. WILLIAMS: I guess I would put it more in terms of expectation as opposed to binding, that is the expectation of this Council ... We could use the word appropriate, but clearly we can't bind, but it's our -- it's our belief that, you know, that this upper range does not limit, you know, the future Councils as a matter of law or policy to the three hundred and twenty-five.

MR. AYERS: Mr. Chairman.

MR. SANDOR: MR. Ayers.

MR. AYERS: It was my understanding when I asked this

question this morning, that it was important that we realize that first of all you needed to direct us to go work on the FEIS and get the FEIS process proceeding, and that that we were not -- we didn't want to get engaged in precluding anything for the ROD. So, I guess I would want to take a two minute at ease, and have both the federal and state attorneys come to some understanding on what they think is appropriate here, because I'm not prepared to give any advice beyond the recommendation that I've submitted. And, I think a two minute at ease would be worthwhile.

MR. SANDOR: A two and one-half minute at ease. Cordova and Juneau, and Dan Sakura, who are on line, we're still in an at ease position. One of our members is making a telephone call, we'll be back shortly. We will resume in several minutes.

(Off Record 1:23 p.m.)

(On Record 1:30 p.m.)

MR. SANDOR: Council is back and discussion on the motion on the floor and amendment to that motion. Is there any further discussion of the amendment?

MS. WILLIAMS: Mr. Chairman.

MR. SANDOR: Yes.

MS. WILLIAMS: With the permission of my second, I would like to withdraw my amendment and make a substitute amendment, and if I could go ahead and make substitute amendment, and I will explain why. During the at ease, there was discussion that suggested this was a better course of action.

MR. PENNOYER: I agree.

MS. WILLIAMS: Good. My substitute amendment is that we, the Council, direct the staff in their response to the public comment on the FEIS -- on the DEIS, to tell the public that we have listened to and heard the strong public interest in increased acquisition, and that there is flexibility inherent in this -- in the FEIS, to increase habitat acquisition.

MR. SANDOR: Is there a second to that motion?

MR. JANIK: Second.

MR. SANDOR: That amend -- it's been moved and seconded that this substituted amendment be offered to the Council.

MS. WILLIAMS: Mr. Chair, if I could just explain why I went through the other and substitute with this.

MR. SANDOR: Please proceed.

MS. WILLIAMS: It is apparent that it would be inappropriate to direct in this motion action on the Record of Decision because we haven't yet had the final EIS in place, and so the more appropriate place to express this sentiment would be in response to public comments, which staff is doing in this process anyway, and I think that the motion that I made would be appropriately responsive to the public comments and clarified.

MR. SANDOR: Any comments or questions with regard to the -- to the amended motion -- amendment? Could you restate the amendment, please.

MS. WILLIAMS: That we direct staff in their response to the public comment for the DEIS to tell the public that we heard their desires to have increased habitat acquisition and that there

is flexibility in the future process to increase the amounts for habitat acquisition.

MR. PENNOYER: If the Council so desires.

MS. WILLIAMS: If the Council so desires -- if subsequent Council so desires.

MR. SANDOR: Any further questions or comments on the amended amendment? Any objection to the amendment? The Chair objects. Is the -- because of the presumption that direction can only be increased, and I do not believe that to start with.

MR. PENNOYER: I'm not sure that the motion said it could only be increased. It said -- indicated the public comment that we received seemed to indicate that, and the Council could accommodate that if the Council so desired. It didn't say the Council could not also go down.

MR. SANDOR: But only thirty-five with comments from the oil spill area, and I do not believe that was a scientific poll, and do not believe that poll should direct the actions of this Council.

MS. WILLIAMS: Mr. Chair, if I could, and I certainly understand your comment, what I think we are doing in this direction is responding to the public comment, and the public comment said increase, and we're saying, yes, there's flexibility here to increase. And, so we're responding to the public comment and we're telling them, you said you want increase, we're letting you know that there is flexible increase in the future, if future Council so desire. And, I think that would be responsive to the

public.

MR. SANDOR: Well, with due respect, Deborah Williams, the -- that's responsive to the two hundred comments, eighty or ninety of which were duplicate in an effort that was organized, and I remain greatly concerned that our forty-five day period was from June 15 to August 1, did not provide the fishermen an opportunity to comment, only thirty-five comments received from them, and I believe that poll was seriously flawed. Any further amendments to be made to the motion? Mr. Rosier.

MR. ROSIER: No, Mr. Chairman, I had no further, I was just going to make the observation that it seemed to me that the record has been fairly clear in regards to the flexibility that's in fact built into alternative five. Certainly we've heard -- we've heard, as I've mentioned before, from our own Public Advisory Group on this that they were satisfied with alternative five and I think, from my perspective, I'd call for the question for the main motion.

MR. SANDOR: The question on main motion has been called for, as written before you.

MR. PENNOYER: Mr. Chair.

MR. SANDOR: Yes, Mr. Pennoyer.

MR. PENNOYER: For the record, I think, while we all agreed this wasn't a poll, it is an EIS process in which we assume that we have, in fact, gotten the reasonable public comment on our EIS that we sent out. So, I think that our assumption is that, even if we determine that the original motion does give us the

flexibility to do what we want later, which I think it does because it's so stated in the EIS that law -- I'm not prepared to start characterizing people inside and outside the spill areas and numbers. We had an adequate public comment time, and I think we got a response, and if we wish to characterize in the original motion that's giving us the flexibility to do what we want in the future, I think that's correct and I think we can go with it. But, I'm not prepared to go out and start the process over again, or something of that nature.

MR. SANDOR: Mr. Pennoyer then, Chair's objection is not inside outside, it's objection to limiting fishermen and others who work for a living during the period June 15 to August 1, and I think it's unreasonable to expect that they had an adequate time to respond. So, I think you have to look at this in the context of all the public input, and to prejudice the decision-making process through the Environmental Impact Statement would be a serious mistake. Is there any further discussion on the main motion on the floor.

MR. TILLERY: Mr. Chairman.

MR. SANDOR: Mr. Tillery.

MR. TILLERY: At the risk of getting shot, I would wonder if we could include a parenthetical after directing him to respond to public comments by saying, including a statement to the public that the support for differing amounts to be spent on habitat acquisition have been noted, and that the Council retains the flexibility to alter the amount in the future as deemed

appropriate.

MR. SANDOR: The Chair has no objection to that. You offer that as an amendment?

MR. TILLERY: Yes.

MR. SANDOR: Add parenthetical ...

MR. TILLERY: I guess I'd like to hear a comment.

MS. WILLIAMS: Well -- I guess I would support the alternative, if we were a little more candid in representing what the public comment was. Instead of the public said differing amounts, again, you know, a majority of the public said increase amounts, and then -- but we reserve the right to -- to alter in the future. With that -- change a little more, you know, correct representation of what I think the public comment is, I could support that yes.

MR. SANDOR: Clarification, that the discretion is either to increase or to lower, and that the -- the Council is not driven by this poll of two hundred and eleven people. Mr. Janik.

MR. JANIK: I think it would be appropriate for us to emphasize the flexibility as compared to either side of the alteration. So, language along the lines that Craig is suggesting, I think would be appropriate. I'm a little troubled by the word "alter" suggests that maybe that the numbers in the document right now had been fixed. Maybe, just use that word flexibility to decide on the extra to determine.

MR. AYERS: Mr. Chairman, I have a comment and a suggestion. The comment that I would make is the note that I made

earlier was that -- that the staff did utilize the broader scope including the brochure that went out and the many comments that we've received from the public. And, so I want to make sure that it's understood that the decisions you're making are based on your history and your experience of a multitude of comments, not the two hundred and eleven, as you point out Mr. Chairman. The other thing -- and that's for the record, it's important for you to note that.

What I would suggest, Mr. Chairman, is that the staff be directed, as you are directing us, to develop, to appropriately address the public comments, which in fact will mean that we will respond to public comment, and in this particular regard, that that response to public comment, I will circulate before releasing, and I'll develop the language based on the conversation you've had here, and work that out -- if that's acceptable. Unless, excuse Mr. Chairman, unless Mr. Tillery has language, unless the motion was ready to move, I'm sorry, if the motion was ready vote on. Certainly, if there's the votes ...

MR. SANDOR: For clarification purposes, Mr. Tillery, do you wish to offer this formal amendment, and could you restate it if you wish to do so.

MR. TILLERY: Mr. Chairman, I would -- I think Mr. Ayers' suggestion is a good one, and I would not offer an amendment but would suggest that we basically leave it like it is, with the understanding we have here that he is to take cognizance of this discussion and is to be included in the draft with respect -- and respond to public comments.

MR. SANDOR: Any objection to that? Is there a call for the main question? All those in favor say aye.

TRUSTEE COUNCIL: Aye.

MR. SANDOR: Opposed? (No response) There being no opposed, the motion carries. You may proceed, Mr. Ayers.

