

1 EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
2 Public Meeting
3 Thursday, August 26, 2010
4 9:30 o'clock a.m.
5 441 West 5th Avenue, Suite 500
6 Anchorage, Alaska
7 TRUSTEE COUNCIL MEMBERS PRESENT:
8 U.S. DEPARTMENT OF INTERIOR: MR. KIM ELTON
9 (Chair) Senior Advisor

10 STATE OF ALASKA MS. JENNIFER SCHORR for
11 DEPARTMENT OF LAW: DANIEL SULLIVAN

12 STATE OF ALASKA - ADF&G: COMMISSIONER DENBY LLOYD

13 U.S. DEPARTMENT OF AGRICULTURE, MR. STEVE ZEMKE for
14 U.S. FOREST SERVICE MR. JOE MEADE, Supervisor

15 (TELEPHONICALLY)
16 U.S. DEPARTMENT OF COMMERCE, MR. CRAIG O'CONNOR
17 NOAA Special Counsel

18 STATE OF ALASKA - DEC: MR. LARRY HARTIG
19 Commissioner
20 MR. DAN EASTON (Alternate)

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1	ALSO PRESENT:	
2	ELISE HSIEH	Executive Director
3	BARAT LaPORTE	Patton Boggs
4	CHERRI WOMAC	Trustee Staff
5	LINDA KILBOURNE	Trustee Staff
6	DOUG MUTTER	DOI
7	CARRIE HOLBA	ARLIS
8	VERONICA VARELA	USFWS
9	MOLLY McCAMMON	AOOS
10	NANCY BIRD	PWSSC
11		(TELEPHONICALLY)
12	CAROL FRIES	ADNR
13	STACY STUDEBAKER	Recreation User
14	DEDE BOHN	USGS
15	PETE HAGEN	NOAA
16	BOB MITCHELL	Department of Revenue

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P R O C E E D I N G S

(Anchorage, Alaska - 8/26/2010)

(On record - 9:30 a.m.)

MS. HSIEH: Ask Craig O'Connor. I just described our sort of get done what you can. He thinks maybe we can get a lot done today.

CHAIRMAN ELTON: Yeah, well, I'm glad I'm here then, Craig. You can hear us, Craig?

MR. O'CONNOR: Yes, I can hear. Hi, Kim.

CHAIRMAN ELTON: I'm just getting my act together a little bit here and finding my agenda. Elise explained to I think everybody here what the issue is and so you know about -- you know about Denby. Are we all -- Elise, are working off draft August 20th?

MS. HSIEH: 8/20.

CHAIRMAN ELTON: Yeah. Okay. We're going to call the meeting to order. Can we do a roll call starting with Steve.

MR. ZEMKE: Steve Zemke, USDA Forest Service.

CHAIRMAN ELTON: Jennifer.

MS. SCHORR: Jen Schorr, Department of Law.

CHAIRMAN ELTON: Craig?

MR. O'CONNOR: Craig. Craig O'Connor from NOAA.

CHAIRMAN ELTON: And Kim Elton from Interior.

The.....

1 MR. EASTON: Kim, it's -- Dan Easton is here for
2 Larry Hartig.

3 CHAIRMAN ELTON: Oh. Oh, great.

4 MR. EASTON: DEC.

5 CHAIRMAN ELTON: Thanks, Dan. Glad you're aboard.

6 MR. EASTON: Thank you.

7 CHAIRMAN ELTON: I saw Larry, Dan. I don't know if
8 it was explained. He's -- they're running late at the
9 morning meeting where he's representing the governor, so
10 we're not exactly sure when he's going to make it over
11 here.

12 MR. EASTON: Right. I'll be here.

13 CHAIRMAN ELTON: You -- okay. So you don't have
14 any time constraints?

15 MR. EASTON: No, I'm fine.

16 CHAIRMAN ELTON: Okay.

17 MS. HSIEH: Dan Easton with DEC.

18 CHAIRMAN ELTON: Because of all of the changes, I'm
19 assuming, Elise, that we can adopt the agenda. I'm
20 assuming that we can approve the meeting notes. If you
21 could explain what the rules are on the -- on what we can
22 do and what we can't do without the full membership.

23 MS. HSIEH: My understanding is that you can
24 approve the agenda and the meeting notes, take public
25 comment, the public advisory committee comments and my

1 report, as well as a brief presentation by Bob Mitchell of
2 the Department of Revenue with regard to investment
3 spending without all six of you here to vote on it. The
4 remaining items, I'm not sure legally what the parameters
5 are actually, because we didn't realize until this morning
6 would be the case, but I think we'd all be more comfortable
7 if we had all six unanimous votes for those final items.

8 CHAIRMAN ELTON: Yeah, I -- so I think for those of
9 you who have an agenda in front of you, we don't have a
10 problem until we get to agenda item number 6. I guess my
11 preference is that -- I mean, I think we can probably hear
12 from Dede and from other on stuff that we can't necessarily
13 vote on, but I'm a little bit uncomfortable having a
14 presentation by Dede without all -- I mean.....

