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1 EXXON VALDEZ OIL SPILL
2 TRUSTEE COUNCIL

3 Meeting

4 Monday, April 24, 2000

5 10:30 o'clock a.m.

6 Federal Building, Room 445C

7 Juneau, Alaska

8 TRUSTEE COUNCIL MEMBERS PRESENT:

9 STATE OF ALASKA - DEPARTMENT MR. FRANK RUE

10 OF FISH AND GAME: (Chairman) Commissioner

11 U.S. DEPARTMENT OF COMMERCE - NMFS: Mr. BILL HINES

12 MR. STEVE PENNOYER

13 Director, Alaska Region

14 STATE OF ALASKA - MR. CRAIG TILLERY

15 DEPARTMENT OF LAW: Trustee Representative

16 for the Attorney General

17 U.S. DEPARTMENT OF INTERIOR: MS. MARILYN HEIMAN

18 Special Assistant to the

19 Secretary for Alaska

20 U.S. DEPARTMENT OF AGRICULTURE - MR. DAVE GIBBONS

21 U.S. FOREST SERVICE: (Telephonically) Trustee Representative

22 STATE OF ALASKA - DEPARTMENT MR. DAN EASTON

23 OF ENVIRONMENTAL CONSERVATION: for MS. MICHELE BROWN

24 Commissioner

25 Computer Matrix, 3522 West 27th, Anchorage, AK - 243-0668

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1 TRUSTEE COUNCIL STAFF PRESENT:

2 MS. MOLLY McCAMMON	Executive Director
3 MS. TRACI CRAMER	Director of Administration
4 MS. REBECCA WILLIAMS	Administrative Manager
5 MR. CHUCK MEACHAM	PAG
6	PRESENT TELEPHONICALLY
7 MS. SANDRA SCHUBERT	Director of Restoration
8 MS. VERONICA CHRISTMAN	EVOS STAFF
9 MS. PAULA BANKS	EVOS STAFF

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1 PROCEEDINGS

2 (On record - 10:36 a.m.)

3 CHAIRMAN RUE: Okay, this is Frank Rue, Fish
4 and Game. Today is April 24th, it's approximately 10:30 in the
5 morning when we said we'd get started. We have with us here
6 Craig Tillery from the Department of Law; Dan Easton for
7 Michele Brown from DEC; Bill Hines from NOAA/NMFS for Steve
8 Pennoyer; Marilyn Heiman is here. Dave Gibbons, are you on
9 line?

10 MR. GIBBONS: Yes, I am.

11 CHAIRMAN RUE: Okay. So we have full
12 complement of Trustees.

13 Today's agenda. Molly, do you want to take us through
14 today's agenda?

15 MS. McCAMMON: Mr. Chairman, the only other
16 addition that I have on here is to do a brief Executive
17 Director's report and we can either do it before or after the
18 public comment period at 10:45.

19 CHAIRMAN RUE: Okay. So I guess our first
20 order of business is to look at the agenda.

21 MS. McCAMMON: And the other thing is it
22 doesn't look like we need an executive session.

23 CHAIRMAN RUE: Okay. The first order of
24 business is to look at the agenda and approve it. Anyone have
25 any comments on the agenda?

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1 MR. TILLERY: I move that we approve the
2 agenda.

3 MS. HEIMAN: Second.

4 CHAIRMAN RUE: Any objection?

5 (No audible responses)

6 CHAIRMAN RUE: Hearing none, we've got our
7 agenda.

8 Next item on the agenda is to approve the March 16th
9 and April 7th meeting notes; do I hear a motion?

10 MS. HEIMAN: I so move.

11 MR. TILLERY: Second.

12 CHAIRMAN RUE: The motion is seconded. Any
13 objection to approving the meeting notes from the March 16th
14 and April 7th meetings?

15 (No audible responses)

16 CHAIRMAN RUE: Okay. Hearing none, they're
17 approved.

18 Well, it's 10:45, that moves us right into public
19 comment period; is that right, Molly, should we do that? Okay.
20 How many sites do we have on line?

21 MS. McCAMMON: I believe we just have Anchorage
22 and then the Forest Service office.

23 CHAIRMAN RUE: Oh, the Forest Service office in
24 Anchorage.

25 MS. McCAMMON: In Anchorage, Dave Gibbons

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1 is.....

2 CHAIRMAN RUE: Oh, okay. We have the
3 Restoration office, Forest Service office and then here in
4 Juneau. Okay. Why don't we start here in Juneau, do we have
5 anyone signed up here in Juneau who would like to testify or
6 give public comment?

7 (No audible responses)

8 CHAIRMAN RUE: There's no one here in Juneau.
9 How about at the Anchorage Restoration office?

10 MS. BANKS: There's no one here in Anchorage,
11 either.

12 CHAIRMAN RUE: Okay, great. Dave Gibbons, do
13 you have anyone with you?

14 MR. GIBBONS: Nobody here.

15 CHAIRMAN RUE: All right. Well, it looks like
16 we don't have any public comment today. We'll close public
17 comment then.

18 That moves us to the next item on the agenda, which is
19 the Archaeology Repository Business Plan. And Molly McCammon
20 was going to give us a report on that, along with a couple of
21 other folks.

22 MS. McCAMMON: Mr. Chairman, if I could start,
23 first, with a brief report on some other items.

24 CHAIRMAN RUE: Oh, was that on our agenda?

25 MS. McCAMMON: No, but I just.....

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1 CHAIRMAN RUE: Oh, that's what you said. You
2 wanted to do it before this? I guess I wasn't listening. With
3 no objection, go ahead, Molly.

4 MS. McCAMMON: Okay. There are a couple of
5 items that I wanted to bring to your attention. First of all,
6 the GEM document has been technically edited, which was a huge
7 task, and printed and is off to the National Research Council
8 for review. You should be getting a copy of it this week,
9 probably in the next day or so.

10 They will be announcing the meeting -- or the committee
11 membership this week. Once they announce it there's a 20 day
12 public comment period. They have set their first meeting date
13 for Anchorage, for June 15th through the 17th, and that's a
14 Thursday through Saturday. The Saturday session is all
15 executive session, internal business, conflict of interest type
16 things that they discuss, so the two public sessions are
17 Thursday and Friday, the 15th and 16th. We'll be working with
18 them on the agenda, but they would like to hear a presentation
19 on the Trustee Council Program, processes, the GEM document,
20 kind of a discussion on the future program, what we hope to see
21 accomplished by the review. And also work with them on having
22 a couple of selected folks do presentation. They want to hear
23 from the Public Advisory Group. We'll probably have somebody
24 from the community facilitators, but we'll be working with them
25 on the agenda. And I'll make sure that all of you are

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1 informed.

2 And I think it's probably appropriate that, at least, a
3 couple of Trustees attend that first meeting and we'll talk
4 about what kind of presentation to make, but I think it's
5 important to have the Council participate, especially at the
6 first one. So I wanted to let you know that that's underway.

7 CHAIRMAN RUE: I already have a conflict, I
8 hope others don't.

9 MS. McCAMMON: On the 15th and 16th?

10 CHAIRMAN RUE: 15th, 16th and 17th, did you
11 say?

12 MS. McCAMMON: Yeah, the public session will be
13 the 15th, 16th.

14 CHAIRMAN RUE: Okay.

15 MS. McCAMMON: So it's a Thursday, Friday.

16 The next Trustee Council meeting is scheduled in
17 Anchorage for May 25th. And what we're hoping to have on that
18 agenda, it would be great to have Koniag on that agenda for
19 action, but we're not sure we'll be there by then, but that's a
20 possibility. But we still have action on investments,
21 primarily the payout rule. And we'll be hearing a report from
22 Bill Wurts who has the consulting contract evaluating the
23 State's ability to manage the trust funds, so we'll have that
24 report.

25 But it's Steve Pennoyer's and Rebecca Williams last

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1 Council meeting, so we will have some event in conjunction with
2 that, we're putting something together now and we'll plan on
3 inviting prior Trustee members, the Public Advisory Group, past
4 PAG members, kind of past staff and people who have been
5 involved in the process.

6 MS. HEIMAN: Do you think it will that evening
7 of the 25th or.....

8 MS. McCAMMON: Probably not, we'll probably do
9 it in the afternoon. It'll probably be a reception kind of
10 thing tagged on to the meeting.

11 CHAIRMAN RUE: Do something boring.

12 MS. McCAMMON: I beg your pardon.

13 CHAIRMAN RUE: Nothing.

14 MS. HEIMAN: Not boring.

15 MS. McCAMMON: So I've also sent around an
16 e-mail on it to everybody which you should have received.

17 We are now underway the process for developing the
18 FY2001 Work Plan. The deadline for proposals was April 14th,
19 we received about 130 proposals, totally approximately
20 \$13,000,000 worth of requests, our target is \$6,000,000. So we
21 have the review process underway now. Our core reviewers will
22 be in town May 21st though 24th going through the peer review
23 process and we should be developing a draft plan in late May,
24 early June and have that out.

25 It's going to be a very tight budget. We had

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1 anticipated in continuing projects about \$4,000,000 worth of
2 continuing projects. Those came in. The request for those
3 projects alone came in at \$5.3 and given a \$6,000,000 target
4 there's not going to be a lot of room for new things. One of
5 the major things we do want to accomplish in the next year is
6 the final Prince William Sound shoreline assessment, and that's
7 going to be very expensive -- pretty expensive proposal.

8 I will be looking for your support as we go through the
9 review process because there's a lot of very good proposals
10 that were submitted that are just not going to be -- there's
11 just no money available to fund them. So we're going to be
12 very targeted, trying to finish up work that's been
13 accomplished, see what transition work needs to be done for GEM
14 and that's about it right there. And we can discuss this a
15 little bit more when we discuss the payout rule because we kind
16 of layout some of the options for future spending and you can
17 get, I think, a good view on where we're going in the next five
18 years or so.

19 The other item that I wanted to mention to you is just
20 in terms of habitat protection program. We are meeting with
21 Koniag negotiators tomorrow morning, so those negotiations are
22 continuing and are very active. This is not for an actual
23 purchase of those lands, it's for the possibility of setting up
24 an account and allowing for a vote for Koniag 10 years from now
25 on whether to purchase those lands. I've been getting some

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1 calls from Larsen Bay shareholders with concerns and questions
2 about the process, so in case you do hear from people -- you
3 should contact me if you do hear from someone. Apparently
4 there was a newspaper story last week in the Kodiak paper that
5 raised some concern by people saying that we were negotiating
6 for the sale of those lands.

7 MS. HEIMAN: Did we get a correction?

8 MS. McCAMMON: Not in the paper, yet, but we
9 have been talking to folks.

10 MS. HEIMAN: And this story makes.....

11 MS. McCAMMON: Yeah. Also a reminder that at a
12 past Council meeting we set a June 15th deadline on figuring
13 out what action was being taken on the small parcels that were
14 currently in the process. And, at that time, the Council had
15 said that as of June 15th if no action was taken on these that
16 they would all -- basically everything would be off the table
17 and opened for reevaluation. So just a reminder of that
18 deadline coming up.

19 And in anticipation of that or kind of in line with
20 that, we've still been continuing our discussions with non-
21 profit groups about possible options for a non-profit managing
22 a future habitat program. And I don't have anything definitive
23 to report, at this time, but that we are continuing discussions
24 and as things progress a little further I'll report back to you
25 on that.

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1 So that concludes my report today and I'd be happy to
2 answer any questions.

3 CHAIRMAN RUE: Does anyone have any questions?

4 (No audible responses)

5 CHAIRMAN RUE: That was good, that was very
6 useful. And did you say that we have about a million dollars
7 above and beyond the ongoing projects for the next Work Plan,
8 was that about roughly it?

9 MS. McCAMMON: Well, theoretically it was going
10 to be about 2,000,000, it depends on how successfully we can
11 beat back the increased requests. The shoreline assessment
12 project is going to be close to half a million itself.

13 CHAIRMAN RUE: Okay, so not much.

14 MS. McCAMMON: So there's be somewhere between
15 a million, a million and a half.

16 CHAIRMAN RUE: Okay.

17 MS. McCAMMON: And when you look at a
18 \$6,000,000 program this coming year, that's what the SEA
19 Project was at its highest in one year.

20 CHAIRMAN RUE: Uh-huh.

21 MS. McCAMMON: So it's a substantially smaller
22 program than we had before.

23 MS. HEIMAN: What's a SEA Project?

24 MS. McCAMMON: The Sound Ecosystem Assessment
25 Project.

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1 MS. HEIMAN: And what is a shoreline
2 assessment?

3 MS. McCAMMON: It's going back to Prince
4 William Sound and evaluating the shorelines to see how much
5 residual oil is left.

6 MS. HEIMAN: Oh, uh-huh.

7 MS. McCAMMON: And the last time that was done
8 was in '93 and so as part of -- this would be the last one to
9 be done, although conceivably you might want to go back 10
10 years from now, possibly, and do another assessment, but this
11 would be the last evaluation.

12 MS. HEIMAN: And how much does that cost?

13 MS. McCAMMON: About a half a million.

14 CHAIRMAN RUE: Dave, any questions?

15 MR. GIBBONS: No.

16 CHAIRMAN RUE: Okay. On the 25th meeting, is
17 that right, will we get a list of small parcels that are going
18 to fall off the table?

19 MS. HEIMAN: We should.

20 MS. McCAMMON: I'll circulate that around as a
21 reminder of that, yes.

22 CHAIRMAN RUE: Okay, great. Great.

23 Okay, then we'll move on to the next item of business,
24 the Archaeology Repository Business Plan. Molly, you going to
25 lead us through that?

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1 MS. McCAMMON: Yes.