MR. AYERS: Mr. Chairman, that in fact completes our discussion and review of that, and in fact gives us the specific direction that we need in pursuing both the FEIS and developing a review final draft to the Restoration Plan. We did attach a time line for your review, the milestones for the FEIS, a couple of questions had come up about that, and that is attached to that draft motion, and I just note that, for you and for the record, that we are proceeding according to regulation and process as we have discussed with the public, and in light of that -- that in fact, the date of ROD would be October 31st, which will lead us later into the discussion of when will our meeting be. Well, it will be October 31st or 1st or 2nd, thereabouts, before you will have a -- an ROD, assuming that we maintain this -- this time line.

I just wanted to note that for your benefit, and also in relationship to the questions regarding the FEIS, and the final Restoration Plan. Does that complete everything as far as -- okay.

The -- I would move then to the next item on the agenda.

MR. SANDOR: Please do so.

MR. AYERS: The habitat protection and acquisition is a matter of update, Mr. Chairman, unless we decide -- unless the Council decides that they want to get into the discussion of

strategy on any specific parcel. In front of you today, there are two documents that I -- responds to your request that we prepare an overview that reflects exactly where we are with any particular landowner, with which we are negotiating. The first document is the larger document, which is called the "Large Parcel Negotiation Status Summary," which I will use to review where we are on each of those negotiations. The other item, is a document that is reflective of the appraisal process status, since that particular process, as you know, has been a significant topic of discussion with the sellers, as well as among staff and attorneys. And, the Forest Service, Dave Gibbons and other staff, have prepared this document to reflect where we are with the appraisal status specifically. The other item are from the good graces of discussions with Carol Frees (ph) and DNR, as well as the habitat working group and the negotiators of each respective parcel, and discussions with me, and to the best of our ability this larger document reflects where we are. I'll stop there, then, what I would propose, Mr. Chairman, is that I would walk through each of these and simply reflect where we are and what we know today, and then if you so choose, Mr. Chairman, we can go into executive session to talk about anything that may be a specific strategy question.

MR. PENNOYER: Mr. Chairman.

MR. SANDOR: Yes, Mr. Pennoyer.

MR. PENNOYER: I had a question on timing, I could not -- sure which decisions you have to have today. I heard people

talking about having to leave by 2:30, I'm not sure if we're still adhering to that or not, but if you have decisions you have to have made today, maybe we need to discuss how we're going to get this done because I don't see how the next four items and a detailed review of this occurring in the next half hour and making other decisions we need to make. And, so if I'm wrong about the timing, I'd appreciate knowing that.

MR. AYERS: Mr. Chairman, Mr. Pennoyer, you're exactly right about the timing. The items for action -- action items are the proposed budget and also the item you just took up in the less than fee and public access policy. The proposed interim budget issue, which is item number five, which is the next item after this one, is going to require some time, and does require action. The less than fee and the public access policy, you have in your packet, and has been through discussion. Unless there is specific questions about these parcels, we can move on. I'd -- someone had -- I did not know there was the 2:30 time line, but ...

MR. PENNOYER: I don't -- Mr. Chairman, I don't know either. I don't have a time, I've got a five o'clock time, but I still know that there are people here that have a time deadline, and we discussed that earlier, so I just thought maybe you ought to prioritize this to do the action items first, and then we'll take up other things as we need to get to them.

MR. SANDOR: Excellent question. I -- I can be here 'til five. Is there any -- are some going to be leaving at 2:30 or 3:00, or what is our closing time? Anyone ...

MS. SINCLAIR: Kodiak, what's the latest time.

UNKNOWN: We can leave -- at least you need to if you want to daily and be gone to Kodiak. The plane is on standby. The original plan was to leave at 3:00. There certainly is flexibility (indiscernible -- out of microphone range).

MR. PENNOYER: Even so, Mr. Chairman, I suggest you take up the priority items first because they may take us clear through three or four o'clock.

MR. SANDOR: Well, let's do that. Mr. Ayers can you lead us through these priority items.

MR. AYERS: Yes, Mr. Chairman, under the habitat activity tab of your folder, briefing document, there is a draft of the less-than-fee simple, it's the last item in your packet. The -- at your instructions, we did meet with the Public Advisory Group, as I mentioned. At the last Trustee Council meeting, this draft document has been prepared with and by the Public Advisory Group committee with the understanding that we have redlined -- actually in your -- it shows simply a darkened area -- over those particular changes that are either strike-outs or additions that are recommended by some staff. With that said, let me say that, I think that the majority of the changes that are recommended are of -- insignificant change, however, there are a couple that I believe are significant change, and, I assume, Mr. Chairman, that you all have this document in front of you, and we certainly have discussed it and circulated it with staff, and this comes recommended to you by the Public Advisory Group, in their response to you seeking

advice.

MR. SANDOR: Mr. Ayers, we -- this was included in the packet and I think we all had an opportunity to review it, and the Chair would entertain a motion to -- to act on this recommendation.

MR. JANIK: So move.

MR. PENNOYER: Second.

MR. SANDOR: Phil Janik moved, Steve Pennoyer seconds to approve this recommendation. Is there any discussion?

MR. PENNOYER: Question.

MR. SANDOR: Any opposition with the approval of this recommendation? If not, the recommendation is approved by the Trustee Council. Can you proceed, Mr. Ayers.

MR. AYERS: Yes, Mr. Chairman, this particular document, in case you did not bring the budget document that has been circulated to you -- I'm moving to the next action item, which is the budget item. This is a summary of the information, with three minor changes.

MR. SANDOR: Is this the same material in the booklet?

MR. AYERS: Yes, sir, with three changes that I will note. Is June here? (Pause) Okay, Mr. Chairman, the information in your packet was the admin budget. The admin budget I will cover first, it is in your packet. The information in the admin budget includes a proposed FY '95 budget for administration, science management and public information. It totals three point six. This reflects some thirty percent reduction from last year's budget. However, let me point that out, that that was what was

authorized in FY '94, not what actually was spent, but the authorization that you gave us in FY '94 has been reduced some thirty percent. That is at three point six million as reflected here, however, let me say, Mr. Chairman, that OSPIC, in our discussion of the importance of an information management system, will come before you later as project 95089, and that particular project, the information management system, including all of our resource library effort, is some additional half a million dollars, which takes this to approximately four point one, if you include this other project which will come before you later. It is not a part of this administration budget. It was our feeling that the public did need to look at that project, did need an opportunity to comment, since -- and I thought you would want to hear from the public about this commitment to an information management system, which ultimately would be developed to allow the public ready access to the information. Also, would provide us the opportunity and the capability of integrating our research capabilities.

MR. PENNOYER: Mr. Chairman.

MR. SANDOR: Mr. Pennoyer.

MR. PENNOYER: Excuse me, but -- while I separate it out.

(Pause) Jim, while it's separated out, it's still part of this interim request? You said you were separating out the half million -- it would then go to the public for comment, but are you asking us to approve it today for '95?

MR. AYERS: What is -- what I'm asking you do, as Molly was just pointing out, the aspect of OSPIC, that which has to

do with our library, is included in this.

MR. PENNOYER: In the three point six?

MR. AYERS: In the three point six.

MR. PENNOYER: I don't think so, I think it's three point nine that you're asking (indiscernible -- simultaneous talking).

MR. AYERS: June, when we talk about the -- the aspect of splitting out eighty-nine, did we take OSPIC out of that budget and add it to the administration budget?

MS. SINCLAIR: No, OSPIC is in 95089, the interim fund (indiscernible - coughing), and the remainder of it, dissemination is in part B, and that's the remainder.

MR. AYERS: But, we're not asking for OSPIC as part of the administration budget of the three point six?

MS. SINCLAIR: No, we are not.

MR. AYERS: You will deal with it over in project 95089. Let me review what is -- there are three things that are going to come before you in the budget today. One is the administration budget for the entire year. The administration and science and public involvement portion of the budget, all is before you today in this budget. The second thing that is before you today, in this budget are analysis of '94. In some cases they are called reports, but is actually the field analysis work of FY '94. The other -- the third aspect are those projects that are requested for funding for the first quarter, or interim funding as it is being referred to, of projects that needed to go forward that couldn't wait until October. So, there's interim funding for FY

'95 projects, there's some report writing that actually will go on in this first quarter which is actually analysis and report writing of FY '94's work, and there's the administration budget. OSPIC is being considered a part of 95089, which is a project of information management, and we'll be asking for funding for OSPIC only, although that project is having to do with information management, and we'll be asking for funding for OSPIC only, although that project is five hundred or some thousand dollars. But, we're only asking for the library or the OSPIC portion of that in the interim budget in administration. That -- OSPIC used to be a part of administration was my earlier point, it's no longer a part of administration, but it will be a request over in this interim budget part. So, there's admin, report and analysis writing and interim funding for projects that need to go on.

MR. SANDOR: Any questions?

MR. PENNOYER: One last question. We see something called interim funding then it means that we're basically agreeing we're going to fund that project in FY '95, or making that agreement now because there's no time to wait?