15 MS. HSIEH: It's.....

16 CHAIRMAN ELTON:presumably we're going to be
17 making a decision on budget items and I think if there are
18 presentations that involve budget items, we should probably
19 wait until everybody who's going to be voting.....

20 MS. HSIEH: The budget item presentation is what I
21 have prepared, and Linda's here to back me up because she
22 really knows the numbers. I have a very brief run-through
23 of how the budget has changed. It'll probably take me four
24 minutes. And then if people have more elaborate issues, we
25 can deal with that. But we hadn't prepared a lengthy

1 presentation, so I think.....

2 CHAIRMAN ELTON: Okay.

3 MS. HSIEH:that will still work out. And I
4 believe the Esler presentation, I'm guessing -- and I don't
5 think Dede's online, but I'm guessing it's also fairly
6 brief.

7 CHAIRMAN ELTON: Okay. I -- well, I guess my
8 concern is.....

9 MS. HSIEH: So I agree with you that we can.....

10 CHAIRMAN ELTON: Yeah.

11 MS. HSIEH:have it after.

12 CHAIRMAN ELTON: After, yeah. When everybody who
13 is.....

14 MS. HSIEH: Yeah.

15 CHAIRMAN ELTON:going to be voting can hear
16 it.

17 MS. HSIEH: Yeah, we can work through. And
18 Catherine Boerner -- just to throw the last piece in,
19 Catherine Boerner actually is driving down the ALCAN today,
20 so I will be presenting her very brief piece, which is
21 essentially the multi-year projects which were already
22 previously approved by the Trustee Council. And also the
23 Draft IHRP, which also has -- you don't really have a
24 presentation on these two items, because they're fairly
25 straightforward. So items number 6 through 9, in my

1 understanding, is fairly brief.....

2 CHAIRMAN ELTON: Okay.

3 MS. HSIEH:so.....

4 CHAIRMAN ELTON: Okay. Well, let's deal with the
5 first five items on the agenda. Do I have a motion to
6 approve the agenda?

7 MR. ZEMKE: I move the approval of.....

8 MR. O'CONNOR: So moved.

9 MR. ZEMKE: Oh, I'll second then.

10 CHAIRMAN ELTON: Okay. Okay. Moved and seconded.
11 Any objection?

12 (No audible responses)

13 CHAIRMAN ELTON: Hearing none, can I have a motion
14 on approval of the meeting notes for June 23rd, 2010?

15 MR. ZEMKE: So moved.

16 MR. O'CONNOR: So moved, Mr. Chair.

17 CHAIRMAN ELTON: Okay. Moved and seconded. Well,
18 Steve had beat you to the punch, so we're going to consider
19 your motion a second, Craig.

20 MR. O'CONNOR: Oh, that's good. I'm having trouble
21 hearing. I'm going to call back in because about every
22 third word gets cut out.....

23 CHAIRMAN ELTON: Okay.

24 MR. O'CONNOR:so.....

25 CHAIRMAN ELTON: We'll stand by.

1 MR. O'CONNOR:I'll call back in so I can be
2 on the -- if nothing else we need to do other than hearing
3 the -- hearing folks, so I'm going to go ahead and call
4 back in now.

5 CHAIRMAN ELTON: Okay. We'll stand by. Thanks,
6 Craig. Do I need to hang up here?

7 MR. O'CONNOR: No, I'll just call back in, see if
8 it works any better, because I called in so.....

9 CHAIRMAN ELTON: Do I need to do anything here,
10 Cherri?

11 MS. WOMAC: No.

12 CHAIRMAN ELTON: Okay.

13 MS. WOMAC: Just connect.

14 MR. MITCHELL: This is Bob Mitchell. I just wanted
15 to let you know.....

16 MS. HSIEH: Oh.

17 MR. MITCHELL:I'm also online.

18 CHAIRMAN ELTON: Okay. Thanks, Bob.

19 MR. MITCHELL: Yeah, you bet.

20 CHAIRMAN ELTON: Bob, we're waiting for Craig
21 O'Connor. Have you been on for a while?

22 MR. MITCHELL: For -- yes, I have.

23 CHAIRMAN ELTON: Okay.

24 MR. O'CONNOR: I am back live, Mr. Chairman.

25 CHAIRMAN ELTON: Okay. This is a test, test, test.

1 Can you hear us now?

2 MR. O'CONNOR: Yes.

3 CHAIRMAN ELTON: Okay.

4 MR. O'CONNOR: Yes.

5 CHAIRMAN ELTON: Thanks, Craig. We have approved
6 the agenda. We have approved the meeting notes for June
7 23rd. We're now on agenda item number 3, public comment.
8 Is there public comment?