2 CHAIRMAN RUE: Okay.

3 MS. McCAMMON: As part of the Council's action
4 on archaeological restoration and accepting Chugachmiut's
5 proposal to do the archaeology repository in Seward, part of
6 that was that Chugachmiut would develop a business plan and the
7 Trustee Council would have it independently reviewed. Then at
8 that point, after the business plan was submitted and reviewed,
9 either the Council or Chugachmiut could decide whether to go
10 forward or not go forward with the project. And so on March
11 30th the business plan was submitted, you have a copy of it in
12 your packet. We contracted with Northern Economics, an
13 architectural firm of Livingston Sloan, to do a third-party
14 review of the plan under contract, and a copy of that is also
15 in your packet.

16 Based on that review and discussion with the Department
17 of Natural Resources, which is administering the contract with
18 Chugachmiut, I'm recommending that the Council ask Chugachmiut
19 for some additional information before the Council actually
20 makes a decision on whether to proceed with the revised
21 project. And the recommendation is included in the memo, along
22 with a draft motion.

23 And I do have Veronica Christman who has been the
24 project manager for this in the Anchorage office. I believe
25 Patrick Burden with Northern Economics who did the independent

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1 review is supposed to be there in Anchorage also, and Gerald
2 Pilot with Chugachmiut was also supposed to be there. I'm not
3 sure if he's there now.

4 MS. CHRISTMAN: They're all here.

5 MS. McCAMMON: They're all there, okay.

6 Veronica, maybe you could go through and describe a
7 little bit the changes in the proposal and the results of the
8 business plan and business plan review.

9 MS. CHRISTMAN: The proposal was submitted
10 quite some time ago, as I remember, August of last year, but
11 during the development of the business plan Chugachmiut,
12 working with their contractor, decided that they needed to make
13 some changes to make sure that the plan would be workable.

14 The initial proposal was to have the repository
15 function of storage and conservation to be in the Orca
16 Building, which is an office building in Seward, and to have a
17 display area in the old railway depot on the waterfront in
18 Seward. But the modified proposal that Chugachmiut and their
19 contractor felt was more workable was to eliminate altogether
20 the railway depot component and instead just focus all of the
21 activities in the Orca Building, both the storage facilities
22 program development, as well as a small display area in the
23 Orca Building. And the business plan was based on this
24 modified proposal as was Northern Economics' review.

25 And the business plan, as Molly said, was submitted on

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1 March 30th and Northern Economics, as well as Livingston Sloan,
2 did a review of the business plan. The business plan was quite
3 thorough, it provided a great deal of information. In general,
4 the recommendation of Northern Economics was that some of the
5 revenue projections were overly optimistic, they recommended
6 some specific changes or areas where changes should be
7 considered. And they also recommended a number of changes in
8 the physical facility of these areas where the conceptual plan
9 would need to be changed to make sure that the repository
10 complied with Federal regulations.

11 We do have with us Patrick Burden, the President of
12 Northern Economics and representative from Livingston Sloan, to
13 discuss their review further. And Gerald Pilot is also here
14 and I'm sure would have some things to say about the Repository
15 Business Plan.

16 Are there any questions of me?

17 CHAIRMAN RUE: Does anyone have a question of
18 Veronica?

19 (No audible responses)

20 CHAIRMAN RUE: Not from here. Dave?

21 MR. GIBBONS: None from here.

22 MS. CHRISTMAN: Okay.

23 CHAIRMAN RUE: Good job. I thought the memo
24 was very good, too, it laid it out clearly. Anyone want to go
25 through the recommendations? I'd be interested in.....

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1 MS. McCAMMON: Would you like to hear from
2 either Chugachmiut or.....

3 CHAIRMAN RUE: Yeah, I would.

4 MS. McCAMMON:Northern Economics?

5 CHAIRMAN RUE: I would and I guess I'd be
6 interested in how they -- they've seen the recommendations?

7 MS. McCAMMON: We did send them to them, I
8 haven't heard a response from them.

9 CHAIRMAN RUE: Okay.

10 MR. PILOT: Hello.

11 CHAIRMAN RUE: I guess I'd be interested in
12 hearing what they think and also what they think about the
13 recommendations. So, if someone would like to speak for
14 Chugachmiut or.....

15 MR. PILOT: Yes. Can you hear me?

16 CHAIRMAN RUE: Yes.

17 MR. PILOT: Yeah, this is Gerald Pilot, I'm the
18 project manager for this project. And we look at the business
19 plan as being an important component of this whole project. We
20 spent a lot of time, we've had some real solid input into it.

21 MS. McCAMMON: We just lost them.

22 CHAIRMAN RUE: You just -- are you still there?

23 (No audible responses)

24 CHAIRMAN RUE: We can't hear you from
25 Anchorage.

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1 MR. PILOT: Hello?

2 CHAIRMAN RUE: Yeah, now we can hear you.

3 MR. PILOT: Okay. We're adjusting equipment
4 here. I was just saying that we look at the business plan as
5 an important component of the entire project, we feel that it
6 is a real critical piece to ensuring that we have a good viable
7 project and we are positive, we think we can move forward with
8 this and we're looking at the recommendation that has been
9 developed as being real positive and that we've had some
10 discussions over there concerning those recommendations and we
11 feel that we can work together with EVOS staff over here, as
12 well as the reviewers and the Trustee Council to move forward
13 with this. And we're excited about it and we feel positive and
14 we think that we still have a good project.

15 Just a couple of things that I might add concerning the
16 revised scope of the project. As you know, we submitted our
17 original proposal about two years ago, it's almost two years
18 and we're a little -- the project has been delayed because of
19 circumstances and other things and we feel that the project is
20 still good. The revised scope project is much more viable.
21 The Orca Building, we feel, it's an ideal location, it's not
22 right on the waterfront, but it is real accessible to other
23 attractive features in Seward and we are positive about it, we
24 think we got a good quality building and we are committed to
25 moving forward with our partnership with Chugachmiut and

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1 Chugach Alaska and so we just wanted to state that we are
2 willing to address the changes that you recommend and move
3 forward with the project.

4 CHAIRMAN RUE: Okay. Thank you very much,
5 Gerald. Any questions? Marilyn Heiman has a question.

6 MS. HEIMAN: Gerald, this is Marilyn. I was
7 just curious if this project was being done in such a way that
8 if, in fact, it was possible if we do get money to build a
9 facility for the Park Service in Seward in the budget this
10 year, if this is something that was still being looked at as a
11 coordinated project with Chugachmiut for the repository?

12 MR. PILOT: Are you discussing the local
13 display facility component or the regional repository?

14 MS. HEIMAN: Well, maybe I'm not as familiar
15 with the project.

16 MR. PILOT: Well, as you know, the revised
17 scope removes the local display facility from the regional
18 repository, so we basically have recommended that we take
19 230,000 out of our \$1,000,000 original budget for the regional
20 repository and build a local display facility. And that's our
21 plan, we're planning to move forward with the local display
22 facility component and pending action by the Council, as well
23 as decisions and revised budgets and those type of things. But
24 we intend to move forward with the local display facility for
25 Seward. And that's being physically separated from the

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1 regional repository in Seward, so, yes, we are looking to
2 establishing partnerships with existing organizations, however,
3 those issues are still to be worked out. And once we get our
4 request for proposal process in gear, which we have, I have
5 public notices coming out in the paper concerning the local
6 display facility this week and we intend to move forward with
7 that component as soon as possible.

8 MS. HEIMAN: Maybe we should have a
9 conversation about this after this meeting, but I've met with
10 people from Chugachmiut and I know that the Park Service,
11 obviously, cannot bid on that RFP right now because they don't
12 know if the money is in the budget. I'd hate to have that
13 opportunity foregone by getting ahead of it, that's all,
14 because I think both agencies -- or both entities could save
15 some money and it could be a more cooperative effort. And I've
16 spoken to Senator Stevens' office about it and I've spoken with
17 people -- I'm not sure who works for who and how the
18 organization works, but within Chugachmiut about this.

19 CHAIRMAN RUE: That sounds like something that
20 Gerald and Marilyn follow up on after the meeting?

21 MS. McCAMMON: And Laura Johnson.

22 CHAIRMAN RUE: Laura Johnson?

23 MS. McCAMMON: Yeah.

24 CHAIRMAN RUE: Okay. Craig, do you have
25 any.....

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1 MR. TILLERY: Yeah.

2 CHAIRMAN RUE: Craig has a question.

3 MR. TILLERY: I don't -- in looking at this

4 thing, you're talking about removing the \$230,000 to put into a

5 separate local display facility, but it seemed like one of the

6 criticisms of the existing plan was that there wasn't adequate

7 sort of display space available for tour groups to come in --

8 big enough tour groups, and that it needed more space. Why

9 wouldn't you leave -- or just make for a bigger project with

10 that one, so it could all be in one place and there would

11 enough room for these tour groups?

12 CHAIRMAN RUE: Who are you asking the question

13 of, Craig?

14 MS. McCAMMON: Chugachmiut.

15 MR. TILLERY: Chugachmiut.

16 CHAIRMAN RUE: Oh, Chugachmiut.

17 MR. TILLERY: Yeah, it's their modification.

18 CHAIRMAN RUE: Gerald, did you.....

19 MR. PILOT: Yeah, we have looked at that. Our

20 proposal, because of the way it's structured in terms of the

21 entire dollar amount, our original scope of the project, our

22 thought was that in order to follow the direction and the

23 purpose of the plan, our original plan, which was to have

24 significant local input into the process that we needed to

25 separate the local display facility portion for Seward. So we

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1 give a local entity an opportunity to participate with the
2 project. And looking at the Orca Building, it just seems to
3 make sense to separate that local component and offer it to the
4 community and the organizations down there to participate as
5 the original plan was.

6 MS. HEIMAN: So what.....

7 MR. PILOT: So leaving it a part of the whole
8 plan, even though, you know, it does make sense -- and it does
9 make economic sense, you know, it may require some additional
10 discussion and action at a later date, but we feel that this
11 revised scope project of separating the local display facility
12 is the best method to go forth with this project at this time.

13 MR. TILLERY: Mr. Chairman.

14 CHAIRMAN RUE: Go ahead, Craig.

15 MR. TILLERY: What exactly is the repository
16 itself, it's built in here as having revenues from tourists,
17 what is going to be there that tourists are going to see? Is
18 there going to be a -- I thought, at one point, there was going
19 to be, like, an 800-square foot display facility there. And if
20 that's there and it's viewed as too small, I'm wondering if the
21 other one is not going to be viewed as too small. And is it
22 just the physical limitation of that building that prevents you
23 from having it together to make one that's big enough?

24 MR. PILOT: Our plan, as we put it, is to, you
25 know, to put out an RFP for a local organization and, you know,

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1 we wanted to open up the opportunity for other organizations to
2 participate, so if we had kept it a part it would have been
3 basically our decision, our partnership, but we wanted to make
4 that opportunity available.

5 And our revised project, as we see it, even though the
6 original scope of the project we were going to have a gallery
7 and a public display area as part of the project, we still have
8 the display portion in there and I'm trying to remember what
9 size we had, but the most important component, as you can see
10 in the business plan, is shifting income generating activities.
11 We took out the gift gallery and so we made the entire project
12 a little bit more smaller and a little bit more workable in
13 terms of utilizing the entire space. And, basically, we would
14 establish more computer-based programming where we would have
15 interactive programming with displays, like computer kiosks and
16 those type of things. So there's lots more emphasis towards
17 the technology and the computer type processes that museums are
18 becoming more involved in. So the actual physical space for
19 the display area has shrunk, but we feel that because we have
20 decreased the importance of having the people filing through,
21 you know, in huge numbers, but we've kind of increased the
22 emphasis towards generating income from other sources of funds,
23 that is membership grants and those type of things.

24 CHAIRMAN RUE: Craig, does that get to.....

25 MR. TILLERY: Yeah.

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1 CHAIRMAN RUE: I know, Bill Hines has a
2 question of you, Gerald, so Bill.

3 MR. HINES: Thank you, Mr. Chairman. Gerald,
4 just one quick question of clarification. Do you envision the
5 repository and the separate local display facility to be
6 self-generating, self-sustaining in terms of revenues or what?

7 MR. PILOT: With our business plan we feel we
8 have the most viable constructive plan possible in terms of the
9 overall operation and maintenance for the Chugach Repository
10 and Museum. We've included activities and programming, we feel
11 that's a lot more viable, even though it does look like we cut
12 the project a lot. In actuality, when you look at it, we've
13 taken the space and refined it and made it a lot more workable.
14 The original concept, conceptual plans, and the total amount of
15 space, although it has shrunk some, we just kind of refined the
16 numbers and made it a little bit more workable. But I see --
17 you know, we want to look at this as a business investment over
18 at Chugachmiut, although we do have some social and regional
19 responsibility for these type of activities, we want to do it
20 in the most economically sound manner possible. And so we are
21 interested in moving forward, but we want to do it with sound
22 reasoning and a good financial analysis. And that's the bottom
23 line.

24 CHAIRMAN RUE: Bill, does that.....

25 MR. HINES: Yeah.

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1 CHAIRMAN RUE: Marilyn had a question.

2 MR. HINES: Thank you, Mr. Chairman.

3 CHAIRMAN RUE: Okay, thank you. Marilyn had a
4 question and then Molly. Marilyn.

5 MS. HEIMAN: Yeah. I guess I'm just not
6 completely following the discussion. Will there be some
7 display at the Orca Building and a separate display facility,
8 so you'll have two separate display locations?

9 MR. PILOT: It's possible to have them
10 combined. We're going to have a small display area in the
11 Chugach Regional Repository and Museum. And we will have a
12 local display facility that's geared towards the local entity,
13 although, you know, it's our hope that it be oriented towards
14 the cultural and local lifestyle of the original people of the
15 area.