MR. AYERS: Mr. Chairman, that was quite a bit of debate. What it means is, is that the proposer for that interim funding is a project (a) that should not be a new project -- unless there's an exception that I don't know about in the last three days, there are no new projects. Those are projects that are going on now, that we have heard from the Council you believe are important, and they are listed, that we -- if we wait until October

it would be too late to initiate the activity in order to carry those on. They're not new projects, they're continuation of another effort, but it is a commitment, at least for the first quarter of '95. It's certainly our view, and I've said this to all of them, it's certainly our view the Council could decide not to do that.

MR. PENNOYER: Mr. Chairman, there's a difference however in concluding this calendar year's field season and agreeing to provide money that would start the project over, as though it was going to go into calendar year '95, and I'm just trying to get the distinction between those two. I understand completing the still season and projects that we've approved. You might have a long, lengthy discussion of what we're doing is approving a start-up, an activity that will go on in calendar year '95, by this decision. Because in that case, we haven't reviewed the information, we haven't reviewed the data, we have no concept of whether we achieved our results and it is reasonable to continue it. So, if what we're voting on interim voting is to close out, in essence, what we'd already said we're going to do for some of these projects, that's one thing. If it's the first step toward committing to mega buck, and a couple of these cases, for instance calendar year '95, that's a different decision. Maybe, as we get to each one, maybe you can highlight that.

MR. AYERS: Mr. Chairman, Mr. Pennoyer. This was very difficult and very cumbersome, as you can imagine, for the people who prepared this budget. One of the things that we did provide

and, hopefully, we were provided it based on the information that we received, we did so accordingly, and I -- I had the same concerns that you have, and I still have some of them. However, let me say that in the information you received, the back-up in that information explains if there's going to be remaining funds requested, so that you would, and I would be able to look at these projects and determine if -- if this was a -- project was being -- that's the end of it, or if it was the camel's nose, so to speak. For example, in the project -- in the back-up you have on any given project on 043B, which is just the one I happen to turn to, if you look at the number -- if you look at the project, it tells you what is being requested as an interim, and then it has a remaining budget so you will be able to see what is being requested in addition to the funds that they're requesting for interim. You see, this is the remaining budget being requested. This will be requested later. This is what they're asking for in the interim, so that you can see what it is that's actually being requested, and how it might relate to a later request.

MR. SANDOR: Any other question on the process (indiscernible - out of range of microphone) ?

MR. ROSIER: Mr. Chairman.

MR. SANDOR: Mr. Rosier.

MR. ROSIER: Thank you, Mr. Chairman. Jim, it's not clear to me yet on the interim funds requested, is this -- I mean, is there a mix of things for what the interim funds are being requested? We talked about the initiation or the continuation of

projects that had already been approved here. I'm not sure what's involved in the interim funds requested here on this. Is there a - - it's not all initiation of -- of new field work, for instance, is it?

MR. AYERS: No, it's on each project. Mr. Chairman, I just need to ask June a question here, quickly, in order to respond to your question. Do we, did -- I know we had it because I had it in Eric's back-up sheet. Do we have the split-out of report and analysis versus interim funding for continuation of a project? Do you have it here? By project? (Aside comments) But, this is done on the total. Is it -- are all of these report and analysis writing, that is the way that this is reflected?

MS. SINCLAIR: Right, as individuals.

MR. AYERS: Okay, and this is all of the -- this is -- we did clarify there were three of these, we got that clarified?

MS. SINCLAIR: Right (indiscernible)

MR. AYERS: Okay, before I answer this question, I just wanted to be sure because we changed this in the last twenty-four hours based on some requests from various agencies.

MR. ROSIER: I understand that you've been busy.

MR. AYERS: Well, and agencies wanted to be clear that there was some switching going on here recently, so I wanted to be clear that we had the most recent --. The packet that you have in front of you, that I just handed out, has the response to your question. The third column says "Interim Funds Requested" and we have tried to stick with interim funds requested being that which

is required in the first quarter of the year to execute necessary projects to which the Council have been committed in the past. And may -- and then very well may have remaining funds requested, which is also in your summary sheet. So, if you'll look on the very first page of the document I just handed out, it has the 95007A project, the archeological site project. They are not requesting funds in the interim. However, they are saying there's analysis work that needs to be done, report writing and analysis of FY '94, and then they are requesting a hundred and ninety-four thousand dollars, which will be before the Council in October, for FY '95.

MR. PENNOYER: If you come down the -- little farther, Mr. Chairman, I'm sorry. Jim, if you would look at the 95255 ...

MR. AYERS: 95255, good example.

MR. PENNOYER: Twenty-nine three is the interim funds, analysis is three forty-three point one, so you're requesting us to approve at this stage, three seventy-two -- three seventy-two point four, and then if we do that for all of next year, they'd only need two seventy-two point six?

MR. AYERS: In addition -- that's correct, in addition.

MR. PENNOYER: For just the analysis, of this year's work, we need three forty-three.

MR. AYERS: Mr. Chairman, Mr. Pennoyer, that's exactly correct. They tell us that the research on the sockeye effort on the Kenai is significant analysis of the information that they retrieved during the year, and that actually the costly part of

that project is analyzing the data. Is that right, Joe?

MR. SULLIVAN: That's right (indiscernible -- out of microphone range).

MR. AYERS: And the lab analysis, and then the report writing of that information is the requirement. And, that's why we had them split it out that way, so that we all could begin to understand what we're investing in.

MR. SANDOR: Any further questions on the display and separation of these three items. So, we'll be taking, Mr. Ayers, then, I mean, three separate actions then?

MR. AYERS: Mr. Chairman -- yes. Actually, the -- the entire budget, including the administration budget, is on this summary page, and all three aspects of the budget that I'm requesting, including my recommendation by project, is listed here. And, I guess if you're -- what my recommendation is that you authorize or you adopt this as the budget, with those recommendations in all three of those: admin, interim, and report writing, would be a part of that.

MR. SANDOR: Okay.

MR. AYERS: Not unless you want to split them out.

MR. SANDOR: Is that understood? (Indiscernible - coughing) that this top summary sheet -- to the beginning of the summary sheets includes it totally, but shows the interim and then the analysis funds for '94 and the remaining funds. We have the option of dealing with them in total or separately. That's the way -- Mr. Pennoyer.

MR. PENNOYER: Mr. Chairman, you do have then the summary as eighteen million six hundred fifty-eight thousand of interim funds, two million five hundred fifty-eight thousand of analysis funds, and those are the actions we're -- you're asking for authority on, to be modified by the discussion you have under each project. For example, where it says fund, needs to discuss -- further discussion of costs or something like that, then we're authorizing you to fund up to that amount and you're -- recognizing you're going to go in and do further analysis of the cost.

MR. AYERS: Mr. Chairman, Mr. Pennoyer, that's exactly right, and that there are -- in some of these recommendations are in some cases matters of discussion, if not some contention, because in some cases, for example, forage fish and nearshore fish we're saying that effort, there are three different proposals, three different proposers, five different projects that are related to nearshore or forage fish, for example, and what you'll find is that my recommendation is that if you adopt the funding, that it's clear that those funds require those recipients to those funds to develop an integrated coordinated project. Another one is the sockeye project that we really need to pull together. All of the people that are involved in these various sockeye proposals and work out a sockeye -- a comprehensive sockeye strategy, and that is -- that is one of the requirements. There's also the stable isotope projects, and I'll just use -- finish this one as an example. That there -- there are projects -- that are projects involving stable isotopes and that my view is that instead of us

continuing to fund individual projects with stable isotope work in them, that we develop an RFP, and certainly the university and others are capable of engaging in that RFP, and we go contract for stable isotope work, rather than continuing to fund individual projects in kind of a -- in a haphazard way, to go do stable isotope work and ranging in our charges for those projects. So, each of these projects, I'm requesting authorization for, and in some of these projects, I'm asking for specific authorization.

MR. SANDOR: Mr. Ayers, how would you propose that we proceed. You say we have the discretion of acting on this in total or actually dealing with them separate. But, if we do act on -- in total, we can still then deal with the individual items that may -- that anyone may want to bring up. Is that ...?

MR. AYERS: That's correct, Mr. Chairman, and let me say that -- that certainly is your prerogative. What I've tried to do is work with the agencies and your staff through this effort so that -- that within the administration budget, there are -- there are two specific things. One is that, when you get to it I want to put those on the record for the motion, but the administration budget has two modifications to it, if not three, and Molly's working on that. With regard to the budget, the overall document that's before you, I guess, I would recommend, I would request that you adopt the budget for discussion purposes, as proposed, and then if there are exceptions, that we can go through those exceptions and make modifications, and try and keep a record of that.

MR. SANDOR: The Chair would entertain such a motion.

Anyone willing to do so? I make such a motion.

(Aside comment)

MR. PENNOYER: What do you want us to move?

MR. AYERS: I'm requesting that the Trustee Council authorize the Executive -- adopt the Executive Director's recommendation, as presented, as the FY '95 project interim budget request. And, I'll stop there with the understanding that -- that we then would talk about amendments to that.