9 MS. BIRD: Yes, Nancy Bird from the Prince William
10 Sound Science Center. Thank you. I just want to make sure
11 I thank Elise for the very prompt and detailed response she
12 gave me to the comments that I sent in last week. I've
13 been trying to go through more of the detailed spreadsheets
14 that she sent me to understand better where, you know, the
15 long term funding issues will come to. I continue to hope
16 that we can eek out a long term program for herring and
17 perhaps include the long term monitoring as part of that
18 program to try to meld the two together in some way, to try
19 to make the most money -- make the money go farther in some
20 way and looking at reducing the administrative expenses as
21 much as possible. I think those were the main points I was
22 going to make. I know that she sent you all the letters so
23 I won't belabor any of those points. And I also appreciate
24 the clarification on the Public Advisory Committee and
25 science advisors in that first July 12th issue of the RFP.

1 It seemed -- it was still unclear to me in the July 28th
2 version what that was intended to mean as part of the --
3 putting the proposals in, but appreciate that.

4 CHAIRMAN ELTON: Thanks, Nancy.

5 MS. BIRD: Thank you.

6 CHAIRMAN ELTON: Any questions of Nancy before --
7 she's anxious to get up from the table, but I think we can
8 hold her here. Are there any questions for Nancy?

9 MR. O'CONNOR: No questions from me, Mr. Chairman.

10 MR. ZEMKE: No, your comments were pretty thorough.

11 MS. BIRD: Okay. Thank you.

12 CHAIRMAN ELTON: Thanks, Nancy.

13 MS. BIRD: Thank you.

14 CHAIRMAN ELTON: Are there further public comments?

15 MS. MCCAMMON: Yes. Thank you, Mr. Chairman. My
16 name is Molly McCammon and I'm director of the Alaska Ocean
17 Observing System. I submitted written comments and I think
18 you all have those in your packet too. And I too want to
19 thank Elise for her response to them, especially some of
20 the questions about the scientific and public advice. That
21 helped clarified things.

22 I just wanted to reiterate kind of two points. One
23 is the fund -- level of funding and kind of the scale of a
24 long term monitoring program. I really started looking at
25 that in terms of how you would actually implement it in

1 five year increments and include kind of all the various
2 components that were suggested in the draft invitation.
3 And I really think that the council needs to rethink that
4 program, either make it shorter term or add more funds to
5 it or be more targeted in terms of what you actually expect
6 from it, because each of the components that you suggest as
7 possibilities to include in there, most of them cost around
8 200, 250, 300,000 each. And so if you're only making
9 available something between 550,000 and 950,000 per year,
10 you're only looking at two or three of those pieces and
11 it's really difficult to envision a really comprehensive
12 program with that amount of funding.

13 The other aspect that I really wanted to reiterate
14 was the lack of funding for a data management program.
15 Both kind of separately kind of taking on responsibility
16 for everything that's been collected through the Trustee
17 Council's efforts since 1989 as well as including a data
18 management component within the herring program and the
19 long term monitoring program. We all know that you can
20 collect lots of data and information, but if it's not
21 accessible, if it's not presented in a usable format, it
22 might be great for that individual researcher, but it
23 really hasn't contributed to our public knowledge. And so
24 I really urge you to consider that and put that into the
25 invitation. And thank you for this opportunity.

1 CHAIRMAN ELTON: Thanks, Molly. Any questions of
2 Molly?

3 (No audible responses)

4 CHAIRMAN ELTON: All right. I don't have a question
5 of Molly, but I'm looking at Elise. Sorry to surprise you,
6 Elise. I mean, I'm assuming that in any kind of an
7 invitation like this there is a collaborative process to
8 get to yes with the party or the parties. And so I'm
9 assuming that the issues that Molly raised would be part of
10 how you get to yes through that collaborative process.

11 MS. HSIEH: I think that there is -- I think that
12 it's timely that Molly -- and I mean, this whole process
13 over the last year and a half has gone as quickly as it
14 possibly could have gone, but I think we are right for the
15 stage of coming up with a large enough sum of money to get
16 some momentum and to get a collaborative process going
17 where we have identified areas and I think that there was a
18 lot of discussion with a long term monitoring science
19 panel, about this first proposal and actually the meetings
20 that we would have after the invitation went out, would be
21 so that we could sort of discuss what is already out there
22 and what would -- how could these funds best be leveraged.
23 And that would mean that many of the things in the
24 invitation aren't required, they're really sort of these
25 are pockets of interest, but then what already exists in

1 Alaska that could feed into those most effectively where --
2 versus a prescriptive, these are the six areas or whatever
3 and it has to be a full program. We don't have the money
4 for that. So I was envisioning getting together with the
5 potential proposers and, you know, seeing what they have
6 and seeing how we could fit the puzzle pieces together,
7 coming up with this sort of pre-proposal, if you want to
8 call it that, in the spring and then have that lead
9 proposer continue to work with the Trustee Council for
10 another six months to shape what do they have, what do we
11 have, and how could we best put it together. As -- and the
12 data piece, it is important.