16 MS. HEIMAN: So this.....

17 MR. PILOT: So -- go ahead.

18 MS. HEIMAN: Well, the diagram I'm looking at,
19 which is on page 25 of 90 of the -- I think it's the original
20 plan.

21 MS. McCAMMON: Business plan.

22 MS. HEIMAN: Business plan, it shows 880 square
23 feet for a display and gallery, and are you say that would be
24 smaller now?

25 MR. PILOT: This is the revised plan?

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1 MS. McCAMMON: This is the revised plan.

2 MR. PILOT: This is the revised plan, so it
3 would be about 880 square feet for the display and gallery
4 area.

5 MS. HEIMAN: And who is the main target
6 audience of this display? I mean who -- Craig mentioned
7 tourists, but who is your audience mainly?

8 MR. PILOT: We want to attract the tourists.
9 We think we can work cooperatively with other organizations,
10 the SeaLife Center and some of the other tour groups down there
11 and attract a certain percentage of their audience. And so
12 even though a lot of it is based on seasonality and the quirks
13 of that, but our primary focus on generating income and other
14 things is not going towards the tourists, it's not going be
15 making money off the tourists, but to generate income from
16 membership drives, corporate sponsorships, grant writing and
17 other things.

18 MS. HEIMAN: So what is the main purpose of the
19 repository? I mean, is it for educational purposes, is it
20 for.....

21 MR. PILOT: We want to be able to participate
22 in and help preserve artifacts that have been gathered and put
23 together as a result of the oil spill, but also we want to be
24 able to have local input, significant local input, into the
25 progress of preserving those artifacts. And that has been, you

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1 know, our primary driving goal behind pursuing this project.
2 And so it's real important for us to be able to participate and
3 have significant input into the process, the planning and
4 preserving those artifacts and establishing cultural type
5 programs and educational opportunities for our youth, as well
6 as our community to be involved in the process, so it's kind of
7 -- you know, it's a real exciting project. We see the
8 opportunity for involvement at both the regional as well as
9 state levels from both organizations and business entities and
10 so we see it as a real exciting opportunity.

11 MS. HEIMAN: I have one other question. For
12 the display facility that would be outside the Orca Building,
13 what do you foresee as the size of that; is that in one of
14 these as well?

15 MR. PILOT: That's to be worked out. See,
16 we're going through a Request for Proposal process and I hope
17 to have completed proposals from those organizations that want
18 to participate and propose a project to manage and operate the
19 local display facilities for a minimum of 20 years. I'm
20 targeting a submittal date of mid-July and then a complete
21 review process within a few weeks after that period and then
22 we, you know, get into the design and the other project needs.

23 MS. HEIMAN: And that total for that is
24 230,000; is that right?

25 MR. PILOT: Approximately 230,000 for the

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1 community, which is the gross amount, and I'm just looking at
2 numbers. I say take 50,000 off of that for organizational
3 needs and then another 30-40,000 off of that for planning and
4 design and then you'd actually have about \$120-130,000 for
5 actual construction and furnishing.

6 CHAIRMAN RUE: Okay. Thank you, Gerald. Molly
7 had something she wanted to say, but before she goes, I would
8 suggest that we look, when we get to a motion, whether the
9 motion satisfactorily addresses the questions we've been
10 asking. I'd assumed under the general rubric of as well as
11 revised building plans, we'd look at the number of display
12 facilities and see if that all penciled out and how it was
13 organized to make sure that we had something viable, but if
14 folks feel we need to further articulate questions in the
15 motion, that might be appropriate.

16 Molly, go ahead.

17 MS. McCAMMON: Well, I just wanted to add,
18 maybe, a little bit of background information on a couple of
19 these things. First of all, the repository function is a
20 fairly narrowly prescribed function, it's holding artifacts in
21 safe, secure conditions, having them catalogued, curated and
22 made available to the public or for research purposes or things
23 of that nature. There is no requirement that they be displayed
24 in any form of a museum or anything like that. It's a pretty
25 narrow function.

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1 When we first started talking about this, that narrow
2 function can be accommodated by the University of Alaska and by
3 others, but in talking about the whole purpose of the
4 archaeology project which was to promote cultural awareness and
5 stewardship, I think it was on the part of the Council and
6 Chugachmiut that they wanted to go beyond the repository
7 function and really use that as a catalyst for this long-term
8 cultural stewardship and stewardship of the resources in the
9 region.

10 And so it's kind of this -- you know, you're kind of
11 pulled two ways, on the one hand, it's a very narrow function
12 and you can probably do it with a very small room and a half-
13 time staff person to just perform the very narrow repository
14 function, but it was in everyone's interest, I think, to try to
15 do something that was a larger program to build upon this kind
16 of stewardship, and certainly that was Chugachmiut's goal, and
17 I think it would be to the benefit of the Trustee Council.

18 The local display facilities were never, necessarily,
19 intended as museums or revenue generators. Now, as part of the
20 program they have to be -- they have to show a business plan
21 and they have to show how they can be supported. But if you
22 look at what most of the communities are looking at, they're
23 looking at putting something into an existing community
24 building or perhaps a small one attached to an existing
25 building and they're looking at using those primarily for local

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1 community cultural awareness and education. Local programs.

2 So if Qutekcak Tribe in Seward is the successful bidder
3 on the local display there, they wouldn't necessarily have a
4 museum that charged an admission price and had a display that
5 would compete with this necessarily, it could be something
6 within their community tribal building, it could be something
7 that they do in conjunction with the Park Service. I think
8 it's also possible that they could lease space in Orca Building
9 and do some combination deal also.

10 So it's one of those things that they're -- and I think
11 what Gerald has said, that they wanted the local tribe and
12 others to have the ability to participate and make some of
13 those decisions on their own. It may make the most sense for
14 them to look at the Orca Building, also, in terms of putting it
15 there. And that may be something that the Council would
16 strongly encourage.

17 And I guess the question I would have, Gerald, is if
18 Qutekcak or someone else wanted to use the Orca Building for
19 the local display facility, would there be space available
20 there?

21 MR. PILOT: I'm almost certain we would have
22 space available in the building. And we are working out those
23 issues concerning the use of the building because, as you know,
24 you know, we just bought the building within the past year and
25 a half, two years and although it's still primarily a health

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1 facility we are working to have space available for further
2 development with this particular project, so we are discussing
3 that and evaluating the needs there, but we're almost certain
4 we'll have additional space available if it's needed.

5 Hello?

6 MS. McCAMMON: Yeah.

7 CHAIRMAN RUE: Yeah, we're here.

8 MS. McCAMMON: Thanks, Gerald.

9 CHAIRMAN RUE: Are there any other questions by
10 -- yeah, thank you, Gerald. Craig.

11 MR. TILLERY: My comment is that I absolutely
12 concur that this needs to go beyond repository because we want
13 this to be able to fund stewardship and those kinds of things
14 into the future, that's been a consistent Council position. My
15 concern in reading this was that the display facility was
16 described as too small to really generate revenue or to be --
17 it may be too small to be successful, as I understood the
18 criticisms of this, and that's why I was concerned that they
19 were breaking off money that could be used to make it bigger
20 which would make for more likely a successful program. And I
21 noted that there was a sublease space and I was sort of
22 wondering if that's the plan that Qutekcak would -- or whoever,
23 would sublease that space so that you would eventually have
24 enough of a facility here to attract paying groups.

25 And so I guess when it comes back I would sort of like

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1 to have that developed, that question answered.

2 MS. McCAMMON: Gerald may be able to respond to
3 that. A sublease space was with the idea that to really make
4 things work, especially financially, in the first few years,
5 that basically they're subsidizing another portion of the
6 space, but this space would be available for expansion at some
7 point when the program was more financially secure.

8 MR. PILOT: Yeah.

9 MS. McCAMMON: So that is -- and I don't know,
10 Gerald, if you considered whether that sublease space might be
11 a possibility for the local display facility?

12 MR. PILOT: We have discussed that and it's a
13 definite possibility. We've looked at the sublease space in
14 terms of generating additional income during those first --
15 during the start-up phase of this project and, you know, it's
16 our understanding concerning development of these type of
17 projects that, you know, it takes a while for things to come on
18 line and utilizing the entire space is an eventual goal, but we
19 know that it does take time to utilize the optimum space. So
20 we're looking to sublease that space to an organization that
21 has similar goals in terms of projects, whether it's State,
22 Federal or local organizations that may have similar goals and
23 is compatible with establishing tenants for Chugachmiut. But
24 our goal is to eventually use that space for either the
25 repository or some similar need. And the local display

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1 facility component is a definite possibility.

2 CHAIRMAN RUE: Okay. Are there further
3 questions of Gerald or others in Anchorage?

4 MR. GIBBONS: This is Dave. I have some of the
5 concerns that I've heard here this morning with the small
6 display area together with -- you know, grant writing and those
7 types of things can be self-sufficient, so I'm going to really
8 look at the cash flow estimates really hard to see if this
9 really works.

10 CHAIRMAN RUE: Okay. Any other questions?

11 (No audible responses)

12 CHAIRMAN RUE: Then I think maybe we should
13 wrap this up.

14 MS. CHRISTMAN: Mr. Chairman.

15 CHAIRMAN RUE: Craig.

16 MR. TILLERY: Mr. Chairman, I would make a
17 motion if it's appropriate this time.

18 CHAIRMAN RUE: Okay. Veronica, did you have
19 something?

20 MS. CHRISTMAN: Thank you, Mr. Chairman. I
21 just wanted to remind the members of the Council that the team
22 that did the review are here and so if you have any questions
23 about review that was conducted, let's say, about the concerns
24 about the physical space or the cost estimates or the prelease
25 arrangement they're available here to answer your questions.

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1 CHAIRMAN RUE: Does anyone have a question of
2 the team that put together the review?

3 (No audible responses)

4 CHAIRMAN RUE: Okay. I don't think we have
5 any, Veronica, thank you for the offer.

6 MS. CHRISTMAN: Okay.

7 CHAIRMAN RUE: Craig, you were going to make a
8 motion.

9 MR. TILLERY: Yes, I was going to move that
10 Chugach [sic] provide the following additional information
11 relative to the repository/museum. That.....

12 CHAIRMAN RUE: Chugach or Chugachmiut?

13 MR. TILLERY: Chugachmiut, I'm sorry.
14 Chugachmiut. That there be new pro forma cash flow estimates
15 with modifications to both revenues and expenses, as well as
16 revised business [sic] plans, as recommended in the Northern
17 Economics review of the Repository Business Plan, dated April
18 14th, 2000. That there be, in particular, information related
19 to the adequacy of the repository exhibit space and its role in
20 the eventual funding and underwriting of stewardship programs.
21 That there be greater detail about the proposed method of
22 financing the repository, in particular the source of the
23 \$150,000 start-up loan described in the Repository Business
24 Plan. And the proposed method of investing and disbursing
25 grant funds allocated for building acquisition. And, finally,

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1 that resolutions come from the Board of Directors of
2 Chugachmiut and Chugach Alaska Corporation endorsing the
3 repository, as described in the Repository Business Plan and
4 committing the financial or in-kind support necessary to
5 develop and maintain the repository, as indicated in the
6 revised pro forma cash flow estimates.

7 CHAIRMAN RUE: Okay. Did everyone catch the
8 new section that resolution that's not written here? And also
9 I haven't heard a second, before you do, did you mean revised
10 building or revised business plans in the second line?

11 MR. TILLERY: Revised building.

12 CHAIRMAN RUE: Revised building, okay, you said
13 business.

14 MR. TILLERY: My apologies.

15 CHAIRMAN RUE: All right. Is there a second to
16 the motion?

17 MR. HINES: Second.

18 CHAIRMAN RUE: Okay, it's been moved and
19 seconded. Any comments, discussion?

20 (No audible responses)

21 CHAIRMAN RUE: Would you mind, Craig, reading
22 the line that you added in the first, again, just so I
23 understand it?

24 MR. TILLERY: I requested that there be, in
25 particular, information related to the adequacy of the

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1 repository display facility area as it is related to the
2 generation of income to support stewardship programs.

3 CHAIRMAN RUE: Okay. Great. Okay, any
4 discussion?

5 (No audible responses)

6 CHAIRMAN RUE: Any objection?

7 (No audible responses)

8 CHAIRMAN RUE: Hearing none. Does that sound
9 all right, Molly, can you.....

10 MS. McCAMMON: Yeah.

11 CHAIRMAN RUE: Okay, that passes.

12 All right. Gerald, thank you very much, that was
13 helpful.

14 MR. PILOT: Thank you.

15 CHAIRMAN RUE: Great. Okay. So I guess we
16 move on to the next item on the agenda, which is investments.

17 It wasn't scheduled until 12, so we're running early, but.....

18 MS. McCAMMON: We have the team here.

19 CHAIRMAN RUE: The team is here.

20 MS. McCAMMON: The A team is here.

21 CHAIRMAN RUE: Is there any desire to take a
22 break or shall we just keep moving?

23 MS. HEIMAN: Keep moving.

24 CHAIRMAN RUE: Okay, we're going to keep moving
25 then.

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1 Molly, would you like to introduce the team and.....

2 MS. McCAMMON: Yes.

3 CHAIRMAN RUE:let us know what's up.

4 MR. STORER: Blue blazers on.

5 MR. BUSHRE: We're the blues brothers.

6 (Laughter)

7 MS. McCAMMON: Okay. Mr. Chairman, in your
8 packet we have the time line for the investment of the joint
9 trust fund and you can see that we're kind of moving right
10 along in terms of reaching all of our objectives towards the
11 final one of actually transferring the funds and investing them
12 under the new approach.

13 What's on the agenda today is to, first of all, adopt a
14 motion requesting that the Alaska Department of Law and the
15 U.S. Department of Justice amend the order for deposit and
16 submit to the court allowing for transfer of funds. And you do
17 have a draft resolution to that effect in your packet, and it's
18 a very simple one-page one. I do have a change to it, so.....