MR. SANDOR: Mr. Rosier.

MR. ROSIER: Does that include the administrative budget as well as the project budgets, or ...?

MR. AYERS: It -- it includes all aspects of that, including -- and the total summary on page four of the document that I handed out. Yes, it includes all of that. And, administration budget would be adopted as -- as 95 -- project 95100, which is back on page one, in total.

MR. ROSIER: I see, okay, all right, I understand. Mr. Chairman, I would so move.

MR. SANDOR: Mr. Rosier moves, anyone second?

MR. PENNOYER: Second.

MR. SANDOR: Seconded by Steve Pennoyer that the total budget as recommended by Executive Director be approved with the understanding that exceptions can be made. Is there any discussion of this motion?

MR. PENNOYER: Mr. Chairman, can we ask the Executive Director to restart and tell us about the administrative budget,

tell us about the information budget, and go back to where you started from.

MR. AYERS: Your pleasure and the extent of depth, the administration budget -- administration budget, as I mentioned, the significant change is that we are moving OSPIC into a separate project, and it -- it is requested for interim funding, information management system, which means us designing a way to have the information that we're gathering integrated in a format that allows public access and information and integrates our research. There is a ...

MR. PENNOYER: Mr. Chairman -- Mr. Chairman, if we get off the information part, you've got a three point six million request for administration over the whole year, that's before we talk about OSPIC or administration, right? So, just leaving OSPIC out, can we pass on these sort of individually, or are we all happy with the administration part of this budget. You say it's a thirty percent reduction from last year's, and now ...

MR. AYERS: Authorization.

MR. PENNOYER: Authorization, not counting the OSPIC part of that which would add to that thirty percent, I guess, getting closer. This covers the Chief Scientist, peer review, restoration work force, your office, what else?

MR. AYERS: It covers -- it covers ...

MR. PENNOYER: The PAG ...

MR. AYERS: It covers this building, all of the -- all of the administrative infrastructure, as well as the staff for

administration; it covers the liaison included in the work force; it covers all of the aspects of the public -- public participation, including the PAG.

MR. PENNOYER: Does it include -- Mr. Chairman, does it include the PAG revised amount for the two additional meetings they want to hold in the oil spill area?

MR. AYERS: And Mr. Chairman, Steve, it does include the changes that have been requested by the Public Advisory Group. The -- the issue of how much -- how many -- how many rural meetings they could have depends on how much those would cost, however. So, the answer is yes, it includes the increase that they asked for. Whether or not they could all gather in Port Lyons and also gather in some other rural location depends on the cost. It also includes a consideration of providing the staffing that they've requested and their quarterly meetings.

MR. PENNOYER: Mr. Chairman, I'd just like to bite these off one of at time before we get to the final motion, and I'm satisfied with that part of it.

MR. SANDOR: Deborah Williams.

MR. WILLIAMS: I -- I think that both the Trustee Council members and most of the members of the public are anxious to have us trim our administrative costs as much as we can so we can spend the maximum amount on restoration efforts, direct restoration efforts, and in the spirit of that, Department of Interior and, I believe, the other federal agencies were asked to cap their liaison budgets at one hundred and fifty thousand dollars. And, we in the

Department of Interior did that, and you will note on page fifty-five of sixty that the Department of Interior's budget for fiscal year '95 and fiscal year '96 is a hundred and fifty point one thousand dollars. We thought that was very important. We did that, even though that means that the various agencies at the Department of Interior that provide liaison functions will be absorbing within the agencies some of the costs. I was going to -- and I notice that Agriculture also capped theirs at the requested hundred and fifty thousand dollars. I was going to ask some of the other agencies though, why they didn't come in at -- at the capped amount.

MR. SANDOR: Deborah Williams asked a question, why other agencies did not come in with the capped amount, and the other agencies are?

MR. PENNOYER: NOAA --

MR. SANDOR: And the state agencies?

MS. WILLIAMS: DEC came in at two fifty-five, Fish and Game at one seventy-two, and DNR at one eighty-six.

MR. AYERS: Mr. Chairman?

MR. SANDOR: Yes.

MR. AYERS: Let me respond to a portion of DEC's, and then, each agency can respond, or I'll be glad to respond for each agency, whichever the case may be. But, in ...

MR. SANDOR: Why don't you, Mr. Ayers, identify what you know about this. I do want to say something on behalf of the legislature and the legislative process.

MR. AYERS: One of the things I wanted to point out particularly with DEC, and it could be the case with other budgets.

However, with regard to DEC specifically, there is a restoration specialist position that has in the past functioned as an administrative officer position, doing procurement, managing the lease of this building and those other activities. We have moved that within the work force and rightfully should be in the Executive Director's budget, but it is showing up in DEC's budget currently, and should be in the Executive Director's budget, and that's some -- probably forty-five thousand dollars of those -- of the funds for that staff person in DEC who serves -- actually serves our administrative function in managing facilities and purchases of equipment for the Executive Director. There's also travel that is showing up in DEC under their individual budget that ought to show up under our budget because it does -- it is -- some transportation for the person I just mentioned, also Bob Loeffler who is a staff person who works inside the work force frequently in preparing some of the documents, actually that you have before you today, and some of that travel money rightfully belongs over in the Executive Director and/or in the operations budget. And, when we get to it, I would probably recommend that we make those changes in the final budget, so that that becomes clear. And, that was my oversight, and that's probably fifteen thousand -- twelve to fifteen thousand there. So, some sixty thousand of that actually is administrative function.

MR. SANDOR: And, Deborah, I would also add that,

insofar as the Department of Environmental Conservation is concerned, the individual department does not have discretion to absorb from something else that's been appropriated by the Alaska Legislature and approved by the Governor that isn't clearly identified what it is. So, and the direction we had specifically from this last legislative session is that unless an item was particularly required by statute, that we could not expend funds without the approval of the legislature. So, the discretion that you have to absorb these items, the Department of Environmental Conservation does not have that discretion. Any other responses to the question that Deborah Williams raised?

MR. PENNOYER: I'll take a shot. We have a relatively small operation in Alaska. I am not in any position to absorb more than I'm absorbing, and in the case of my travel and participation and some of my other staff, and that's what it's going to cost us to play in this game. It's eighteen thousand dollars more than this limit out of a three point six million dollar administrative request, and I don't think that's excessive for NOAA's participation.

MR. SANDOR: Mr. Rosier.

MR. ROSIER: Thank you, Mr. Chairman. Yes, I think you pretty well outlined where the State is at the present time. From my agency, I believe we've absorbed the -- a twenty percent cut in the last three years in funding, and the question that was being put to me as a Trustee Council is, why isn't the Trustee Council picking up the cost of my travel and the other expenses that goes

with it. That was asked frequently during the course of this last legislative session. So, Jim, I assume that -- that you've looked at these budgets pretty closely on this before your recommendation went on here. While I think it's commendable, I think that -- that Interior is -- has found a cap here at one hundred and fifty thousand on this thing, do you feel that any of those budgets are -- for the work that's being requested of them is out of line?

MR. AYERS: Mr. Chairman, it's my view that this -- this budget reflects prudent progress in the maximum extent of progress that can be made at this time and still get the work done, in both an efficient and amiable fashion.

MR. ROSIER: Thank you.

MR. SANDOR: Any further questions or comments on the motion on the floor which is really to approve the total budget, which includes the administrative budget for the entire year, the analysis for fiscal year '94 and the interim funding, still reserving the opportunity to adjust or modify individual items. Yes, Mr. Pennoyer.

MR. PENNOYER: Mr. Chairman, I think the next item on Mr. Ayers' list was the OSPIC and information part of which he is requesting three hundred and some thousand dollars for OSPIC. We've discussed OSPIC and libraries in the past, and we've transferred them to the university, and transferred them to the city, and then all sorts of entities and things that never worked out very well, and (indiscernible) going to. In your decisions, include this as part of your interim funding and information

package, could you just tell us a little bit about where you are in OSPIC? (Indiscernible)

MR. AYERS: Mr. Chairman, Mr. Pennoyer, I think it was at the April meeting -- it escapes me now, I don't have the meeting notes in front of me -- but we have discussed what I believe to be an important part of our information system that's lacking. And, I'll talk about what is there. Well, I'll talk about what's there.

We have an information system now that the public uses, where we're able to respond to public inquiries regarding what is the Trustee Council about, in general, and what specifically is the Trustee Council doing, and what has the Council done in the past, and we're able to do that both for people who are involved in technical questions, and we're able to do that for the general public. However -- and that's an important aspect that the public as well as technical people need to maintain. We need to have that capability. However, what we need in addition to that is some integrated information system that allows us, and allows any member of the public to go find out what research we have done, and where that information is. What information is available that -- that this Council has participated in and where and how might that information be retrieved. We do not have a good data base of our data bases at this time. We do ...

MR. PENNOYER: You're not asking us to approve that funding at this point, that two hundred thousand addition is something will come back to us in October?

MR. AYERS: Correct.