13 There was discussion about that as well. And I
14 think that does need some further development. We have a
15 full-time IT person here with a lot of skills who we've
16 started talking to about what to do with the existing data
17 that we have, where will it be housed, how could it be
18 accessible. And I think once we identify lead proposers,
19 it'll really help us to then get together with them and say
20 what sort of systems do you have, what do we have, and see
21 -- really custom fit it versus having a lot of meetings and
22 coming up with a prescriptive program that maybe no one can
23 even fit. So.....

24 CHAIRMAN ELTON: So, Molly, that was a process
25 answer. It doesn't specifically get to the concerns, but I

1 mean, I wonder if you have a response too.

2 MS. MCCAMMON: Well, I guess two responses. I
3 wouldn't wait until after the invitation came out and then
4 working with the proposers on adding a data management
5 component. I would put that at least -- not necessarily a
6 prescriptive, but that that be a requirement to address
7 that in the proposals and do that up front.

8 And then secondly I just want to emphasize that,
9 you know, the concept of leveraging is great and I think
10 it's something we all support. The reality is that very
11 few entities -- they all talk a good game about supporting
12 long-term monitoring, but very few entities want to fund
13 it. North Pacific Research Board, we've had a very
14 difficult time getting them to fund any long-term
15 monitoring. Agencies will often fund to some extent long-
16 term monitoring of important species that are kind of under
17 their management regime. No one really wants to take on
18 long-term monitoring of the ocean and the coast unless it
19 really -- unless it has some kind of an endangered species
20 aspect to it. So I really want to salute the council for
21 including that in the invitation because I think it is a
22 critical thing. Everyone says we need it, we need it, we
23 need it. No one wants to pay for it. So the concept of
24 going out and leveraging all of these other groups to come
25 up with funding for this is -- it's a good concept, but

1 it's going to be difficult to actually implement.

2 MS. HSIEH: I guess also what I meant by leveraging
3 was not just sort of matching funds, which who knows if
4 it's possible or not, but also what programs are already in
5 existence where if you added a little to their pot, they
6 could go further. And I -- we haven't started that
7 investigation. I think that is an important piece.

8 CHAIRMAN ELTON: Any other questions?

9 MS. SCHORR: Yes, Mr. Chairman.

10 CHAIRMAN ELTON: Jennifer. Jennifer.

11 MS. SCHORR: I do. Just in your opinion, what type
12 of funding, whether it's on an annual basis or a five year
13 basis, might be appropriate for kind of setting up a data
14 management program and also do you think that there are
15 existing programs in development or already in place that
16 might be -- you know, work collaboratively with.....

17 MS. MCCAMMON: Well, I mean, certainly the mission
18 of our organization and our board has chosen providing
19 access to coastal and ocean information as a top priority,
20 so I mean, that -- we're devoting between half a million to
21 700,000 a year to that effort and it probably should be
22 more than that. It should probably be closer to a million.
23 So, you know, I couldn't give you an exact figure, but --
24 it depends because it's not just kind of housing data sets
25 and making them -- putting them on a website; it's also

1 making it accessible and turning it into products that are
2 useful for people who want to use the data too. So it's
3 also data visualization. It's archiving. It's making sure
4 that everything's accessible.

5 MS. SCHORR: Thank you.

6 CHAIRMAN ELTON: Other questions?

7 (No audible responses)

8 CHAIRMAN ELTON: No? Thanks, Molly.

9 MS. MCCAMMON: Thanks.

10 CHAIRMAN ELTON: Are there further public comments?

11 (No audible responses)

12 CHAIRMAN ELTON: Seeing none, we're moving onto
13 agenda item number 4. And could.....

14 UNIDENTIFIED SPEAKER: Chair, you might ask if
15 there's anybody online.

16 CHAIRMAN ELTON: Oh, yeah. Is there anybody online
17 that has public comments?

18 (No audible responses)

19 CHAIRMAN ELTON: Hearing none, we're moving on to
20 agenda number 4. Doug, you will be presenting for the PAC,
21 the PAC Advisory comments -- the PAC comments?

22 MR. MUTTER: Yes. Yes. I'm Doug Mutter,
23 Department of the Interior, the designated federal official
24 for your Public Advisory Committee. The PAC met July 22nd.
25 I believe you have a summary of the meeting in your packet.