19 CHAIRMAN RUE: Hold on. Has everyone found
20 that? Okay.

21 MS. McCAMMON: And I can pass out the revised
22 one here.

23 CHAIRMAN RUE: Okay. Or is it better to just
24 wait?

25 MS. HEIMAN: This has the new level in it, too?

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1 MS. McCAMMON: The new one.

2 MS. HEIMAN: No, it doesn't have the new one.

3 CHAIRMAN RUE: So we should not look at the one
4 in our packet?

5 MS. McCAMMON: Yeah. Basically, the only
6 change between this one and in your packet was recommendation
7 from Department of Justice that in the very last line this
8 gives the authority to move the funds into the Natural Resource
9 Damage Assessment and Restoration Fund or accounts outside of
10 the United States Treasury or both. And so the words "or both"
11 is the only change from the one in your packet.

12 So this, basically, will go to the court and ask for
13 the authority to make the move. It doesn't say where the funds
14 will go to, it just asks for the authority it move. So that is
15 up for action today.

16 The second item up for action is adopting an Asset
17 Allocation Plan. And attached to -- in that packet that I've
18 sent around, and you should have copies of this, Dave, is a
19 revised resolution. It's a little bit different from the one
20 you have in your packet. Basically it took out -- we couldn't
21 figure out if these were goals or a plan and we just decided we
22 didn't need to call it either one, it's just the asset
23 allocation. Under the asset allocation the total lines were
24 deleted, the benchmarks were added so that they are right next
25 to the item that they're actually benchmarking. And there were

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1 some revisions to the final couple of paragraphs in the last
2 revised, and we can go through that.

3 I should mention, especially for Dave's benefit, that
4 we have Peter Bushre, Bob Storer and John Jenks available here
5 to answer questions and discuss this. The Investment Work
6 Group in our discussions took the discussion that we had at our
7 last meeting in terms of an asset allocation and where the
8 Council thought they may be comfortable in terms of risk and
9 volatility. We looked at the spreadsheet that's in the packet
10 and it's the spreadsheet that has the 10 scenarios and, if
11 you'll recall, we discussed where people.....

12 CHAIRMAN RUE: Some of us were out on the junk
13 bond spectrum.

14 (Laughter)

15 CHAIRMAN RUE: Some of our horns have been
16 shaved back a little since then.

17 MS. McCAMMON: A surprising number of Trustees
18 were out on the extreme -- I don't know if you'd call it the
19 right edge or the left edge, but.....

20 CHAIRMAN RUE: They heard us talking about this
21 investment and NASDAQ just went to hell.

22 MS. HEIMAN: They had to change the Permanent
23 Fund investments around for a couple of days just to show the
24 Trustee Council what could happen.

25 (Laughter)

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1 MR. STORER: To save you from yourself.

2 MR. BUSHRE: Yes.

3 CHAIRMAN RUE: You didn't have to go to that
4 extreme.

5 MS. HEIMAN: Lucky Michele Brown is not here
6 because she was ready to go all the way, farther than 10.

7 CHAIRMAN RUE: No, that was me.

8 MS. McCAMMON: Well, at our Investment Work
9 Group meeting we actually kind of settled on scenario seven and
10 I should acknowledge that Marilyn was not present when we did
11 this.

12 (Laughter)

13 CHAIRMAN RUE: Are you on the bearish or the
14 bullish?

15 MS. HEIMAN: I've been toned down, too, by the
16 last couple of weeks.

17 (Laughter)

18 MR. BUSHRE: She's all the way down to a nine
19 now.

20 MS. HEIMAN: Yeah, right.

21 (Laughter)

22 CHAIRMAN RUE: Let's put it in bonds.

23 MS. McCAMMON: I think the recommendation that
24 we have in the draft resolution before is scenario seven, the
25 asset allocation in scenario seven. And this is based on 41

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1 percent domestic equities, 17 percent international equities
2 and 42 percent domestic fixed income. And the plus or minus
3 are what are called the bands and so there's some leeway in
4 there because certain things will be reaching its target goal
5 in rate of return than others and you don't want to constantly
6 be adjusting, but this gives some room for change within those.
7 And then it also has the items, the indices, that these targets
8 are benchmarked to.

9 The reason I think we settled on scenario seven was
10 twofold. This investment switch represents a major shift in
11 policy for the Trustee Council from investing in very secure
12 Treasury securities to investing into a higher risk market in
13 terms of equities and just a broader range of investments. So
14 it is something that's very new for the Council and we felt it
15 was important for the Council early on in the program to have
16 success and to be able to show that they have done this
17 successfully. So starting out with a more conservative
18 approach seemed appropriate from that perspective.

19 I'm trying to think of what the second reason was.
20 That was the primary reason. The second reason, also, is that
21 this fairly closely reflects the investment scenario of the
22 State pensions and in terms of reporting to the public on
23 whatever happens with these funds it gave us a greater sense of
24 security, again, knowing as goes the State's Retirement Fund so
25 goes our trust fund and that would be something easily

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1 explainable to the public if there was a market correction,
2 which is a polite way of saying a downturn, I think. I don't
3 know if it ever gets corrected upward.

4 It would be easier to explain things to the public and
5 certainly having the retirement system, which I think looks at
6 things fairly conservatively, tracks with the legislative
7 mandate of the Council to have investments with a high degree
8 of reliability and security.

9 So this recommendation is basically scenario seven. In
10 the investment policies that the Council has already adopted it
11 would be reviewed on an annual basis, even though it is in
12 place until changed, but it shall be annually evaluated. So
13 this would be the de facto asset allocation until changed. But
14 it does require the annual evaluation the way it's structured
15 here.

16 So with that the team is here to answer questions, you
17 know, specifics.....

18 MS. SCHUBERT: Excuse me.

19 MS. McCAMMON: Yes.

20 MS. SCHUBERT: This is Sandra in Anchorage, is
21 there a revised resolution?

22 MS. McCAMMON: Yes.

23 MS. SCHUBERT: Is it something that can be
24 faxed up here?

25 MS. McCAMMON: Yes.

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1 MS. SCHUBERT: Yes.

2 CHAIRMAN RUE: Sounds like you could add two
3 words and you'd have it.

4 MS. McCAMMON: Well, this one is changed, it's
5 done a little bit more.

6 MR. TILLERY: This one is changed.

7 CHAIRMAN RUE: Oh, okay. All right. While
8 we're faxing that, are there questions?

9 MS. McCAMMON: And, Dave, you should have
10 gotten this on Friday, the revised one.

11 MR. GIBBONS: I got it.

12 MS. McCAMMON: Okay.

13 MS. HEIMAN: So do we need to move each of
14 these two things separately?

15 MS. McCAMMON: They are two separate motions.

16 MS. HEIMAN: Separate motions. Should we do
17 one, maybe, and then discuss the other or how do you want to
18 handle it, Mr. Chairman?

19 CHAIRMAN RUE: I was opened to general
20 questions before we move resolutions, but we can go ahead and
21 have a discussion around the resolution if that would be your
22 preference.

23 MS. HEIMAN: I have a general question.

24 CHAIRMAN RUE: Okay, why don't we do general
25 questions before we do resolutions?

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1 MS. HEIMAN: Okay. I'm still struggling, even
2 though I read the whole packet, with this Russell 3000, what it
3 is and how does it work? And so I guess I'll ask, is the
4 Russell 3000 just making sure that our investments in stocks,
5 which are the first, right, equities are stocks?

6 MR. STORER: (Nods affirmative)

7 MS. HEIMAN: That the investments in stocks are
8 in the top biggest firms in America, is that what the purpose
9 of that is, it keeps us from going into some other areas? Or
10 why do we pick Russell 3000?

11 MR. STORER: Mr. Chairman, I guess I'll start
12 and then John can tell you what I meant to say.

13 (Laughter)

14 MR. BUSHRE: And then I'll interpret.

15 MR. STORER: The Russell 3000 is -- I'll call
16 it the standard indices for representing performance of the
17 broad U.S. stock market. Now, it is not the 3,000 largest
18 companies in the United States, but it's fairly close to that,
19 it is 3,000 anywhere from modestly-sized to very large
20 companies. And they are designed to replicate the performance
21 of not only the U.S. stock market and the aggregate, but to
22 somewhat largely represent the U.S. economy, and so you'll find
23 it broken into various sectors. So, for example, the
24 technology sector would be representative of what technology
25 contributes to the U.S. economy.

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1 It is rebalanced -- Russell looks at this indices and
2 rebalances it once a year on June 30th where they may take some
3 companies out and they may add some companies once a year.

4 MS. HEIMAN: Okay. I'm going to interrupt.....

5 MR. STORER: That's fine.

6 MS. HEIMAN:because I really don't
7 follow.

8 MR. STORER: That's fine.

9 MS. HEIMAN: I'm trying to get to the real
10 basics here.

11 MR. STORER: It's John's turn.

12 MS. HEIMAN: Is Russell 3000 an index like
13 NASDAQ?

14 MR. STORER: It's.....

15 MS. HEIMAN: Can I go to the market and invest
16 in Russell 3000?

17 MR. STORER: There are investment vehicles that
18 will allow you to do that.

19 MS. HEIMAN: And what is that percentage that
20 that's making right now? If you would just look at Russell
21 3000?

22 MR. STORER: I've not looked at that of late, I
23 would guess, year to date it's probably down four or five
24 percent, whereas the NASDAQ is down, year to date, almost 17
25 percent, the S&P 500 is down just slightly below four percent.

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1 There is -- somewhere in this packet there are historical
2 returns of these.

3 MS. HEIMAN: Okay, but you're going too far
4 into answering my question.

5 MR. STORER: Yeah, that's fine.

6 MS. HEIMAN: So what we're saying is in these
7 domestic equities.....

8 MR. STORER: Uh-huh.

9 MS. HEIMAN:that we would pick from firms
10 that are in the Russell 3000 or that we would actually follow
11 the Russell 3000 index?

12 MR. STORER: What you're saying in the
13 resolution is you have the option of doing either.

14 MS. HEIMAN: Okay.

15 MR. STORER: You can invest either in indices
16 that replicate that or, if you look at the last paragraph, you
17 can invest in a portfolio of companies that have the same risk
18 profile and characteristics of the Russell 3000.

19 CHAIRMAN RUE: If I might, then, for instance,
20 a firm might offer a mutual fund that tracks Russell 3000, you
21 could put all your money into that mutual fund or you could go
22 and pick 10 of the 3,000 companies; is that basically it?

23 MR. STORER: In essence. It would more
24 diversified but that the essence of it.

25 CHAIRMAN RUE: Yeah.

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1 MR. BUSHRE: Or you could pick companies that
2 aren't in the Russell 3000 but at the end of the day when you
3 ask yourself how well did I do, you look at the Russell 3000,
4 if you did better than the Russell 3000, that's the whole
5 purpose of a benchmark.

6 MS. HEIMAN: Generally it's making, like, 10
7 percent or 12 -- just real general, over the last year or two?

8 MR. STORER: It's been more like in excess of
9 20 percent.

10 MS. McCAMMON: It's in the memo under -- on
11 market indexes, the Russell 3000 has been -- the one year was
12 20.9 percent, two year 22.5, the five year as 26.9 percent.

13 MR. STORER: Looking forward, Callan Associates
14 projects a 9.2 percent.....

15 MS. McCAMMON: Right.

16 MR. STORER:median expected return for
17 the Russell 3000.

18 MS. McCAMMON: Right.

19 CHAIRMAN RUE: Uh-huh.

20 MS. HEIMAN: What confuses me -- that's just
21 how we've been doing, but even though -- those really helped
22 me, the answer to that question, but what confuses me is when
23 we look at what our target is, which back to like five percent
24 of real rate of return, but we're looking at equities that are
25 making somewhere in the range of 20 percent, it just.....

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1 CHAIRMAN RUE: Were, past tense.

2 MS. HEIMAN: Were. Well, they're going to be,

3 I mean.....

4 CHAIRMAN RUE: Sorry, go ahead.

5 MS. HEIMAN:in the range of that, I

6 think, in the future, too.

7 (Laughter)

8 MS. HEIMAN: I do, I'm very optimistic about

9 the market.

10 MR. BUSHRE: It's just they're all close to

11 zero now.

12 MS. HEIMAN: So is that what we were talking

13 about the other day when we say, well, we could make a lot more

14 than this, but this is where we think the minimums are? And

15 you.....

16 MS. McCAMMON: Well, don't we have -- what is

17 the median expected return at 8.25 percent with a standard

18 deviation risk of 10.59 percent.

19 CHAIRMAN RUE: Right.

20 MS. McCAMMON: So.....

21 CHAIRMAN RUE: So it can be minus two or plus

22 15, roughly.

23 MS. McCAMMON: It could up or down.

24 MR. TILLERY: Right.

25 CHAIRMAN RUE: Yeah, roughly.

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1 MS. McCAMMON: So in the past five years, for
2 example, I believe that -- for example, I believe the targeted
3 rate of return for the Retirement Fund has been eight to nine
4 percent but, in fact, they've actually achieved closer to 15 to
5 16 percent; is that correct, John?

6 MR. JENKS: Yes. Not quite 15, but
7 substantially above what we were expecting for a long time.

8 MS. McCAMMON: Substantially above, but it's
9 within that volatility risk range, it's just been on the upper
10 side of it.

11 MR. JENKS: Yes, upside, that's right.

12 MS. McCAMMON: Now, it could be on the downward
13 side of it also.

14 CHAIRMAN RUE: Sure.

15 MS. McCAMMON: But so far it's been on the
16 upper, at least in the last five years.

17 MR. HINES: How sensitive is this index to the
18 market as we obviously have seen the last couple of weeks?

19 MR. JENKS: It's very sensitive.

20 MS. McCAMMON: It is the market.

21 MR. STORER: It is the market. Now, don't
22 confuse that with the NASDAQ, which has a lot of very
23 aggressively priced stocks and a lot of smaller companies that
24 will not be in the Russell 3000. That's where we've had the
25 extreme volatility.