MR. PENNOYER: So, right now you're asking us to approve the library relative to the cost next year versus past years ...

MR. AYERS: Yes, and that's at a reduction, and I think that the library was at approximately four hundred and ninety thousand a year ago, and it's at three zero four now. Is that correct? Is Carrie here?

MS. CARRIE HOLBA: Right here, thank you. We had a reduction of about twenty percent.

MR. PENNOYER: Thank you, we appreciate that. That's the questions I had on that aspect, Mr. Chairman.

MR. SANDOR: Any further questions on that aspect. Carl Rosier.

MR. ROSIER: Mr. Chairman, yes. It's still not totally clear on this. We're talking 95089 of interim request of three hundred and four, is that the total cost of OSPIC?

MR. AYERS: Three O four point eight is the total cost for OSPIC. All of the things that we're currently doing, yes.

MR. ROSIER: Okay, the two eighty-five point nine then, that's the new information system that would be part of the request in October.

MR. AYERS: That's correct, Mr. Chairman.

MR. ROSIER: Thank you.

MR. SANDOR: Mr. Pennoyer.

MR. PENNOYER: Mr. Chairman, the next question I had is the largest part of this request at eighteen million is twelve million in the reserve, and I think we've sort of talked about that

as being an appropriate thing to do. I was still unclear as to our legal status at doing that at this stage, relative to the final EIS, and whether we call -- what we're calling it that makes it appropriate or not. I don't -- I'm not against the idea, I like the idea, although I have no way of judging whether the amount is completely appropriate, but I have -- we've talked around this question whether we do have a reserve before we have the final EIS or not, and I'm just wondering if voting for this here, is the major part of this eighteen million dollars. What -- are we on firm ground in doing that?

MR. SANDOR: Mr. Janik.

MR. JANIK: I was saving the same remark for the exceptions that I thought we were going to deal with afterwards, but there is a concern from those folks advising me about including that here in this budget for that reason.

MR. AYERS: Mr. Chairman.

MR. SANDOR: Mr. Ayers, have you address this issue in preparation of this and gotten any legal advice?

MR. AYERS: Mr. Chairman, I appreciate exactly the way you've asked the question. I anxiously await an organized and coordinated response from the federal attorneys, in particular the Department of Justice, with regard to the items that we've brought before them, and that the Department of Justice, I'd hoped, would respond to some of the information that we've sent them with regard to a formal public document that we could share, and I've talked to Mr. Brighton as recently as today and have found him to be

cooperative, and they're having some trouble with their own requirements inside the Department of Justice about what information can be released publicly. Generally, having said that, let me say that with regard to this particular item -- well, let me say one other thing about that previous statement in general. That recently, in preparing all of this work, we had good cooperation with the federal attorneys of the respective agencies. And, unfortunately we're not able to get the Justice Department to give us a document that we could make public and utilize in making some further decisions. So, I don't want to insinuate that we haven't had good cooperation from the respective attorneys from the federal agencies. Because I don't -- I don't want to go back to where we were, and they've been a lot of help recently. I also want to say that that with regard to the twelve million dollars, it's my understanding that there's a question with regard to the twelve million dollars, but no one's -- no one's broached the subject with me, and I haven't asked, and in particular, I'm concerned because I think that the court registry has made it clear that we now have, we have reserved funds and we have balances, and we have funds that are currently being simply held by the court registry that totals some ninety -- seventy-five million dollars, and soon we're to get another check, and yet the court registry is waiting on us to say, do you think it would be okay if we invested these even eighteen months out. Because, if -- even that could take us from, say to a four or five to a seven percent interest rate. Unless there's some reason not to do it, and I guess that might have to do with the --

you couldn't do anything longer than October, which may be the federal attorney's opinion, but I haven't received that information. I think it's important to continue to force the issue that we cannot have such large sums of money, that we're -- that we're responsible for, and not invest those at least in longer term than thirty or ninety day instrument. So, I was simply trying to bring the issue to bear, and if there's a legal question involved, I'll be glad to retract my request.

MR. SANDOR: Deborah Williams.

MS. WILLIAMS: I'll start with a joke, since I'm on such a roll today. I don't want to press my luck, however, I gave away the punch line. Why don't you ever iron a four-leaf clover, because you don't want to press your luck. But, let me press my luck a little there, and with respect to this issue, can you sort of introduce the series of funding, particularly the interim funds requested, and I just wrote down your words, I think, that you wanted funding for these projects because these are projects that couldn't wait until October, and with respect to the budget reserve, I think they're putting any legal considerations aside. There are a couple of policy issues. One is, I think we're going to be deciding on what our investment strategy is in October, so we're going to wait for that anyway until October. And, two, I just don't think right now that the restoration reserve twelve million dollar allocation sets into the, you know, the characterization that it just can't wait until October. I really do think as a -- as a policy matter, the Trustee Council should

probably restrict itself under the category of interim funds requested are those that can't wait. The other ones we can spend a little more time deliberating on, put them into a broader perspective. And, of course, with the restoration reserve, that broader perspective is in -- in the context of the other major uses of the funds. So, legal considerations aside, I would tend to believe that we ought to wait until October to -- to take a look at that twelve million dollar allocation, and also, again, have at that time have a sense of what our investment policy is going to be.

MR. SANDOR: Any other comments or questions on this issue, at this point? Mr. Pennoyer.

MR. PENNOYER: One more comment in total, in looking at the total, I'm trying to get a sense of where we are on the total. Interim is five-six-five-nine, analysis is three-five-five-eight, so that covers the projects, and still of wrap up work to do, and the administration budget for the year, the totals somewhere around ten million dollars for all of that, that's going to come out of FY '95. Okay.

MR. AYERS: Correct.

MR. PENNOYER: What is the six twenty-seven carried forward?

MR. AYERS: There are four projects, Mr. Chairman, Mr. Pennoyer, that are requesting authorization, they are listed on your page three of the packet that we handed out. There are four projects, and we simply have noted that and tried to set a

precedent. And, we believe that in the event the project funding is not spent in the year in which it's appropriate, that it at least ought to be brought to the Trustee Council's attention, and, so this is simply a request to carry forward those funds and to execute the project in FY '95.

MR. PENNOYER: Because there's about ten million dollars as a starting point at the FY '95 budget ...

MR. AYERS: Yes.

MR. PENNOYER: ... and I have no idea what the rest of FY '95 is going to look like, do you -- are we still somewhere in the ballpark, or -- not having the '95 budget go, sort of, out of sight.

MR. AYERS: Mr. Chairman, the majority of the interim funds is for the admin portion, which is the three point six out of that five point six. The balance of that are -- are -- is about -- well, it's two million dollars or a little less than two million dollars for FY '95 projects. I think, that based on the approach that we're taking, which is we have -- we have categorized those projects, we've circulated them to the public, and I think that we will be able to maintain control of that budget when we get the information back, and we begin to take those projects apart one by one, which you will take action on in October. The analysis, I believe, is something that we're going to have to deal with. We're going to have to come to grips, and that's the reason we pulled it out this time, with the reality that some of these projects, like the one you talked about earlier, the Kenai project is -- is lab

and data work, and we're engaged now in a very long-term, expensive, data analysis project on the Kenai River, and it's going to continue to be that way. And, it's analysis work and it's going to be expensive as long as we do it. Can we trim it? We can, but we can only trim it by taking issue with the project as such when we come to it.

MR. PENNOYER: Mr. Chairman, one last question, if I might. In this list of items we've got here, and I assume they're part of the five point seven million dollar funding, we have several projects fairly substantial amounts, that say things like no recommendation, need clarification and further detail. No recommendation and clarification and further detail, hold for consideration. Are these ...

MR. AYERS: I'm prepared to deal with those specifically as exceptions, those that -- those two that you just mentioned. I need to -- those are -- I'm going to cover here and if you're ready for those two specifically, I need to talk about them.

MS. WILLIAMS: Are they in the recommended total though?

MR. AYERS: They are currently not in the recommended total and will be additions to the recommended total, is that correct June?

MS. SINCLAIR: Right.

MR. AYERS: The final excel sum does not have those two in it.

MR. SINCLAIR: That's right.

MR. AYERS: And they will be added to that number, that's my recommendation.

MR. SANDOR: Mr. Rosier.

MR. ROSIER: Thank you, Mr. Chairman. Jim, one last question, in regards to the admin budget, how was the request for additional funds for the -- for the PAG dealt with? Was their requested increase included in this, in the admin budget.

MR. AYERS: Yes, Mr. Chairman, Commissioner, let me just -- do you have the PAG page, June?

MS. SINCLAIR: Yeah, and it says right here ...

MR. AYERS: ... off hand.

MR. ROSIER: I see, I overlooked that.

(Aside comments)

MR. ROSIER: That's fine, I see the reference here.

MR. AYERS: Page thirty-three of sixty . . .

MR. ROSIER: Yes.

MR. AYERS: . . . is the increase, at least, and again, let me say that I -- ultimately the question of the rural meetings will depend on where those rural meetings are and how expensive, and how many people go.