1 Vice Chair Gary Fandrei chaired the meeting. Stacy
2 Studebaker, the Chair was unavailable and they asked me if
3 I would provide a brief summary for you folks today. The
4 didn't pass any resolutions on or take any kind of action.
5 Gary sent me several points that he wanted me to pass onto
6 you, one of which was that several PAC members that had
7 expressed concern about the reduced budget for public
8 information and outreach which they believe is a pretty
9 important aspect of the program even as it continues into
10 the next phases. Also, several PAC members were
11 questioning how -- what kind of meaningful input the PAC
12 would have as this moved into the next phase. So there was
13 some discussion about that and how much the work load might
14 change or not change in the future. And there was
15 certainly an expression of appreciation for all the work
16 that the EVOS staff had done to support the PAC and
17 especially to respond to questions about the Gulf spill,
18 because I know a lot of people have contacted EVOS and --
19 to get information about the -- how the Exxon Valdez spill
20 might compare, what lessons learned could be valuable down
21 there, and I know that the staff has spent a lot of time on
22 that. And so the PAC wanted to extend their appreciation
23 on that. A couple of other items that came up was an
24 invitation to the Cordova Center groundbreaking ceremony
25 which was partially funded by you folks. Also, one of the

1 members commented about the EVOS display at the Alaska
2 Sealife Center, thinking that as a public information tool
3 that could certainly be beefed up and updated. And they
4 were all encouraged to put in their applications for the
5 next term of PAC membership. That's it in a nutshell.

6 CHAIRMAN ELTON: Are there questions of Doug?

7 (No audible responses)

8 CHAIRMAN ELTON: Hearing nothing from online or
9 here at the table, thanks, Doug.

10 MR. MUTTER: Thanks.

11 CHAIRMAN ELTON: Item agenda -- that takes care of
12 item agenda number 4. Item agenda number 5 is the Executive
13 Director's report. Elise.

14 MS. HSIEH: We have Bob Mitchell with Department of
15 Revenue online. As we've sort of informally discussed, the
16 Trustee Council over the last year and a half has engaged
17 in retreats and meetings, a NEPA update, public meetings,
18 multitudes of documents discussing five focus areas and the
19 proposal to fund long term programs, three shorter term and
20 then two long term herring and long term monitoring. We
21 finally have reached the stage we have an invitation that
22 has been contributed to by EVOS staff, scientists, the PAC.
23 And it's sort of a generalized blueprint for a solid long
24 term monitoring program. We also have a draft final IHRP
25 today on the agenda, which could be appended to the

1 invitation, although narrowed or policy decisions could be
2 about what to take from the document or what to follow.
3 And so our decision making has come or your decision making
4 has come to the point of how to fund the priorities of the
5 Trustee Council.

6 In looking at that, Bob Mitchell, Department of
7 Revenue, has been very helpful in coming up with the
8 spreadsheets which the most recent of which I sent to you
9 on Friday. The initial spreadsheet that we sent was a 20-
10 year -- which was initially discussed -- a 20-year window
11 on long term programming and what the funding would look
12 like. The more recent spreadsheet that I sent was a 13-
13 year program and of course -- and I'll -- I -- I'll let Bob
14 give his presentation on how he came up with those numbers
15 and also that the tables that you look at for both 20 and
16 13-year, like the 13-year only includes the probability of
17 ruin for 4.5 and 5 million dollars non-administrative
18 funding. So just so that people, when they look at the
19 charts they don't think, oh, well, why don't we spend, you
20 know, over a hundred million versus 72 million. Those
21 final figures don't relate to would the funds run out, and
22 I think Bob can better explain the theories behind that.
23 So I'll let Bob give his presentation, which you can find
24 under your tab under investments towards the back of your
25 binder.

1 CHAIRMAN ELTON: Bob, I assume you were able to
2 hear that and that you heard that this discussion is now
3 being kicked to you.

4 MR. MITCHELL: Yeah, I got the last part of it. I
5 -- unfortunately, I didn't hear everything Elise said, so
6 I hope I'm going in the right direction. Can you hear me
7 okay?

8 CHAIRMAN ELTON: We can hear you fine, thanks. How
9 about people online?

10 MR. MITCHELL: Okay.

11 CHAIRMAN ELTON: Can people online hear Bob?

12 UNIDENTIFIED SPEAKER: Yes.

13 MR. O'CONNOR: Yeah, very well.

14 MR. MITCHELL: Okay. Great. I'm referring to a
15 present -- brief presentation that I prepared for the
16 Trustee Council and it's called Research Fund Spending. I
17 had initial discussions with Elise I would say in mid -- in
18 mid July to the end of July. We kind of continually
19 discussed. And as I understand the question, the question
20 is how much can we spend from the research account over a
21 -- well, there were various time lines. It was initially a
22 20-year time line and there are a couple of other
23 iterations that have been produced. And that is a
24 difficult question. And what I'm hoping to convey is, you
25 know, one of the tradeoffs that may be involved with the

1 decisions that the Trustee Council may be looking at. The
2 research fund is invested to generate an expected return of
3 five percent over inflation. As a result, in any given
4 year the -- that requires an investment -- an aggressive
5 investment that's heavy in equities. And as a result, the
6 certainty with which, you know, we can say what the returns
7 will be in any given year is diminished. Our hope is over
8 the long term that we can achieve that objective, but it
9 does create more of a variance in terms of actual
10 performance.