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1 MS. McCAMMON: The dot coms.

2 MR. STORER: Yes.

3 MR. HINES: Okay.

4 MR. BUSHRE: But some of the.....

5 MS. HEIMAN: Some of them are in there.

6 MR. BUSHRE:Russell's are in there.

7 MS. McCAMMON: But some are in there, yeah.

8 MS. HEIMAN: Yeah, big time, AOL, Microsoft, I

9 mean all of those guys are in there.

10 MR. BUSHRE: Yeah, it's just like Microsoft is

11 in the Dow and in the NASDAQ.

12 MR. STORER: Those, yes, but those are larger

13 companies.

14 MS. HEIMAN: Right, not the.....

15 MR. STORER: By definition the Russell can't

16 participate in the ideal market, they only reevaluate the

17 portfolio once a year.

18 CHAIRMAN RUE: Okay, Marilyn, does that get to

19 your questions?

20 MS. HEIMAN: Yeah, I think I'm there. Thank

21 you.

22 CHAIRMAN RUE: Okay. Craig, you had a

23 question.

24 MR. TILLERY: The pension fund uses the Russell

25 3000 as a benchmark; is that correct?

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1 MR. JENKS: Actually the pension fund assets
2 are benchmarked to the Russell 2000 for those assets that are
3 small cap. Kind of broken into two pieces, large cap and small
4 cap. Large cap managers are benchmarked against the S&P 500
5 and small cap managers are benchmarked against the Russell
6 2000. If you add those two together, with a few others, it
7 becomes the Russell 3000, you need to add another 500 stocks,
8 but kind of -- you weight those two, you know, about 75 percent
9 the S&P 500 and then 25 percent Russell, you know, 2000 plus a
10 few others and you get the Russell 3000.

11 MR. TILLERY: Why should we be benchmarked to
12 the Russell 3000 instead of doing it sort of the same way
13 that.....

14 MS. HEIMAN: Splitting out like they do?

15 MR. JENKS: The retirements, over time, has
16 chosen to have a little bit of a small cap bias and it just
17 grew up that they had large cap managers and they established
18 large capped allocation and small cap allocation hired managers
19 to do each of those specifically, it's a little bit, you know,
20 product of how things have come up and functionally it does
21 approximately the same thing.

22 MR. TILLERY: Does the pension fund buy index
23 funds or do they -- you know, you talked these two different
24 ways, you can sort of buy an index fund or you could buy
25 something that's going to be the same risk, which does the

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1 pension fund do?

2 MR. JENKS: It does some of both actually.

3 MR. TILLERY: I sort of had the impression the
4 pension fund was more passively managed, it was only your
5 internationals that were really active.

6 MR. STORER: Pension fund does an S&P 500. If
7 you look at the Permanent Fund, the Permanent Fund does an S&P
8 500 then it passively manages the thousand stocks and they also
9 have a passive international portfolio, but at no time are any
10 of those components more than 50 -- probably more than 35
11 percent of the total Permanent Fund portfolio. The Permanent
12 Fund is far more passively managed than the retirement system.

13 MR. TILLERY: And under this asset allocation
14 in this resolution, how would the Russell 3000 portion likely
15 be invested, as part of an index fund or as somebody's estimate
16 of what would be the same if it were invested in an index fund?

17 MR. STORER: That's -- essentially your next
18 question will be you're evaluating whether Treasury and the
19 Department of Revenue should manage the assets for you. And if
20 the conclusion is yes, then.....

21 MR. JENKS: Thanks. If the Department of
22 Revenue manages these assets we would use a passive approach to
23 the domestic equity, the Russell 3000. The way we would go
24 about doing that is the same way we do it now for other trust
25 funds that we manage, the Children's Trust or Public Schools

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1 Trust, as examples, where we use a combination of the S&P 500,
2 an indexed fund, and what's referred to as a completeness fund
3 or it's kind of the next 2,500 -- approximately the next 2,500
4 stocks in the Russell 3000, so when you add the two up and
5 weight these two investments correctly you get the Russell
6 3000. The reason that we have done that is because we can
7 leverage the Department's and the retirement system's dollars
8 to get extremely cost-effective S&P 500 investments to start
9 with. The cost is approximately one-half of a basis point or
10 one-half of, you know, one one-hundredth of a percent, so
11 extremely cost-effective way to get the 75 percent kind of bulk
12 of the assets. And then we use an additional passive fund
13 where, again, we're relying on the fact that we can kind of
14 leverage the fact that the retirement systems have size to get
15 an extremely, cost-effective kind of completeness fund, so that
16 for domestic equities where there's a good argument that the
17 markets are relatively efficient and you can get such economies
18 of scale and efficiencies that we've concluded that for a
19 number of our smaller funds this is the most efficient way to
20 go about getting domestic equity exposure.

21 CHAIRMAN RUE: Does that answer your question,
22 Craig?

23 MR. TILLERY: That answered my question.

24 CHAIRMAN RUE: If I could, just sort of a
25 clarification process. As I look at the schedule of events

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1 here, today we're going to be looking at -- we've got two
2 resolutions, one moves it out of -- authorizes us to move it
3 out of CRIS, the second sets our goals. I don't see a
4 resolution setting our payout schedule.

5 MS. HEIMAN: That's next.

6 MS. McCAMMON: There is none, it's just a
7 discussion at this point.

8 CHAIRMAN RUE: Okay.

9 MR. TILLERY: Mr. Chairman.

10 CHAIRMAN RUE: Yeah.

11 MR. TILLERY: The first resolution, I don't
12 think authorizes us to move it out of CRIS, it authorizes us to
13 ask the court to issue an order that would allow us to, I think
14 -- actually moving it out of CRIS would be a later -- comes in
15 June.

16 CHAIRMAN RUE: Okay. But it authorizes us to
17 do it?

18 MR. TILLERY: Not to move it, just to get the
19 court -- just to set up the court order.

20 CHAIRMAN RUE: Okay. But we need that to allow
21 us to move it?

22 MS. McCAMMON: Right.

23 MR. TILLERY: Yes, that sort of precedes it.

24 CHAIRMAN RUE: Okay.

25 MR. TILLERY: But ultimately we are not

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1 deciding to move it by either of these two resolutions as I
2 understand them.

3 CHAIRMAN RUE: Okay. But then in June, and I
4 guess I want to make sure I understand all the pieces, we are
5 going to be talking about.....

6 MS. McCAMMON: It's in May.

7 CHAIRMAN RUE: I'm sorry?

8 MS. McCAMMON: In May we would then -- actually
9 you would take action on the payout.

10 CHAIRMAN RUE: Okay, so May 25th?

11 MS. McCAMMON: May 25th, now we have a date for
12 that meeting, correct.

13 CHAIRMAN RUE: That's long-term payout
14 methodology, there you go, okay.

15 MS. McCAMMON: That would be the payout.

16 CHAIRMAN RUE: Okay. Then in June we're going
17 to be looking at a custodian investment consultant and
18 investment manager.

19 MS. McCAMMON: And that would be deciding --
20 one option is to have Department of Revenue take all three
21 functions.

22 CHAIRMAN RUE: Uh-huh.

23 MS. McCAMMON: Another option is to do them
24 independently.

25 CHAIRMAN RUE: Okay. And if we decide not to

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1 do Department of Revenue, then you're out to RFPs and come one,
2 come all?

3 MS. McCAMMON: It would be a much more -- yes.

4 CHAIRMAN RUE: Yeah, whoever, brokerage firms

5 or.....

6 MS. McCAMMON: Yes.

7 CHAIRMAN RUE: Okay. I now have a better
8 picture of our general strategy to move from here to there.

9 MR. TILLERY: Mr. Chairman.

10 CHAIRMAN RUE: Yeah.

11 MR. TILLERY: Am I correct, then, that also in
12 June we would not only select sort of the investment manager
13 custodian but then we would actually -- we would vote if we
14 were going to move it and then it would be based upon the asset
15 allocation and the payout would already be in place and so
16 forth.

17 MS. McCAMMON: Correct.

18 MR. TILLERY: And then we're done.

19 MS. McCAMMON: Correct.

20 CHAIRMAN RUE: So the implement asset
21 allocation means vote to move it.

22 MR. TILLERY: Yeah.

23 MS. McCAMMON: And to actually do all the
24 details, to actually have it all happen, yeah.

25 CHAIRMAN RUE: Will the court have told us --

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1 will the court have acted, do you think, in that amount of
2 time?

3 MR. TILLERY: I would expect so.

4 CHAIRMAN RUE: Okay. Sorry to.....

5 MS. HEIMAN: Well, just on what your topic is.

6 Have we yet decided that we're going to with the State.....

7 CHAIRMAN RUE: No.

8 MS. HEIMAN:or is that part of the
9 process?

10 CHAIRMAN RUE: No, that's future.

11 MS. HEIMAN: When will we decide that?

12 MS. McCAMMON: June. May 25th you will hear
13 from the independent consultant who is evaluating the
14 Department of Revenue's abilities to manage the funds.....

15 MS. HEIMAN: Right, that's what you were just
16 saying.

17 MS. McCAMMON:to look at some of the
18 other options, discuss them, but not make a decision until
19 June.

20 MS. HEIMAN: And we don't move, we don't
21 actually move the money out of the Treasury or wherever it is,
22 until we know who's investing it, where it's being invested and
23 how it's being invested?

24 MS. McCAMMON: This tells you how it's being
25 invested.

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1 CHAIRMAN RUE: Right, we'll decide the general
2 strategy today.

3 Okay. Everyone clear?

4 MR. TILLERY: Uh-huh. (Affirmative)

5 CHAIRMAN RUE: Any other questions for the
6 august panel of folks we have here, we better ask them --
7 Craig.

8 MR. TILLERY: Yeah, my next sort of question
9 here goes down to the EAFE and Lehman Aggregate Index. It's
10 the same concept if those are invested -- if those were to be
11 invested by the State, am I correct that the EAFE would be more
12 actively managed and then what would the Lehman, would that be
13 something -- would that just be picking bonds, so that would
14 sort of actively managed?

15 MR. JENKS: Yes, both of those asset classes
16 would be actively managed. I'll start with the EAFE, funds of
17 the international equities first. When you kind of look at how
18 efficient those markets are and have good active management at
19 adding value over indexes, we've looked at it a number of
20 times, and repeatedly come to the conclusion that active
21 management for international equities, we have a reasonable
22 expectation that it will more than pay for the fees of active
23 management, so we would expect kind of net of fees increase in
24 returns by choosing active management and, therefore, we have
25 selected an actively managed approach to implementing our

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1 international equity mandate. And they will buy a group of
2 stocks to not necessarily replicate, but to be consistent with
3 the EAFE Index in keeping that EAFE Index's returns and risk
4 characteristics in mind when they construct their portfolio and
5 we expect, over time, to be rewarded for having taken the step
6 of having active management in EAFE.

7 For domestic equity the Lehman Aggregate Index, which
8 is as good a broad market measure of U.S. dollar denominated
9 bonds and indexing it is extremely difficult because they're
10 5-6,000 different issues in that index, however, we will
11 actively manage the portfolio to have a very similar risk and
12 return characteristics and just trying to add incremental value
13 over time. And that asset, for the Department of Revenue, is
14 managed by the Department's own staff as has been the case for
15 -- well, basically, forever, in one mandate or another.

16 CHAIRMAN RUE: Okay.

17 MR. TILLERY: So I guess to sort of sum up
18 this, then, does the resolution, the way it's drafted here,
19 provide you with the kinds of flexibility that you would need
20 to manage it the way we described it, if the State were to
21 assume management of this?

22 MR. JENKS: Yes, I believe it does. There was
23 an earlier draft that would have caused some problems by
24 explicitly limiting what could be purchased on the active
25 manage portfolios to only those things that were in the index

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1 and that could have caused a problem. The way it is worded
2 now, I do not anticipate having any problem to be able to
3 implement this investment policy.

4 CHAIRMAN RUE: And to be specific, Craig, add
5 to your question, is that where -- in characteristics? It's
6 because we said the characteristics of these that's lets us be
7 a little more flexible?

8 MR. JENKS: And that benchmark, I believe, is
9 what it is.

10 MS. HEIMAN: Right, using benchmark.

11 CHAIRMAN RUE: Okay, in that last paragraph.
12 Do you have that, Dave Gibbons?

13 MR. GIBBONS: Yes, I do.

14 CHAIRMAN RUE: Okay. Great. Craig, does
15 that.....

16 MR. TILLERY: That answers mine.

17 CHAIRMAN RUE: Okay. Marilyn had a question.

18 MS. HEIMAN: Just very quickly, then, is the
19 Russell 3000 or the domestic equities managed as actively as
20 those other two that you just described, the EAFE and the
21 Lehman?

22 MR. JENKS: No, they're actually indexed or
23 passive product.

24 MS. HEIMAN: All?

25 MR. JENKS: Yeah.

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1 MS. HEIMAN: Pretty much the domestic equities
2 you do passively?

3 MR. JENKS: Yes, passively.

4 MS. HEIMAN: Because that -- there you don't
5 see much benefit in active management versus these other two?

6 MR. JENKS: That is correct, there is less of a
7 case for active management and we can be extremely cost
8 effective in managing those equities passively.

9 CHAIRMAN RUE: Okay.

10 MS. HEIMAN: That's it.

11 CHAIRMAN RUE: Marilyn, that all?

12 MS. HEIMAN: Uh-huh. (Affirmative)

13 CHAIRMAN RUE: Okay. Dan? Okay, once again
14 you just stunned us with your brilliance, it's great. Was
15 there anything else we wanted to -- I don't hear a motion yet,
16 but I'd entertain one.