MR. ROSIER: Okay, good. Thank you.

MR. AYERS: But, yes it is in there and so is the staff over in the administration budget.

MR. ROSIER: Good.

MR. AYERS: But, we are not dedicating -- I mean, Mr. Chairman, if I may. What -- we talked to Mr. McCorkle about and

Mary McBurney, the representatives of the PAG, was that we need to assign a staff person to participate, not have a full-time staff person assigned to the PAG, but rather a staff person who -- that we have on staff, being responsible to support the PAG, and that was acceptable to them, not starting to have another staff running parallel to ours.

MR. SANDOR: Mr. Pennoyer.

MR. PENNOYER: Mr. Chairman, so you'd like to proceed on a vote on this package, minus these two or three you're going to bring to us as additions, or do you want to do those first?

MR. AYERS: Mr. Chairman, if we couldn't -- Mr. Pennoyer, I would make the two recommendations now, and then you would have it as a full packet.

MR. SANDOR: Please proceed.

MR. AYERS: On project 95320J, this particular project needed clarification, and in particular there was some concerns. I'm recommending funding this project, with the transfer of one of the subcontracts, which is the Rosensteel (ph) contract, that's mentioned in this, to the remaining portion of the project. And, in -- I guess, funding, with the understanding that we will transfer the Rosensteell contract to the remaining portion of the project, and in particular what I'm indicating there, Mr. Chairman, is that we would -- that we want to make sure that it's clear that we are not authorizing that particular contract, and that that's based primarily on their participation.

(Aside comments)

MR. AYERS: I don't see Carol. Carol are you here?

(Indiscernible)

MR. AYERS: Oh, I didn't see you. I just wanted to make sure you were here so that if I say something incorrectly, you give me those glaring eyes and raise your eyes (laughter). So, what we're recommending here, Mr. Chairman, in particular, is that we need to monitor this a little closer, in particular, this is that information and modeling program. It is a long-term investment and highly technical, although some people say, oh, it's been done before, there's other modeling program going on in the country. This is some of the most sophisticated, natural resource modeling going on, as I understand it, and certainly our Chief Scientist views it. This particular holding of this had to do, however, with someone who is participating in a review of the projects, and I wanted to make it clear that even the appearance of conflict was not going to be acceptable. So, we've clarified that anyone who participates in review of a project, may in no way participate in the conduct of a project. And, in this particular case, why -- what we have done is decide that we will -- that we not -- we are specifically not authorizing a subcontract that is noted in their budget request. But, I do recommend funding of that project at this level, and it is a substantial reduction from what they had originally requested.

MR. PENNOYER: Mr. Chairman, is the reduction from two sixty-five to seven to something else, or does that add two sixty-five seven.

MR. AYERS: The request is at two sixty-five point seven. We are not reducing the project, we are simply making it clear that they may not use eighty thousand dollars for that specific contract. The fund -- fully fund this project with the understanding that the -- that portion related to Rosensteel contract will be transferred to the -- to other aspects of the contract -- or the project, I'm sorry.

MR. SANDOR: Okay, is that clear to the Council members?

MR. AYERS: Molly is suggesting that we -- and I guess this would change the sum, that we actually -- and I don't know which way you added -- that we actually would reduce the eighty thousand until they determined where it was going to be and we'd reduce the two sixty-five point seven by eighty thousand, and have them come in in October with it -- with a clear definition of where those funds would be spent, and I think that is a prudent way to do it. The recommendation is funding with the transfer of eighty point three thousand dollars over to the remaining fund column. So, that number would come down eighty point three, and be transferred to remaining funds requested column. Mark is coming up to say he thinks the associated GA should be also be taken out. So, just -- we'll figure that out later, so just funding with the transfer of associated costs to the Rosensteel subcontract.

MR. SANDOR: So, that's your recommendation -- is there -- do you want a motion to -- formal motion to accept that recommendation?

MR. AYERS: Perhaps, what we could do is note to change it and adopt the whole thing at the end.

MR. SANDOR: Okay. Any objection to that, at this point?

MR. AYERS: ... or if somebody could keep track of the ...

MR. SANDOR: Can you proceed.

MR. AYERS: The next item, Mr. Chairman, is 320N -- November -- I have no recommendation, need further clarification. This is the hydroacoustic works that we're conducting in Prince William Sound. It's certainly my view that we need to have better communication and coordination of the efforts to analyze the biomass, particular of forage fish and other fish in Prince William Sound. My recommendation is we fund this project, but we make it clear that it's contingent upon approval of a cooperative working agreement between this project, project 160 -- 95163, and any other project related to nearshore or forage fish in Prince William Sound.

MR. SANDOR: 95163, that's NOAA. Any questions on that recommendation? Mr. Ayers, you say, that project plus any others that deals with the nearshore?

MR. AYERS: Nearshore fish or forage fish, yes.

MR. SANDOR: Please proceed.

MR. AYERS: Mr. Chairman, since we were still doing this last evening, let me see if there's any -- June, do you know of any other changes that we heard of yesterday that need to -- we

need clarification on?

MS. SINCLAIR: No, but we haven't addressed 95131, 131.

(Aside comments)

MR. AYERS: 95131, Joe, I don't know if you have that one or not, but 95131, let me say -- let me reiterate something that was a matter of contention among both some public proposers and also some agency proposers. It was my view that unless it was absolutely critical to restoration, that we were not going to engage in -- in developing new projects during an interim budget cycle and prior to public comments. This is actually a new project, and, although we could construe it differently and it certainly would be beneficial in some ways to begin this project, it is a new project, and my recommendation is that this project be coordinated with another outreach project, but that we should hold this and consider it when we have public comment and when we deal with the '95 work plan, and that in the meantime, we have ADF&G consider writing a pilot project, a good demonstration project, which I think would be beneficial to the restoration effort, but that it not be funded at this time. So, I'm not changing what that recommendation says, unless somebody has other information and wants to debate it.

MR. SANDOR: Any questions or comments? Objection to the recommendation?

MR. AYERS: Pardon me.

MS. SINCLAIR: 95320N

MR. AYERS: November?

MS. SINCLAIR: Yes.

MR. AYERS: I just did it, and I -- and we -- and I have the language here. We just need to talk to Gary that that's the way it's going to be. But, I'm not changing 131, do you have a different understanding than I do, Byron?

MR. MORRIS: Well, then the funding the request is zero.

MR. AYERS: For the interim? Okay, so, the eight-two point five is zero. Right?

MS. SINCLAIR: Right.

DR. MORRIS: 139D

MR. AYERS: Wait a minute, I -- let me just clear -- I want to make sure Joe understands what I just -- what we're doing.

MR. SULLIVAN: I do.

MR. AYERS: Okay, and we're going to develop it as a pilot project and consider it in October as part of the recommendation -- October -- will be to look at it then. Okay.

MR. SULLIVAN: Right.

MS. SINCLAIR: 139D on page 3.

MR. AYERS: 139D, as in dog, on page 3, defer decision to October, these are new projects for FY '95. (Aside comments) 139D is the project -- 139 actually, those projects are in-stream enhancement projects. 139D was -- was at Pink Creek and Horse Marine Bypass. Now, those are not projects that had come before you before for consideration as instream enhancement. And, when I

asked the question, wasn't this technically a new project, I think I heard the answer was yes. It's a new project and, therefore, I recommend, again, that we not take that issue up at this time, that it be considered with a full array of projects, so that -- that 139D, that seven point nine would be zero, and we defer the decision until we hear from the public (indiscernible).

UNKNOWN: I would agree.

MR. SANDOR: Please proceed.

MR. AYERS: I have to ask the question -- I've asked a question because one of the things we were trying to do last night was accommodate people coming in with last -- with last -- information and requests. So, 95024?

DR. SULLIVAN: Yes, 24 and 29, I see that you have interim funding here. It's really 29, 24, 69, and I cannot remember PWSAC's number ...

UNIDENTIFIED VOICE: 093.

DR. SULLIVAN: 093?

UNIDENTIFIED VOICE: 093.

MR. AYERS: They're not asking for interim; they're over in later. But 024?

MR. SULLIVAN: I (indiscernible -- out of microphone range). What I'd like to do next week is go over there to Cordova, 2469, the PWSAC project, come up with some coordinated efforts (indiscernible -- out of microphone range). I think part of the difficulty may have been when you look at interim funding it -- period runs from October 1st to the end of the (indiscernible --

out of microphone range), and if we need some money, seed money for (indiscernible -- out of microphone range).

MR. AYERS: Okay, Mr. Chairman -- thanks, Joe, I really appreciate. First of all, let me say that I think that we've -- I really appreciate the support, so I have no qualms about some of the things that June and I were trying -- and Sandra and I were trying to do last night, and try to incorporate some of the requests in. I've put them in here so that we'd be ready to deal with them, and so, I wanted to say I did put them in here. I didn't have the information, but I put them in here with the understanding that someone would talk to me about them today. This particular project, NO69 are projects that have to do with efforts -- beginning efforts that would enhance wild salmon stocks, which is going to be a critical issue, I think, for us to deal with. But, it's a much deeper issue than I think we're prepared to take on today, and I'm not prepared to, at least at this time, to recommend funding for these projects as new projects. And, we need to get Phil Mundy, one of our peer reviewer and our outside scientists, involved in some of the discussion, and I need to hear back from Joe about some discussion about what Cordova has in mind.