11 When you shorten the time line for a fund from, you
12 know, a long time frame to anything short of quote/unquote
13 a long time frame, the actual performance in, you know, the
14 next several years can have a pretty dramatic impact on
15 what you ultimately realize over the life that you're
16 talking about. For that reason I felt, as I listened to
17 the question that Elise asked, that it would be appropriate
18 to create a model that could run a large number of
19 potential future scenarios, a simulation model, and then to
20 graph that with -- you know, that would, you know, describe
21 the performance of the underlying portfolio and then to
22 pull out various levels of spending from that portfolio to
23 see what happened to the portfolio. Elise provided a fair
24 amount of information that related to administrative
25 expenses over the next few years and then existing

1 encumbrances or commitments. And then essentially what I
2 would characterize broadly as other or unencumbered money.

3

4 Looking at the fund, it's presently about 98
5 million in size. And there, as I understand it, are about
6 17 million in commitments for the short term. And so in
7 constructing the model, I set aside 17 million dollars
8 thinking that it probably shouldn't be invested in the five
9 percent real. Having said that, that is not consistent
10 with this existing asset allocation. I want to note that.
11 And we may want to readdress that part of it, but, you
12 know, for purposes or looking at the model, I assume that
13 that was set aside and put in cash to be available for
14 expenditures over the next couple of years and then took
15 the remaining 81 million and ran the model with it. I
16 assumed that -- a couple of scenarios for administrative
17 expenses after the next, you know, the first two or three
18 years were -- are set in stone, and then following that
19 there were two scenarios. One was a 750,000 annual
20 administrative expense and one was a million dollar annual
21 administrative expense that grew with the rate of
22 inflation, which I'm assuming is 2.75 percent over this
23 time period, in which is consistent with the assumptions
24 that are underlying the model for the investment return.
25 So I feel there's consistency there. And then ran it to

1 see if it ran out of money prior to the end of the time
2 line, which I call probability of ruin. And I'm shifting
3 over to Page 3 of the presentation. You can see an example
4 of the -- of -- the top chart shows a graph of what the
5 annual administrative expenses would look like in the
6 750,000 scenario for FY -- F -- excuse me, federal fiscal
7 year 14.

8 The table below, I just want to run through this.
9 And this information is I think important -- it is an
10 important supplement to the other spreadsheets that Elise
11 has provided to the board, because it provides a sense of
12 the range of potential future outcomes is for each of the
13 spending levels. So I just -- I'm going to go through the
14 top line here. In this scenario -- I'm on Page 3. I'm
15 looking at the table at the bottom of Page 3. Using a
16 scenario where the budget ramps down to 750,000 in federal
17 fiscal year 14 and then increases at the rate of inflation
18 through the end of federal fiscal year 32. If you take out
19 the administrative expenses and the other short term
20 commitments which have already been set aside and if the
21 board chooses to have an initial spending for the other
22 category of 2.5 million, which also increases at 2.75
23 percent per year, the probability that you can survive, the
24 fund will have a positive balance to the end of fiscal
25 federal year 32 is almost 99 percent. The probability of

1 running out of money is 1.3 percent. The -- however, there
2 are many situ -- you know, as you can see, there is a high
3 probability that there will be money left at the end of
4 this period. And what the next three columns hopefully
5 convey is a sense of what the distribution may look like.
6 Given that we don't know what the future will be, running a
7 hundred thousand simulations, I can get a spread or a
8 distribution of what things could be like. And looking at
9 the 25th percentile column, that would suggest that of all
10 of the scenarios that we're run in the model, the -- and if
11 you rank them from the lowest ending market value to the
12 highest ending market value, if you look at the 25th
13 percentile number of 102,703,000, that would be the --
14 there would be 25 percent of the outcomes were below that
15 and 75 percent of the outcomes were above that. Going over
16 to the 50th percentile column it's about 50/50. Half of
17 the simulations had a terminal market value that was less
18 than a 178,190,000 and half had a outcome that was greater.
19 And you can apply the same logic, you know, the same
20 reasoning to the 75th percentile which would suggest that
21 75 percent of the outcomes were below 285,171,000 and 25
22 percent of the outcomes from the model were above that. So
23 you can -- with that information, you can look down to
24 evaluate what the probability is that you run out of money
25 and what the potential spread of scenar -- of outcomes

1 would be in terms of terminal market value for the fund for
2 various decision points in terms of how much you choose to
3 spend each year -- you know, and this is assumed to grow
4 again with the rate of inflation.

5 Page 4 provides the same information for the
6 scenario where administrative expenses reset to one million
7 dollars in federal fiscal year 14 and then grow at the rate
8 of inflation. With that, I think I'll pause for a moment
9 in case there are any questions about these tables.

10 CHAIRMAN ELTON: Craig, I'm.....

11 MR. MITCHELL: Okay.

12 CHAIRMAN ELTON: Craig, I'm assuming you've got the
13 tables in front of you? Do people on the phone -- they got
14 the tables? Okay. Thanks, Elise.