17 MR. TILLERY: I want to move the two motion
18 unless I have to read them all.

19 CHAIRMAN RUE: Why don't we do one at a time if
20 we could, Marilyn?

21 MS. HEIMAN: All right.

22 CHAIRMAN RUE: Pick one.

23 MS. McCAMMON: The short one is the first one.

24 MS. HEIMAN: Well, I think I'd like Craig to
25 move it just because he understands exactly what this does

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1 versus I'll say it more like what Frank did because that's what
2 I understood it to do, so why don't you.....

3 MR. TILLERY: I'll just say I think we do need
4 to adopt -- we have to adopt the first one second, because the
5 second one references the first one having already been
6 adopted, so.....

7 MS. HEIMAN: Okay.

8 MR. TILLERY: I would move that we adopt the
9 resolution entitled "Resolution Exxon Valdez Oil Spill Trustee
10 Council".

11 CHAIRMAN RUE: Okay.

12 MR. TILLERY: And I'm not sure that I need to
13 read it.....

14 CHAIRMAN RUE: No, I think it's before us.

15 MS. HEIMAN: I second.

16 CHAIRMAN RUE: Okay, it's been moved and
17 seconded that we adopt the "Resolution of the Exxon Valdez Oil
18 Spill Trustee Council" that's before us. Any obj -- we'll vote
19 on this one. You want to poll the Council, Molly?

20 MS. McCAMMON: Craig Tillery.

21 MR. TILLERY: Yes.

22 MS. McCAMMON: Marilyn Heiman.

23 MS. HEIMAN: Yes.

24 MS. McCAMMON: Bill Hines.

25 MR. HINES: Yes.

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1 MS. McCAMMON: Dan Easton.

2 MR. EASTON: Yes.

3 MS. McCAMMON: Dave Gibbons.

4 MR. GIBBONS: Yes.

5 MS. McCAMMON: Frank Rue.

6 CHAIRMAN RUE: Yes. It's a big enough deal I
7 think it's worth having a vote.

8 Do I hear another motion?

9 MR. TILLERY: Mr. Chairman.

10 CHAIRMAN RUE: Go ahead, Mr. Tillery.

11 MR. TILLERY: I would move that we adopt the
12 resolution entitled "Resolution of the Exxon Valdez Oil Spill
13 Trustee Council Pertaining to the Asset Allocation for the
14 Period 2000 to 2004".

15 CHAIRMAN RUE: Is there a second?

16 MR. HINES: Second.

17 MS. HEIMAN: I could have done that.

18 (Laughter)

19 CHAIRMAN RUE: Any further discussion?

20 (No audible responses)

21 CHAIRMAN RUE: Okay. Molly, would you like to
22 poll us?

23 MS. McCAMMON: Craig Tillery.

24 MR. TILLERY: Yes.

25 MS. McCAMMON: Marilyn Heiman.

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1 MS. HEIMAN: Yes.

2 MS. McCAMMON: Bill Hines.

3 MR. HINES: Yes.

4 MS. McCAMMON: Dan Easton.

5 MR. EASTON: Yes.

6 MS. McCAMMON: Dave Gibbons.

7 MR. GIBBONS: Yes.

8 MS. McCAMMON: Frank Rue.

9 CHAIRMAN RUE: Yes. Okay, both motions pass.

10 I would like to thank the panel for.....

11 MS. McCAMMON: They should stay.

12 CHAIRMAN RUE: Oh, you're going to stay.

13 MS. HEIMAN: The payout.

14 MS. McCAMMON: They have another item.

15 CHAIRMAN RUE: Okay, the payout. Well, thank

16 you for what you've done so far.

17 Okay, Molly, our next item of business.

18 MS. McCAMMON: Mr. Chairman, this is -- let me

19 pass some of these around.

20 CHAIRMAN RUE: Thank you.

21 MS. McCAMMON: And there's some additional

22 copies here.

23 The payout information, spreadsheets and, Dave Gibbons,

24 you have these, these are the three payout sheets. What we

25 were trying to do with this is to get some kind of an idea of

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1 what kind of the parameters of potential spending would be in
2 the next few years. If the estimated rate of return under the
3 asset allocation is 8.25 percent and it's the Council's
4 intention to inflation proof the fund, and inflation is
5 currently estimated at 3.25 percent, then there's basically a
6 five percent rate of return that's available, potentially, to
7 spend.

8 So when Traci and I were trying to put together the
9 information for this we were looking at a couple of things.
10 Typically an endowment, when they decide how much is available
11 to spend, they pick a certain percentage of the total assets as
12 averaged over a period of time, and it's usually a five year
13 rolling average, it can be a three year to five year rolling
14 average. We will not have that rolling average for a number of
15 years for two reasons. One is that our fund won't be fully
16 capitalized until 2001, because we're still getting two
17 additional payment from Exxon and also having big payments out
18 still for the contractually obligated land payments. And then
19 secondly we won't have that time scenario in order to average
20 out over a period of time for, at least, three years.

21 So in looking at trying to figure out how we would set
22 a payout schedule it was difficult to base it on what the fund
23 has been and is currently because you can see in the
24 spreadsheet that there's some big dips. If you take out the
25 habitat program and treat that separately, October 1, 1999

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1 [sic], the research, there's not even 50,000,000, the next year
2 it goes up to 75,000,000. October 1, 2001, 115,000,000. There
3 actually would be more money in the fund at that time, but
4 there's a big land payment that happens during that year, so
5 this number has been adjusted for that.

6 And then the fund is fully capitalized and it starts
7 growing. So, really, you can't start -- you have to wait,
8 almost, until the October 1, 2001 year to start as kind of year
9 one in order to start developing your rolling average.

10 So this spreadsheet was developed assuming that
11 earnings would be 8.25 percent, this is all an assumption.
12 And, of course, as we get experience and things actually happen
13 we will know how accurate that is. What I have under Annual
14 Work Plan in the administrative costs, the current fiscal year,
15 the total Work Plan in administrative costs are 10.5 million.
16 Our target for the next fiscal year is 7.5 million, these are
17 -- the first is an actual number, the second is fixed target.
18 It's not based on any percentage, it would just be a fixed
19 number.

20 Our target, actually, for 2002 is 7.5 million also. To
21 start showing not quite as steep of reduction, but kind of less
22 than that curve a bit in this spreadsheet, I took a million
23 from that year and actually kind of pro rated it to future
24 years, so that the fiscal year 2002 would be 6.5, fiscal year
25 2003 would be six and then fiscal year 2004 it would be 5.5

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1 million. These would all be fixed predetermined numbers set by
2 the Trustee Council, not based on any rolling average or any
3 percentage. In fiscal year 2005 the Council actually would
4 have a fully capitalized fund with three years of investment
5 history and at that time a decision could be made on percentage
6 to be used for a payout.

7 And there are three spreadsheets here, one shows a
8 payout of four percent over three years, one shows a percentage
9 of 4.5 percent and one shows of five percent. If you'll recall
10 at the last meeting Peter gave a presentation on some
11 information that was compiled by the National Association of
12 College and University Business Officers regarding university
13 endowments across the country. And on average the withdrawal
14 from those endowments surveyed amounted to 5.4 percent of their
15 total assets in fiscal 1999. And, of this, 4.2 percent
16 consisted of an endowment payout or spending, .5 percent used
17 to pay fees and .7 percent for other distributions, and I think
18 those were primarily capital expenditures of some kind.

19 So I think in order to completely -- to fully inflation
20 proof the fund, given our current projections, the payout could
21 be no higher than five percent. If the Council had the desire
22 to see the fund grow and actually build the core up somewhat,
23 then you might consider a payout of four percent. But it is
24 also important, I think, to look at is what the estimated
25 numbers are and, again, these are based on projections of an

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1 actual 8.25 percent return. If that return is higher these
2 numbers would be higher, if the return is lower, these numbers
3 would be lower.

4 But you can see that where we're going with spending is
5 down, it dips down, I think, at a low of about -- for the four
6 percent payout, which is the most conservative, it dips down to
7 slightly under 5,000,000 a year and this includes
8 administrative costs, and then starts going back up again as
9 the fund starts to grow. Under 4.5 percent the lowest is 5.5
10 million, so it doesn't dip quite as much. And at five percent
11 you only actually have the one year at 5.5 million and then it
12 immediately starts to go up beyond the 6,000,000.

13 So the purpose of this is to kind of present this
14 information to you, see if this provides the information that
15 you feel will be necessary to make a decision on this, answer
16 any questions. If any of the gentlemen here can provide any
17 additional information to you and then we would be prepared to
18 put together a recommendation for action at the next meeting.
19 But the main idea is to answer any questions and have some
20 discussion and see what additional information you might need.

21 MS. SCHUBERT: Excuse me, this is Sandra in
22 Anchorage again.

23 CHAIRMAN RUE: Yeah.

24 MS. McCAMMON: Don't tell me you don't have
25 that either?

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1 MS. SCHUBERT: Unless it's somewhere here in
2 the office, but neither Paula and I can find it.

3 MS. McCAMMON: Okay.

4 MS. SCHUBERT: Thank you.

5 CHAIRMAN RUE: Okay. I have a question, do
6 others have questions? Craig, go ahead, I'll let you go first.

7 MR. TILLERY: Am I correct that with these
8 other endowments and so forth, the sort of the more
9 conservative line has been four percent payout?

10 MR. BUSHRE: Four to four and a half.

11 MR. TILLERY: But they're also assuming in that
12 four percent payout, they're paying about a half a percent for
13 fees or is this.....

14 MR. BUSHRE: Well.....

15 MR. TILLERY: So it sounded like even at a four
16 percent they were really figuring on paying out 4.5 percent.

17 MR. BUSHRE: Well, the fees are on top of the
18 four percent that I quoted you.

19 MS. HEIMAN: It's not included in the four
20 percent?

21 MR. BUSHRE: Fees, the investment management
22 fees were not included in the four percent, it was just -- the
23 information that I had from the association was a payout.....

24 MS. HEIMAN: Uh-huh.

25 MR. BUSHRE:and that generally means a

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1 distribution for the purposes that the endowment was created.

2 MR. TILLERY: But ours I think the fees are
3 probably a lot less than most other people are paying, does
4 that sound right?

5 MR. BUSHRE: Well, the fees -- for example.....

6 MR. TILLERY: If we go with the State.

7 MR. BUSHRE:if you decided to use the
8 State Treasury Division the fees would be extremely small.

9 MR. TILLERY: Well, I guess the point I was
10 trying to get to is it sounds to me like that this -- that 4.5
11 percent, if we went with 4.5 percent that would be the
12 equivalent of a lot of people going four percent, a lot of
13 other people who have higher fees than us.

14 MR. BUSHRE: Well, it depends if you're
15 counting the management fees or not.

16 CHAIRMAN RUE: I assume you are counting those.

17 MR. TILLERY: Yeah, right. Because that's
18 money that you don't have sitting in the account to continue to
19 grow or to.....

20 MR. BUSHRE: Well, that's true, it's an
21 expense, it's like an administrative cost.

22 MS. HEIMAN: Right.

23 MR. TILLERY: Anyway, it seemed to me that that
24 might suggest that maybe 4.5 percent was in line with other
25 fairly conservative payouts.

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1 MR. BUSHRE: Oh, it is, it is. The majority of
2 them, according to the survey, fell in the 4.4 to five percent
3 range.

4 CHAIRMAN RUE: Would this mean the five percent
5 would then -- they have in addition to that administrative
6 fees, so they're really taking out 5.5 percent roughly or
7 something?

8 MS. HEIMAN: Uh-huh.

9 MR. BUSHRE: Well, what was the number you
10 quoted earlier, Molly, 5.2? I don't have the.....

11 MS. McCAMMON: Well, the average is 5.4
12 percent.

13 MR. STORER: The answer is yes.

14 MR. BUSHRE: 5.4, yes, the answer is yes.

15 CHAIRMAN RUE: Okay.

16 MS. HEIMAN: Wait. 4.2 is what you pay out and
17 5.4 -- the addition would then be to.....

18 MS. McCAMMON: That average was 5.4 but you
19 would deduct from that .5 percent for fees. And then most have
20 some form of capital expenditures, kind of non-recurring one
21 time only type expenditures.

22 MR. BUSHRE: Yeah, the 5.4 included everything.

23 MS. McCAMMON: Everything.

24 MR. BUSHRE: Most of these endowments are going
25 outside -- or outsourcing all of their management, they're not

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1 using a state treasury, they're going to private firms. And
2 probably actively managing a greater portion than the State
3 Treasury would do, and that's very expensive.

4 CHAIRMAN RUE: Did that answer your question,
5 Craig?

6 MR. TILLERY: Yes, that answers my question.

7 CHAIRMAN RUE: Okay. Do other folks have a
8 question? Go ahead, Marilyn.

9 MS. HEIMAN: You want to go first, though?

10 CHAIRMAN RUE: Well, why don't I ask -- Molly,
11 could you explain the Habitat Program, how that keeps building,
12 what's the assumptions built in there?

13 MS. McCAMMON: Well, under the resolution when
14 the Council took action last March, at that time the Council
15 said that on October 1, 2002, 55,000,000 would be set aside in
16 a separate account and at that time all the interest accruing
17 to that 55 would go towards habitat. Before that time the
18 interest would go, basically, to the research portion. But in
19 order to kind of set aside and see how the research fund grew,
20 I had to pull it out earlier. But the interest doesn't start
21 accruing to that 55,000,000 until October 1, 2002, so you don't
22 see it starting to grow until October 1, 2003.

23 CHAIRMAN RUE: Now, what is our investment
24 strategy for that? Do we also have to plan on doing that as
25 well?

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1 MS. McCAMMON: The investment strategy would be
2 the same, we would just account for them.....