My recommendation is that 024 --95024 and 069 be zero at this time, and be taken up in consideration of other projects in the fall.

MR. SANDOR: Okay, any other items then, Mr. Ayers?

MR. AYERS: Is there any other items, anybody knows about?

MR. PENNOYER: Do you have to give the revised total for

us therefore?

MR. AYERS: Do you have the changes, June?

MS. SINCLAIR: Yeah, one second.

MR. SANDOR: Mr. Janik has a comment that's pertinent to the calculation you're making.

MR. JANIK: Thank you, Mr. Chairman. Jim, the discussion we had on the twelve million is -- is that also an item we need to decide on here?

MR. AYERS: I'm sorry, Mr. Chairman, Mr. Janik.

MR. JANIK: The -- the -- thank you -- the discussion on the twelve million, the restoration reserve, is that an issue we want to deal with right now, in terms of the eliminating that from the table?

MR. AYERS: Mr. Chairman, Mr. Janik, I guess. What I would like to do, is I would like to have a response from the feds ...

MR. JANIK: Before you do that?

MR. AYERS: ... before we proceed with that. But, maybe that's the way to actually voice the -- the motion, is adopt it with the understanding that the twelve million dollars for the reserve. Although, I guess that goes -- it might go unsaid, I mean Justice is going to tell us what they think of it, I assume, when they see it. Unless, somebody has a suggestion.

MR. JANIK: Given the discussion I heard, I guess I would be more comfortable not to show it, and then put it back in if that's permissible, or acceptable, or appropriate.

MR. SANDOR: Is that a motion?

MR. JANIK: That is a motion.

MR. ROSIER: Second.

MR. SANDOR: Moved and seconded that the twelve million for the reserve not be included at this time, and be considered for additions later.

MR. PENNOYER: With a clear understanding that its not a directional motion or intent, it simple reflects the status of the information we have on this item at this time.

MR. SANDOR: Any discussion on this motion? Any opposition to that motion? Motion carried. Item is deleted at this time, without any direction intended.

MR. AYERS: Mr. Chairman, Mr. Pennoyer, we're still working on the specific. Did you deduct from the interim, but the total now without the twelve and without those projects which we have now deducted, and with the transfer of the eighty point three, the total now is nine thousand eight hundred and fifty -- nine million eight hundred and fifty-seven thousand five hundred dollars. 9,857.5 in millions.

MR. PENNOYER: Move we approve that amount in interim analysis and carry forward funding.

MR. ROSIER: Second.

MR. SANDOR: It's been moved and seconded that -- that the total summarized be approved. Mr. Tillery.

MR. TILLERY: Mr. Chairman, Mr. Ayers, does reducing any of these numbers then have an impact on administrative costs that

need to be taken into account?

MR. AYERS: The associated, and that was the point on the 320J project, there's associated general administration costs.

That would -- that may also be reduced by 24069. Well, let me ask a question. Isn't the general administration costs included in that particular item as submitted? So, for example, that 024 that came in last night, and that fifty-three point three, some portion of that fifty-three is general administration costs.

MS. SINCLAIR: Right, that's correct.

MR. AYERS: So, the associated cost is already reduced.

MR. TILLERY: It doesn't show up in another item.

MR. AYERS: It doesn't show up in another item.

MR. SANDOR: Mr. Ayers, would it be appropriate to take a break until three o'clock to provide a relief, and then recapitulate these figures? Let's do so.

MR. AYERS: Yes, let's do so. That would be helpful, Mr. Chairman, thank you.

(Off Record 2:53 p.m.)

(On Record 3:04 p.m.)

MR. SANDOR: Summarize for everyone else, Craig is usually ahead of me, at least, where we are. We -- a motion to excise that twelve million has passed. Carl's motion has passed. And, we have, as I understand it, only the overall motion to approve the budget with the changes we made, and you're going to give a summary the -- of those changes.

MR. AYERS: Yes, Mr. Chairman. It's my understanding, during this little at-ease here, that the previous motion was simply a matter of indication of -- of -- related to the motion which is on the floor, which is -- is Commissioner Rosier's motion, seconded by Pennoyer, that we -- for purposes of the motion, that we adopt the FY '90 project interim budget request, but that it would be subject to these changes which we were about to discuss. We then have gone through and made several changes, and so perhaps that's the way to clarify the motion is to go back and clarify now what all of those changes are and to have one motion, not singular motions to make those changes.

MR. PENNOYER: I would have accepted the fact that you're making the changes that we agreed to and gave us a new total. If you feel compelled to go back through each one ...

MR. AYERS: I don't -- I feel compelled to review what the motion is that's on the floor, since there was a little exchange there that's on the record now, and I want to just go back and clarify what it is, and I'm actually just waiting for June to bring the number, the summary number down, but let me walk through the changes. Let me mention, there are two other action items on the agenda that actually have to do with personnel action, but, let me cover that, which is in your packet. As I mentioned in the packet, our Director of Administration, Ms. June Arkoulis-Sinclair, has accepted a position in New York and intends to move in September. I have been making an effort to recruit an in-state Alaskan, with budget background and knowledge of the Excel program

and knowledge of the Trustee Council business. Subject to the MOU, between the United States and the State of Alaska, any senior staff position like the Director of Administration, is subject to your concurrence. The Executive Director has the authority to hire only with the concurrence of the Trustee Council -- authorization of the Trustee Council. That staff then becomes subject to the direction of the Executive Director, but the hiring must -- is required -- the authorization for hiring is subject to your approval. And, I'm going to circulate a resume of the person that I believe is qualified, she's worked with the Trustee Council from the office of management and budget in the past. So, while waiting on June to bring back to us this list of changes and totals, I'd like to circulate this resume, and I am going to ask for authorization.

MS. SINCLAIR: Would there be an executive session, Jim?

MR. AYERS: And you would -- the other item is then the -- the evaluation of the Chief Scientist, the confidential document which you do have. If either or both of those items you want to resolve today, then we probably need to go into an executive session.

MR. SANDOR: Well, I believe, you'd indicated at the break that it would be desirable to get these back to the Chief Scientist so, we will do that, and we ought to do it in executive session. Agreement on -- any objection to that?

MR. PENNOYER: Can we finish our open session business here first?

MR. SANDOR: Yes, we will. By all means, we're just

waiting for figures.

MR. AYERS: All we need is numbers, and I'll just add up the numbers. I just need numbers, I don't need a document.

MR. PENNOYER: Are they going to clear the room?

MR. AYERS: I'll be glad, why don't I walk through the changes, Mr. Chairman, and then we'll have the total hopefully by the time that I get to that. The document before you is referred to as the FY '95 project interim budget request, including the Executive Director's explicit recommendations and specific recommendations. With the changes that project 95024, the interim funds requested should be zero. 95069, on page one, is zero. The change for 95131, the funds requested under the interim funds requested should show as zero. On page two, project 95320E is actually zero. On page three ...

MR. PENNOYER: Jim, come back one second, 95320E has an amount shown under interim and an amount shown under analysis. What's zero?

MR. AYERS: I'm sorry, interim funds -- interim funds requested is zero, and actually, as I was talking to June at the break, it -- the Executive Director's recommendation of that project is funding, except for the acquisition of a skiff and motor. They were arguing they had to do that because they didn't know how long it would take, and there is skiff and motors available after the public has had a chance to review the project and determine that.

MR. PENNOYER: So, the ninety-eight remains, though.

MR. AYERS: The ninety-eight for analysis remains for that project. The analysis work will go forward, but not the request for purchasing a skiff and motor at this time.

MR. PENNOYER: Thank you.

MR. AYERS: Page three.

MS. WILLIAMS: Jim, you had modified 95320J to decrease by eighty thousand.

MR. AYERS: Actually, I lost my piece of paper.

(Indiscernible - out of reach of microphone)

MR. AYERS: The eighty point three, and I need to clarify whether or not there's administration number in that, but let's just say it's eighty point three, is transferred from the interim funds requested portion, over to the remaining funds requested -- request -- so that number two sixty-five point seven is reduced by eighty point three, which is one eighty-five point four. The project 95424, twelve million dollars, is moved from first column interim funds requested to remaining funds requested column.

MR. ROSIER: Jim, on 320J, does that eighty point three get added to the five seventy point five? I thought that was ...

MR. AYERS: Yes.

MR. ROSIER: So, that's six fifty point eight.

MR. AYERS: Yeah, that will be -- will -- six fifty

...

MR. ROSIER: That's remaining funds requested.

MR. AYERS: Yes. That will be before us in October.

MR. PENNOYER: Understand -- it's my impression is none of those are sacrosanct because we didn't vote on it, so they might end up being different amounts after further analysis or discussion.