15 MS. HSIEH: They should.

16 MR. MITCHELL: So what I'm hoping to convey is that
17 the portfolio is aggressively invested to achieve the five
18 percent real return. Implicit is that is the -- is giving
19 up certainty over what the outcome will be in the short
20 term and to a lesser extent in the long term. You know,
21 the trade off between certainty and return is there, so if
22 you wanted more certainty, you could -- we could invest the
23 fund less aggressively, but that would mean there would be
24 less money to spend, because it wouldn't have this -- it
25 would have a lower expected return. Conversely, by

1 accepting more uncertainty of the final outcome, the
2 portfolio can be invested in such a way that the long term
3 is higher. And unfortunately, there -- that is inherent in
4 the question. So as -- and the tables are designed to
5 convey that. The more aggressive the annual spending, the
6 higher probability that the fund will run out of money
7 prior to any given end point and the greater the
8 uncertainty is over what the terminal market value will be
9 at the end of the time period.

10 Now having touched on the table, I just want to
11 comment briefly on the charts. These charts may convey a
12 sense of certainty, but I would ask that the Trustee
13 Council keep in mind that the tables on Pages 3 and 4 of
14 the presentation, that these are far from certain numbers.
15 But I -- as I -- well, I've gone through several iterations
16 of the tables with Elise. There's one set that goes
17 through federal fiscal year 32, which was the original
18 question. And in addition to that, we looked at shorter
19 time periods, federal fiscal year 25 and federal fiscal
20 year 20. And this detail -- these tables detail the amount
21 that would -- that are implicit in the models or -- for
22 various levels of spending. And I'm not sure what you have
23 in front of you, but, you know, for example, if you looked
24 at the tables that went through federal fiscal year 32, the
25 top table would go -- the various categories of spending

1 and what is projected to occur in each year, there's a bold
2 faced line in the middle of each table that shows total
3 unencumbered research expenses. The detail for that is
4 split in the line items below that.

5 So essentially it -- these tables are designed to
6 give the Trustee Council a sense of how much would be spent
7 in various categories over time if the fund, you know,
8 remains solvent, if, you know, if it doesn't run out of
9 money prior to the end of the time period. But the
10 decision to, you know, how much money to spend each year
11 has come -- what comes with that decision is a set of
12 probabilities in terms of survival of the fund and the
13 terminal market values of the portfolio. With that, I
14 would be happy to address any questions that may result
15 from my presentation.

16 CHAIRMAN ELTON: Are there questions?

17 MS. HSIEH: Is there enough understanding? No
18 questions.

19 CHAIRMAN ELTON: I mean, I have a -- kind of a
20 basic question and it may have been addressed and I just
21 missed it. I mean, these tables have gone to the
22 allocation percentages for different categories. And I
23 guess are we assuming that the allocation categories like
24 for herring, 11 to 21 percent, are we assuming that those
25 allocation categories are solid for each year or that over

1 time the allocation will fall in the range of between 11
2 and 20 percent? For example, can it be eight percent in
3 one year and 23 percent in another year?

4 MS. HSIEH: I -- Bob and I did not -- we were
5 coming up with numbers and pieces you could move around.

6 CHAIRMAN ELTON: Right.

7 MS. HSIEH: What we did is -- what Bob did is he
8 took an average -- the draft SEIS and the discussion of the
9 Trustee Council so far have come up with ranges of
10 percentages. We went ahead and took the middle average as
11 just a pin on the map to get a number and spread it. That,
12 plus the information of the other -- besides hearing the
13 long term monitoring we had the other programs run two to
14 three years because they are shorter terms. Storm water
15 and marine debris are not 20-year programs. So with those
16 time lines in mind he did an even distribution. That
17 doesn't mean that you couldn't front load something or
18 taper it or move those numbers around, but what we did was
19 evenly distributed -- we did discuss that with the long
20 term programs we'd probably run them in a five year
21 increment, which is what the feds allow for their
22 contracts. Of course, that would be annually approved --
23 re-approved annually, approval every year.

24 And the trustees may want to -- you know, it may
25 work out that the entities involved say, look, you know,

1 for this five year contract we'd like to front load and
2 taper off. My suggestions to the Trustee Council so far
3 have been that's fine with a five year period, but I would
4 discourage doing it a longer period so you don't end up
5 with leadership regimes taking the bulk of the money and
6 then not having money left over at the end. So that has
7 been the policy discussions behind it, but Bob and I just
8 did a straight, you know, trying to get the figures which
9 could be moved around.

10 CHAIRMAN ELTON: Right. So -- and which is the
11 easiest way to present, but it doesn't block us into.....

12 MS. HSIEH: No.

13 CHAIRMAN ELTON:those on a year-to-year
14 basis.

15 MS. HSIEH: No, we were trying to give blocks --
16 building blocks for planning which you could then move
17 around. And again, the percentages, just -- it's based on
18 percentages, so even without the focus areas you could take
19 that number and move it so.....