3 CHAIRMAN RUE: Separately.

4 MS. McCAMMON:separately, yes.

5 CHAIRMAN RUE: They'd be a different account.

6 MS. McCAMMON: Yes.

7 CHAIRMAN RUE: And Koniag?

8 MS. HEIMAN: We wouldn't do it like an
9 endowment with a payout, it would be just that that amount
10 would be available?

11 MS. McCAMMON: Well, Koniag would be a third
12 account.

13 MR. TILLERY: Right.

14 MS. HEIMAN: Oh, I see.

15 MR. TILLERY: That would be.....

16 MS. McCAMMON: Then we would separate out the
17 55 into two accounts if we did Koniag.

18 CHAIRMAN RUE: If we split out Koniag, yeah.

19 MS. HEIMAN: And it would be an endowment.

20 MR. TILLERY: And that one might be a slightly
21 more or less aggressive.

22 CHAIRMAN RUE: Uh-huh. Okay, then we're clear
23 on that one. I wasn't, thank you.

24 Any other questions?

25 MR. TILLERY: Mr. Chairman.

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1 CHAIRMAN RUE: Go ahead, Craig.

2 MR. TILLERY: To make sure I understand this
3 right. When you start paying out four percent of 4.5 percent,
4 that's kind of a commitment, right? You do that in the good
5 years if you make 20 percent you still just pay out four
6 percent and if you make zero percent you still pay out four
7 percent.

8 MR. BUSHRE: That's right.

9 MR. TILLERY: It's a good and bad, you don't
10 sort of declare bonuses or scream poverty and tighten your
11 belt, right?

12 MR. STORER: That's right, as much as you'd
13 like to. You create the discipline now recognizing there will
14 be good and bad years over time, but over the longer term this
15 payout is consistent with this asset allocation, et cetera, you
16 do not get caught up in short-term market events. And I'll
17 define that as three years of below average returns, you keep
18 discipline and you define it.

19 CHAIRMAN RUE: Okay.

20 MS. McCAMMON: Do you think this shows
21 discipline?

22 MR. STORER: What you're discussing?

23 MS. McCAMMON: Yes.

24 MR. STORER: Absolutely.

25 CHAIRMAN RUE: All three scenarios or.....

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1 MR. STORER: Yeah, then it's a question of
2 magnitude.

3 CHAIRMAN RUE: Yeah.

4 (Laughter)

5 CHAIRMAN RUE: Magnitude of discipline.

6 MS. McCAMMON: We want it on the record that
7 you're telling the Council that they're showing extreme
8 discipline here.

9 CHAIRMAN RUE: Well, it's hard to.....

10 MR. STORER: I'm delighted actually.

11 MR. BUSHRE: We all are. You're doing this in
12 the face of collapsing markets.

13 (Laughter)

14 MR. STORER: Make sure you got that one on the
15 record.

16 (Laughter).

17 MS. McCAMMON: We just want to know if you
18 changed your portfolio yet, Peter?

19 MR. BUSHRE: No, it did it for me.

20 CHAIRMAN RUE: Yeah, so what I heard folks
21 saying is that even at five percent payout it's a discipline
22 approach, basically.

23 Marilyn, did you have a.....

24 MS. HEIMAN: Well, one thing we discussed at
25 our subcommittee was having instead of a fixed percent that we

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1 could have a range of a percent.

2 CHAIRMAN RUE: For a payout?

3 MS. HEIMAN: Yeah, that the Council could
4 determine. I was actually arguing -- Molly came in and said
5 what we've been -- you know, she was sharing all of them, but
6 really with a focus on the four percent and I said well, since
7 our investments were so conservative, in my view, that the
8 payout ought might be a little higher, because I was more
9 interested in having more money available and I wasn't as
10 worried with a four, because if we went with a 10, I would
11 probably go with a more conservative payout and have it build a
12 little bit more, but given that I think our investments are
13 very solid, I thought we could go above four and I would like
14 to do a range. I would like to propose that as an option for
15 our next meeting. And I don't really have one, but I can't
16 remember what we talked about.

17 MS. McCAMMON: You were looking at four to 4.5
18 percent range.

19 MS. HEIMAN: Four to 4.5, although I would.....

20 MS. McCAMMON: With an emphasis on the 4.5.

21 MS. HEIMAN: Yeah, I mean, I would go from 4.5
22 to five even. I mean I personally would be willing to do that.

23 MR. BUSHRE: Well, that's where the majority of
24 endowments fall.....

25 MS. HEIMAN: Right.

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1 MR. BUSHRE:is between 4.5 and five.

2 MR. TILLERY: But how does this concept of a
3 range work if you did say four to 4.5 or something and in the
4 good years that was your bonus you could go up to 4.5 and maybe
5 feel better about yourself, but in the lean years you only paid
6 out four? Or maybe you just looked at your projects coming in
7 and saw how much you kind of needed.

8 MS. HEIMAN: You needed.

9 MR. TILLERY: But how does that range work with
10 discipline?

11 MR. STORER: This is a new one, Mr. Chair.
12 You're breaking new ground. The danger, and I don't know, you
13 could look at it a number of ways. My initial reaction is if
14 you exceeded -- the good years, quote, unquote, you could
15 payout more and the lean years you payout no less than four
16 percent. The other side of the coin is the spending discipline
17 where you create a spending discipline where you're always --
18 you're memorializing a higher payout, there is no range, in
19 effect you're locking into a higher payout.

20 MR. TILLERY: We're not really -- we're not
21 like we're paying dividends, we're not a set amount, ours is a
22 ceiling. This number is a ceiling, it's not a floor or the
23 exact number, so I suppose there's always -- whenever you pick
24 there's an inherent range because you can come in less and that
25 doesn't hurt.

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1 MR. STORER: The reason endowment funds pick a
2 set amount, and you could still do it within your band, you
3 just need to think about it, is this allows them to not only be
4 immune from the market volatility, because you got this longer
5 term time, that discipline, if you will, but it allows greater
6 consistency in budgeting.....

7 MS. McCAMMON: Uh-huh.

8 MR. STORER:so that you know in year one
9 forward, year two forward, year three forward, you have a
10 pretty good idea of what you can budget and think in those
11 terms moving forward.

12 I don't know if you guys have anything else.

13 MR. BUSHRE: Well, only the -- it's very hard
14 to specifically identify a quote a good year, the next year
15 might be "gooder" [sic] or a bad year.

16 MR. STORER: Gooder's good.

17 (Laughter)

18 MR. BUSHRE: Or you might be badder.

19 MR. STORER: I glad my English teacher is not
20 here.

21 MR. BUSHRE: It was not one of my strong suits.

22 CHAIRMAN RUE: I think we got it. Craig, does
23 that answer your question?

24 MR. TILLERY: Yeah.

25 CHAIRMAN RUE: Marilyn.

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1 MS. HEIMAN: Just following up on this concept
2 a little bit, even though it may be a thin ice kind of concept.
3 Just in my short experience on the Trustee Council there have
4 been, you know, sometimes where we get proposals -- we always
5 get more proposals than the amount of money that we have and we
6 want to have some flexibility if something is very worthy of
7 doing and it might not be able to be done as or for whatever
8 reason in the future year. And that's why I was thinking that
9 the -- as long as you're within the range of what's average or
10 responsible it seemed to me that giving the Council members
11 flexibility without having to go back and change all the
12 paperwork and all the -- this is our payout, if we wanted to go
13 a little bit above it or below it, it would just give a little
14 bit more flexibility and that was what my thinking was, but I
15 didn't know it was not something that was ever done, so that
16 maybe might change my mind a little bit.

17 CHAIRMAN RUE: That should slow us down.
18 Molly.

19 MS. McCAMMON: I would actually argue having
20 gone through, I don't know, seven Work Plans right now, but
21 it's better to have less flexibility. To have a real definite
22 cap because whenever we set a target it just keeps inching over
23 and there's no end of good, important things to do and you're
24 always going to be faced with that. I can guarantee you 100
25 percent that that will happen and the temptation to go over

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1 will always be there then. And.....

2 MS. HEIMAN: I know, and I know I'm going to be
3 fighting the battle for as long as I am on this Council that I
4 don't want to do oceanography, I want to do wild life. And if
5 I don't have that little bit of flexibility, say, okay, you can
6 do that, but I really want to make sure we're looking at the
7 sea otters because we're learning -- just like we did with the
8 sharks. There's so much information right now, we really want
9 to find out what's going on. There's a lot of pressure by the
10 agencies and we were able to have that flexibility because we
11 all voted for that, but if we have a payout it's pretty much --
12 you don't really need the Council very much, you know.

13 CHAIRMAN RUE: Well, I would disagree, Marilyn.
14 I think that what we'll have to do is to start saying this one
15 we cannot do, we're going to have to start dropping -- making
16 choices and I think that's -- I tend to be where Molly is, that
17 we ought to pick a number, five percent, 4.5 percent, say
18 that's it and then we have the discussion you just had,
19 basically say, well, let's not do this, we will do that.

20 MS. HEIMAN: And I agree with what you guys are
21 saying, the only thing is I would rather have it be a range
22 and/or target with a range because if we say five percent,
23 we'll end up doing five percent, whether we really need those
24 projects or not because everyone will know that's the amount
25 and we'll get that many things in, you know, they're all going

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1 to be worthy, and we'll do them, versus, we'd have some
2 decision-making to say, yes, this is really important, so we're
3 willing to go a little bit above or below our target, but
4 really -- I would like it to be like a 4.5 percent target and
5 if you were to go above, you know, you'd have to have a very,
6 very good reason to that, and I don't know how you would
7 structure that. But I would like to have some flexibility
8 built in because if I were writing it I would say let's go for
9 a five percent payout.

10 CHAIRMAN RUE: Okay. But what we're asking
11 ourselves today is what we want presented to us in May,
12 correct?

13 MS. HEIMAN: Right.

14 CHAIRMAN RUE: So the question is, do we want
15 Molly to come back with options for us in May, one of which has
16 X target and maybe a second option that has a different target
17 or a different strategy. I think we've heard a little of the
18 pros and cons of different strategies, so we would like Molly
19 to present one option that has a range of payouts? What would
20 we like to have before us in May, I guess? Craig.

21 MR. TILLERY: Yeah, I would -- since this is
22 sort of a new concept I think the idea of more of a floating
23 target should be explored and the pros and cons brought to us.
24 I personally kind of like the idea of a target at 4.5 percent
25 that we can go below because we have the flexibility if we

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1 don't have worthy projects to do, but my experience has been
2 that when we had a target, we don't go below, we try to nibble
3 above and I like kind of having a hard number at the ceiling.
4 So instead of saying four percent and letting us go up or 4.25
5 and letting us go up a little, just have a hard ceiling and
6 that's it, but we could always drop down.

7 If there is a project that absolutely begs to be funded
8 and we're going to lose that or whatever, this Council has the
9 ability with six votes to jump into capital, nothing that
10 prevents us from going right into the capital or more of the
11 earnings.

12 MS. HEIMAN: Yeah, but I would never vote to do
13 that, probably.

14 CHAIRMAN RUE: Well, we won't be here. Well,
15 we can have this discussion.....

16 MS. McCAMMON: Well, on the other hand it also
17 should substitute for some other project that's a lesser
18 priority.

19 CHAIRMAN RUE: Yeah.

20 MS. McCAMMON: You would have to make that
21 decision, that this is a higher priority than something else.

22 CHAIRMAN RUE: Right.

23 MS. HEIMAN: But one thing I would like to
24 say.....

25 CHAIRMAN RUE: Are we having this debate in May

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1 or now, because we've got an agenda and we have three
2 folks.....

3 MS. McCAMMON: Well, the discussion is now,
4 yes.

5 MS. HEIMAN: The discussion is now.....

6 CHAIRMAN RUE: Okay. Well.....

7 MS. McCAMMON: This is the last actually on the
8 agenda.

9 CHAIRMAN RUE: This is the last item?

10 MS. McCAMMON: Yes.

11 CHAIRMAN RUE: Okay. Do we have questions of
12 Bob, Peter or John? Because we could have this discussion and
13 they could have lunch.

14 (Laughter)

15 CHAIRMAN RUE: Really, I just don't want have
16 them hanging around all day.

17 MR. STORER: That's the kind of leadership I
18 like.

19 MR. BUSHRE: That's what you call leadership.

20 (Laughter)

21 CHAIRMAN RUE: Is that all right? Do we have
22 other questions Bob, Peter or John?

23 MS. McCAMMON: Unless they have any other
24 advice or comments on this discussion.

25 MR. STORER: It's a great discussion, you're on

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1 the right track.

2 CHAIRMAN RUE: Well, you're welcome to sit and
3 enjoy it if you'd like, but thank you very much for coming
4 today and giving us information.

5 MR. STORER: Thank you.

6 MR. BUSHRE: You're very welcome, thank you.

7 CHAIRMAN RUE: Appreciate that.

8 MS. McCAMMON: Thank you.

9 CHAIRMAN RUE: Is that all right they get to
10 go?

11 MS. HEIMAN: Excellent.

12 MR. JENKS: Thanks a lot.

13 MR. STORER: Enjoy your debate.

14 CHAIRMAN RUE: Okay.

15 MR. BUSHRE: We'll enjoy our lunch.

16 CHAIRMAN RUE: That was the only thing that was
17 giving me a little angst to have folks who didn't need to be
18 here sitting through this. So we can continue now. Who was --
19 I'm sorry to interrupt. Marilyn, did you have the floor?

20 MS. HEIMAN: Yeah, I sort of lost my train of
21 thought a little bit.

22 CHAIRMAN RUE: Sorry about that.

23 MS. HEIMAN: No.

24 CHAIRMAN RUE: It was dipping into the capital
25 was the last discussion versus, you know, you would never vote

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1 for that and I made sort of a flippanant comment that we won't be
2 here anyway but.....