MR. AYERS: That's correct. Not -- there is no commitment here. It is certainly my understanding, and that is certainly what we have relayed to the agencies and proposers. There's no commitment with regard to the remaining funds requested, nor will there be consideration of that until we receive public comment and we meet in October. N, N has the language under the Executive Director's recommendation that this project be funded, at this time, under the interim funds requested, contingent upon approval by the Executive Director of a cooperative working agreement between this project and project 95163, and any other nearshore or forage fish in Prince William Sound. Project 95139D, the seven point nine is changed to a zero. And, if June then has the corrected totals, I have now the corrected totals. On your page four, the interim total, including administration, went up -- would we add the interim?

MS. SINCLAIR: The one sixty-five -- I mean the one eighty-five point four, that was not included before. You now say you're going to fund that piece of it and move eighty point three over to the other column.

MS. McCAMMON:ON: The big item, Jim, was 95320N.

MR. AYERS: 95320, actually J, which had not -- which was not free and clean.

MS. SINCLAIR: Not included.

MR. AYERS: It was not included in total before because we had no recommendation.

MS. McCAMMON: And N, N's the big ticket item.

MR. AYERS: And N. So, the total now is five -- and under interim on page four, five seventy-seven -- five seventy-seven point two.

MR. PENNOYER: Now, that's a real reduction of about five million dollars.

MR. AYERS: I'm sorry, five million seven hundred seventy-seven thousand two hundred dollars or 5,777.2, under interim. Under analysis, the total is now . . .

MS. McCAMMON: The same.

MR. AYERS: . . . the same. Carry forward remains the same. The restoration reserve is delayed until October. Total recommended funding is nine million nine hundred sixty-two thousand six hundred dollars, or 9. -- I'm sorry, 9,962.6. The administration budget, one of the items that I did mention is that -- and I am requesting, is that I will make the changes to transfer the -- make the appropriate transfers for the restoration specialist or the personal services that's related to administrative functions, forty-two point five thousand dollars of those funds will be allocated to the Executive Director's office and administration, rather than showing up under the liaison's budget, and that twelve million dollars that currently shows -- twelve thousand dollars that shows up -- could be twelve million --

twelve thousand dollars that shows up in the travel under operations, actually it shows up as ADF&G operations costs, should be in DEC's operating budget. So, I just wanted to make sure that those two items I talked about earlier, I'll make those changes in the budget, and so your motion is including authorization to make those changes. That does not change the total, however, of the item.

MR. SANDOR: Any further clarifications in the summaries to be made?

MR. AYERS: Unless someone gives me some signal that I've left out something, I think we've accommodated everyone including the reductions.

MR. PENNOYER: Question.

MR. SANDOR: Any objection to the approval of the total budget and the changes made and the understanding that there might still be a -- an adjustment or two with respect to what the calculator for Joe (Laughter). . . No objection? The motion is passed. Mr. -- you proceed -- can we take just a moment to see what we're doing for the remainder of the time here. What action items remain, and when do we go into executive session? We want to do that last, I think, except for coming back to adjourn, or recessing.

MR. AYERS: Mr. Chairman, we can -- the Institute of Marine Science improvements, we have made progress, and I will be meeting with that staff, and certainly, if anyone wishes to meet with them, we can do that after this meeting. Anybody is able to

can stay and meet with them. We're making progress there, and there is an update -- yesterday -- for some of those of you who were traveling in the area, I can do that subsequently. The court request authorization -- we'll develop a court request after this meeting based on your actions during this meeting. That court request actually will incorporate the actions of July 18th. We have not finalized a request for the additional funds that we discussed on July 18th, and hopefully, in the near future we will finalize any -- we'll finalize the appraisal on the Eyak subparcel and if there's a discussion to be had with that, that would come before you during that court request. So, the court request, we don't need to discuss, we'll develop that and each of you will see it because you have to sign it. The other action item -- the only other item then to come before you would be the personnel actions. We'll circulate the financial report, an update on the financial report. So, the only other item is the personnel action item. The future meeting schedule, it very well may be as you discussed on July 18th, that we need to work on having monthly, regular scheduled meetings. The September meeting is not yet scheduled, and it -- actually I don't know when would be the appropriate time, it depends on public information back as well as negotiations. So, it may well be the end of September or the first of October. We'll work with you at a later time at getting a date that will fit everybody's calendar. The only item left on the agenda then is personnel action, Mr. Chairman.

MR. SANDOR: Members of the Trustee Council, are there

any other items, we think may have been overlooked?

MR. PENNOYER: Mr. Chairman, I'd like to commend June for work with the Council, and sorry you're leaving and wish you weren't, but appreciate all the work you've done for us.

MS. SINCLAIR: Thank you.

MR. PENNOYER: And -- in some of our earlier years when administration was sort of a, little bit more helter-skelter, it's been a very pleasant transition.

MR. SANDOR: The Chair would -- give a kind of -- congratulate you on what should be a very rewarding assignment. Anything else to cover before we move into executive session, and do we do that upstairs in a room or ...?

MR. AYERS: I would recommend, Mr. Chairman, that would be the easiest thing on the public is for us to move upstairs to an executive session. We move straight to what is now my office, or the smaller conference room if it's available. There is the conference room upstairs, we can move to that.

MR. SANDOR: We would then come back to -- to ...

MS. WILLIAMS: I just wanted to reiterate something that was said at the beginning of the session, and that is to thank the staff for your outstanding work. I know how hard you worked, I know how many all-nighters you put in putting this together, and we greatly appreciate this excellent work product.

MR. SANDOR: So, we'll then break into executive session upstairs, come back after (indiscernible) which hopefully will be by four. Are we ready?

(Off Record 3:20 p.m.)

(On Record 4:01 p.m.)

MR. SANDOR: Trustee Council reconvenes and Jim Ayers will give a report of executive session, and the proposed action items stemming from it.

MR. AYERS: Mr. Chairman, the Chief Scientist, and I have discussed an evaluation subject to -- to reasonable confidentiality. I will complete the evaluation of the Chief Scientist and give that to him for his record, and we will maintain a record for that file here. I also am requesting authorization subject to the agreement between the State of Alaska and the Trustee Council regarding the hiring of staff, and, in particular, provision two of that document provides that the appointment of persons to fill senior staff positions under the Executive Director shall be made by the Executive Director subject to the approval by the Trustee Council, and I'm asking for authorization to proceed with the hiring of a replacement for June Arkoulis-Sinclair in a position of administrative director -- administration director, and that would be subject to your approval, and I am in the process of interviewing and negotiating with a potential employee as the Director of Administration, and will certainly bring that to you for approval after I have talked with that person and asked -- and talked to you each individually, contact you with regard to that person as discussed.

MR. SANDOR: A motion to any ...

MR. PENNOYER: So, bringing it to us means calling us

individually and ...

MR. AYERS: Yeah, I will call you back individually as we have in the past for senior staff approval, and will not make a final hire until I've contacted each of you, after I've talked with ...

MR. PENNOYER: I'm with everything he said. (Laughter)

MR. SANDOR: Moved and seconded that Jim Ayers be authorized to proceed as discussed, any objection? (No audible objection) You may proceed as discussed. Any other items to cover before we set future meetings.

MR. AYERS: Mr. Chairman, (indiscernible - simultaneous talking) is that I appreciate the patience of the Council and trying to get the multitude of issues before you today, and also our effort -- let me also say that I'm sure that there's at least one or two things that have been oversight, probably on my part, and to remedy that I will bring it back before you, whatever it is, at the October meeting, but I'm certain that there's something in the budget. I've already talked to a couple of people. There's some things that I was supposed to take care of inside the budget for the administration, and I -- I'll bring them back to you in October and I think it will be fine, but I just wanted to note that for the record. There are at least two things that I know of, and I'll bring them to you in October.

(Aside comments -- laughter)

MR. AYERS: You want to recess, Mr. Chairman, in case we need to reconvene in September to take up any of these other



CERTIFICATE

STATE OF ALASKA                    )  
  ) ss.  
THIRD JUDICIAL DISTRICT        )

I, Linda J. Durr, a notary public in and for the State of Alaska and a Certified Professional Legal Secretary, do hereby certify:

That the foregoing pages numbered 03 through 126 contain a full, true, and correct transcript of the Exxon Valdez Oil Spill Settlement Trustees Council meeting taken electronically by Ladonna Lindley on the 23rd day of August, 1994, commencing at the hour of 10:30 a.m. at the Restoration Office, 645 G Street, Anchorage, Alaska;

That the transcript is a true and correct transcript requested to be transcribed and thereafter transcribed by Sandra Yates and me to the best of our knowledge and ability from that electronic recording.

That I am not an employee, attorney or party interested in any way in the proceedings.

DATED at Anchorage, Alaska, this 29th day of August, 1994.

\_\_\_\_\_  
Linda J. Durr, Certified PLS  
Notary Public for Alaska  
My commission expires: 10/19/97