3 MR. TILLERY: Well, we will be dipping into the
4 capital, this year one of our main assets is down five percent
5 for the year, there's a chance that this year we start
6 investing, we're not going to make money, we're not going to
7 make, you know.....

8 CHAIRMAN RUE: Well.....

9 MR. TILLERY: Or whatever first year we start
10 doing this thing and that's what we're talking about, we have
11 to dip into the capital that year. And then the next year when
12 we make a whole lot more, we don't dip into those extra
13 earnings and that's the whole point.

14 CHAIRMAN RUE: Uh-huh.

15 MR. TILLERY: I guess I -- I start at four
16 percent and you kind of have convinced me in what you're
17 talking about the needs and then looking at the way that the
18 fees and all those kinds of things work that maybe 4.5 percent
19 is a better thing. Instead of having a range from four to 4.5,
20 I'd be inclined just to say it's 4.5 and, hopefully, in the
21 future, if there aren't good projects we'll have the discipline
22 to only do less.

23 CHAIRMAN RUE: Three percent or whatever.

24 MR. TILLERY: Yeah, whatever it turns out.

25 MS. HEIMAN: Well, you know, I think that will

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1 probably be fine, but what happens is there is -- for any
2 Trustee that comes in, who is going to be coming in just as I
3 have, you know, in the middle, there's going to be change all
4 the time. There's always the set of things, well, we've
5 already committed, all this money is committed, so there really
6 only is a little bit each year that you kind of look out for
7 new projects. And we can say, oh, that's not worthy, well, but
8 once you've committed it becomes far more worthy, whether
9 there's something that's really important or not and that's
10 what worries me.

11 CHAIRMAN RUE: I guess my feeling is that I
12 tend to be thinking we ought to pick a number, my urge is.....

13 MS. HEIMAN: It sounds like that's what most
14 people want to do.

15 CHAIRMAN RUE: Yeah, maybe 4.5, but I also.....

16 MR. TILLERY: Everyone else in the whole
17 universe.

18 (Laughter)

19 CHAIRMAN RUE: As a general rule we're going to
20 be looking at leveraging other people's money, too. And I
21 think if there are new, big exciting things what we're going to
22 do is float -- I mean I think we'll be looking at strategies
23 like floating here's \$200,000 that's a third of the cost, now
24 North Pacific Research Board, now everyone come, we've got part
25 of it, what do you have to bring to the table? So I

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1 think.....

2 MS. HEIMAN: It has to be done ahead of time,
3 though, I mean, people can't come in late with these things.

4 CHAIRMAN RUE: I agree, but I think a lot of
5 our success in the future will be, you know, having a basic
6 program that we think is solid and then giving ourselves, you
7 know, X-amount of million dollars a year that's new projects,
8 plus leveraging other people's projects and that's where we go
9 over the -- and start some new initiatives, but those.....

10 MS. McCAMMON: Mr. Chairman, I think there's
11 also the possibility you should set up the scenario and -- I
12 mean I think on October 1, 2002 anything that's been committed
13 for -- everything is fair game at that point, it's a brand new
14 day, there's no continuing projects, we're not putting anything
15 forward for recommendation that goes beyond September 30th of
16 2002, everything starts fresh there. When you do start fresh
17 there to do long-term monitoring you are committing to a base
18 monitoring of a certain amount. There will still be a certain
19 amount that are for shorter term projects. And it's certainly
20 within the Council's purview each year to also say we're going
21 to set aside 200-300,000 or some amount for these unexpected
22 type issues that may come up over the year and you can build
23 that in within that cap.

24 MS. HEIMAN: I like that idea.

25 CHAIRMAN RUE: Uh-huh, yeah.

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1 MS. HEIMAN: So there is some flexibility.....

2 CHAIRMAN RUE: Contingency fund.

3 MS. HEIMAN:a contingency amount, like
4 within our 4.5 percent.....

5 MS. McCAMMON: Like a contingency fund or
6 something, yeah.

7 MS. HEIMAN:or whatever we pick that we
8 really have -- we say it's like 4.2 with a three percent
9 contingency, do you know what I mean?

10 MS. McCAMMON: Yeah.

11 MS. HEIMAN: That kind of thing?

12 MS. McCAMMON: Yeah.

13 MR. TILLERY: Molly, it seems to me that we've
14 done that each -- it seems like the last three or four years
15 we've come in with these targets and it's always been, okay,
16 we're coming in with \$8,000,000, there's \$6,000,000 in projects
17 that are continuation, there's 2,000,000 of what's new.

18 MS. McCAMMON: Yeah.

19 MS. HEIMAN: And then we loaded a few on top.

20 CHAIRMAN RUE: But Marilyn said one interesting
21 thing, she said.....

22 MR. TILLERY: And that's what we've got to stop
23 doing.

24 CHAIRMAN RUE: But Marilyn said an interesting
25 thing, she said we're coming at 4.2 but the contingency is the

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1 4.2 to 4.5. I guess I would still say we pick a number.

2 MS. HEIMAN: Yes.

3 MR. TILLERY: Yeah.

4 CHAIRMAN RUE: And then know that within that
5 this could be ongoing.....

6 MS. HEIMAN: That's how we set it up, I like
7 that.

8 CHAIRMAN RUE:and then there's some we
9 will commit to at the beginning of the year and then maybe
10 there's some that you.....

11 MR. TILLERY: Flexibility.

12 CHAIRMAN RUE: I guess I have a -- Dave, are
13 you okay, do you want to throw anything in here now, because I
14 have another question?

15 MR. GIBBONS: No, that's fine, I'm just
16 listening.

17 CHAIRMAN RUE: Could you, Molly, explain to me
18 the habitat assumptions? Does that assume we're not paying
19 anything out? That's just making money, that's not spending.

20 MS. McCAMMON: That's just -- yeah. We do
21 not.....

22 CHAIRMAN RUE: That's not spending nothing.

23 MS. McCAMMON: That's correct.

24 CHAIRMAN RUE: Okay. That's a go.....

25 MS. McCAMMON: Now, the research portion does

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1 have the fees taking out of it.

2 MS. CRAMER: Here's the fees and Work Plan
3 estimates that are included on that sheet.

4 MS. McCAMMON: Right.

5 CHAIRMAN RUE: Okay. But you didn't do
6 anything comparable to.....

7 MS. McCAMMON: But we didn't do it on habitat,
8 correct.

9 MS. CRAMER: Unh-unh. (Negative)

10 CHAIRMAN RUE: But it gives you a sense that if
11 you start at 55 in one year and six years later you've got
12 \$25,000,000 to spend on projects. Do we want to set ourselves
13 a payout method for habitat or do we just leave that totally to
14 the discretion.....

15 MS. McCAMMON: I think that's a separate
16 recommendation.

17 CHAIRMAN RUE: A separate discussion?

18 MS. McCAMMON: A separate discussion and a
19 separate action because they will be -- it depends on whether
20 Koniag happens because that does change things.

21 CHAIRMAN RUE: Sixty million jumps in or out or
22 whatever.

23 MS. McCAMMON: A certain amount jumps in or
24 out.

25 CHAIRMAN RUE: Twelve million.

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1 MS. McCAMMON: And then also whether the
2 program stays within, managed by the Restoration office or if
3 it's managed by some other entity, so there's a number of
4 things going on there.

5 CHAIRMAN RUE: Okay. Have we scheduled that on
6 our agenda to have that discussion of what are assumptions for
7 that?

8 MS. McCAMMON: For habitat?

9 CHAIRMAN RUE: Yeah.

10 MS. McCAMMON: Not yet.

11 CHAIRMAN RUE: Do we want to put that on our
12 agenda?

13 MS. McCAMMON: I think we're still -- we do,
14 I'm not sure it's -- it's not part of deciding things, getting
15 ready to make the transfer, but a decision -- because that fund
16 doesn't actually happen until October 1, 2002.

17 CHAIRMAN RUE: Okay. Well, I won't urge any
18 action on that.

19 Marilyn.

20 MS. HEIMAN: So when we pick this payout we
21 won't necessarily have this flexibility built in, but when we
22 -- that -- I mean, how do we make sure that that is what is
23 built into our plan?

24 MS. McCAMMON: You can put that in the motion.

25 MS. HEIMAN: You can?

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1 MS. McCAMMON: Yeah.

2 MS. HEIMAN: But I don't.....

3 MS. McCAMMON: That it should have a component
4 to allow for contingency funding, annual contingency funding,
5 or something like that in the payout process.

6 MS. HEIMAN: Does anyone have an objection to
7 that being in, whatever the motion?

8 CHAIRMAN RUE: I'm reluctant. I mean, I'd say
9 for discussion purposes put it on the table, but I'm wondering
10 why we need to tie that down now.

11 MR. TILLERY: I don't know, but I think it's an
12 important part of any Work Plan is to not allocate so much
13 money that the next year there's not some flexibility into it,
14 so I'm not -- I kind of agree with Marilyn. That's my thought.

15 CHAIRMAN RUE: How would you describe this
16 flexibility, just for Molly's benefit because she's going to
17 bring it to us. Maybe we could.....

18 MS. McCAMMON: Conceptually I understand it, we
19 can work on the language to describe it.

20 CHAIRMAN RUE: You want to play with it?

21 MS. McCAMMON: Yeah.

22 CHAIRMAN RUE: Okay. All right. I think it
23 would be good to have that before us, I agree, in May. Okay.

24 MS. McCAMMON: The biggest problem -- probably
25 the most major problem we have in that sense, for example, this

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1 year we anticipated the continuing projects in at 4,000,000,
2 they came in at 5.3 million, so we have to look at each project
3 and say, what is the reason for the additional cost? Is it
4 justified? And it take an enormous amount of discipline.....

5 MS. HEIMAN: Yeah.

6 MS. McCAMMON:and beating up on people to
7 get back down closer to the 4,000,000.

8 MR. TILLERY: But it may be.....

9 MS. McCAMMON: But that's the only way you get
10 the room to do additional projects.

11 MR. TILLERY: But it may be that in any given
12 year additional money for an existing project is the best use.

13 MS. McCAMMON: It's appropriate, absolutely.

14 CHAIRMAN RUE: Yeah.

15 MR. TILLERY: That's the flexibility you want.

16 MS. McCAMMON: Absolutely.

17 MR. TILLERY: But having that flexibility, that
18 million or whatever cushion it is in there, I think is in.....

19 MS. McCAMMON: Yeah.

20 CHAIRMAN RUE: Yeah, that's what you all are
21 talking about that we ought to build in something that says,
22 allow yourself a 20 percent cushion each year or whatever you
23 choose as a percent. I'd probably do it as a percentage rather
24 than a number.

25 MR. TILLERY: We'd have to.

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1 CHAIRMAN RUE: Yeah.

2 MR. TILLERY: We'd have to because of our.....

3 CHAIRMAN RUE: Yeah, right. Okay.

4 MS. McCAMMON: Well, we talked a lot, just
5 internally, part of the whole purpose of the monitoring program
6 is to have a set of core measurements that are there for a very
7 long time. On the other hand you don't want to issue a
8 contract to somebody to monitor something for 25 to 50 years.
9 You have to have that contract for a smaller time, but how do
10 you still try to build it in that the intent for some things is
11 that they will go on for a very long time, but then also have
12 part of the program that is more flexible and that you might
13 want to do.

14 CHAIRMAN RUE: Hopefully GEM will help us do
15 that.

16 MS. McCAMMON: So we're trying to figure out
17 how we lay that out.

18 CHAIRMAN RUE: Right. Okay, any other
19 discussion on this? This is the end of our meeting, I hope.
20 Or not?

21 MS. McCAMMON: Yes.

22 CHAIRMAN RUE: Dave, are you all right?
23 Anything else?

24 MR. GIBBONS: Nope.

25 CHAIRMAN RUE: Molly, was this our last agenda

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1 item?

2 MS. McCAMMON: Yes.

3 CHAIRMAN RUE: Nothing else for the Council?

4 MS. McCAMMON: No.

5 CHAIRMAN RUE: Okay. Do I hear a motion to

6 adjourn?

7 MS. HEIMAN: I so move.

8 CHAIRMAN RUE: Second?

9 (No audible responses)

10 CHAIRMAN RUE: Come on, guys.

11 (Laughter)

12 MR. EASTON: I second.

13 CHAIRMAN RUE: Any objection?

14 (No audible responses)

15 CHAIRMAN RUE: Hearing none, we're adjourned.

16 Thank you very much, Dave.

17 MR. GIBBONS: Thank you.

18 CHAIRMAN RUE: Thanks, Molly, good job once

19 again.

20 (Off record - 12:36 p.m.)

21 (MEETING ADJOURNED)

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1 CERTIFICATE

2
3 UNITED STATES OF AMERICA)

4) ss.

5 STATE OF ALASKA)

6 I, Joseph P. Kolasinski, Notary Public in and for the
7 State of Alaska and owner of Computer Matrix do hereby certify:

8 THAT the foregoing pages numbered 4 through 95 contain
9 a full, true and correct transcript of the Exxon Valdez Oil
10 Spill Trustee Council's Meeting recorded electronically by me
11 on the 24th day of April 2000, commencing at the hour of 10:36
12 a.m. and thereafter transcribed by me to the best of my
13 knowledge and ability.

14 THAT the Transcript has been prepared at the request
15 of:

16 EXXON VALDEZ TRUSTEE COUNCIL, 645 G Street,
17 Anchorage, Alaska 99501;

18 DATED at Anchorage, Alaska this 1st day of May, 2000.

19 SIGNED AND CERTIFIED TO BY:

20 _____
21 Joseph P. Kolasinski
22 Notary Public in and for Alaska
23 My Commission Expires: 04/17/2004