20 CHAIRMAN ELTON: Are there other questions? I
21 cannot believe, Bob.....

22 MR. O'CONNOR: Yeah, this is.....

23 CHAIRMAN ELTON:that you might get -- oh,
24 Craig. Go ahead.

25 MR. O'CONNOR: Oh, so what about the Hindenburg

1 omen we're reading about? Is that going to blow everything
2 for us or is that a dream come true because the market's
3 going to crash and we're not going to have to do this much
4 longer?

5 MR. MITCHELL: Well, and I guess, you know, if I
6 knew the answer to that, then I -- I'd probably be doing
7 something else right now.

8 MR. O'CONNOR: Yeah.

9 MR. MITCHELL: I mean, the.....

10 MR. O'CONNOR: I was being facetious, Bob.

11 MR. MITCHELL: Yeah.

12 MR. O'CONNOR: That just was the news headline this
13 morning.

14 MR. MITCHELL: Yeah, I would say that, you know,
15 there is uncertainty about, you know -- I forget the exact
16 quote from Yogi Berra, but, you know, he said something to
17 the effect of forecasting is very difficult, especially
18 about the future.

19 MR. O'CONNOR: Yeah.

20 MR. MITCHELL: And what we're trying to do here is
21 provide some sense of what could possibly happen and.....

22 MR. O'CONNOR: Right.

23 MR. MITCHELL:in terms of the question about
24 blocking in, I would -- I guess my comment would be I would
25 anticipate that as it passes, you'll have more information

1 and that would provide the opportunity for, of course,
2 corrections in terms of the decision making for the Trustee
3 Council.

4 MR. O'CONNOR: Okay. All right. That's all I had,
5 Mr. Chairman. I.....

6 CHAIRMAN ELTON: Okay. So.....

7 MR. O'CONNOR: I've got to digest this.....

8 MR. ZEMKE: On the large spread.....

9 MR. O'CONNOR:which I'm assuming is what
10 we're going to do.

11 MR. ZEMKE: On the large spreadsheets where the
12 second -- if you look at each individual scenario, example,
13 this first one on the 20-year for the two hun -- 2000 -- or
14 2,500,000 initial spending where we have a currently
15 unallocated, unencumbered research fund line that shows,
16 like you say, a different fiscal year, FY'15. That's means
17 that there's 1,736,000 that's unallocated in any of those
18 categories. So examples, we were talking about, well, we
19 didn't have enough money for a long term monitoring. This
20 shows the 542,000 expenditure in long term monitoring, but
21 then if you look at the bottom there, there's 1.7 million
22 in unencumbered research funds for that particular year.
23 Am I reading that table right that way?

24 MR. MITCHELL: This is Bob. Yeah, I would say yes.
25 And we've made an attempt to -- the dollar -- or the

1 figures that you see for each category are based on a
2 midpoint of the percentages that Elise provided. But
3 certainly those don't add up to, you know, anything close
4 to a hundred percent, so there remains a fair amount of
5 money that is not currently fitted.

6 MR. ZEMKE: So that situation in fiscal year 15, we
7 basically only allocated 40 percent of the total available
8 for that yearly figure. And that runs all the way through
9 the scenarios. So, you know, I guess that kind of helps my
10 mind about, well, if we need more money, focus on long term
11 monitoring. Maybe there's a potential to do that and
12 that's certainly something when we finally get down to the
13 invit -- or the invitation, we'll probably have to focus
14 that more. So having not having those spread out and on
15 this particular spreadsheet probably isn't a problem. I
16 guess I'm still confused a little bit about the probability
17 of ruin and on this first one it's the total is a 108
18 million dollars, so that means that we overspent, but we
19 may not have been overspent, because we initially started
20 with 98 million and if you look at that aggressive growth
21 of five percent, I'm not sure what the total amount of
22 funds would be given that scenario. So, you know, when you
23 -- and I'm sure those probability of ruin tables in the 25,
24 50 and 75 percentile probably provides some of that
25 information, but I'm not exactly sure how to track these

1 numbers with those probability tables.

2 MR. MITCHELL: This is Bob. Unfortunately, I'm
3 trying to come up with a way to convey the -- I struggled
4 and I apologize to the extent that they are not intuitive.
5 I would just comment first by saying that the table that
6 shows a probability of ruin with the terminal market values
7 tries to provide a sense of, you know, what is the likely
8 -- what percentage of -- for the probability of ruined --
9 trials resulted in the mon -- in the funds running out of
10 money prior to the end of the time period. So it just
11 gives you -- it's -- it just -- it's information that
12 provides you with a sense of how likely it is that the fund
13 will remain with a constant value and be able to fund the
14 project -- or commitments of the board. The terminal
15 market value is just to say, you know, looking at three for
16 example, if the Trustee Council chooses to spend two and a
17 half million initially and have that grow with inflation,
18 based on the information that we incorporated into the
19 model, 1.3 percent of the hundred thousand iterations
20 resulted in the fund not being able to satisfy the -- that
21 commitment over the 20 year period. That -- but however,
22 90 -- almost 99 percent of the time there was enough money.
23 In fact, there was enough money that the, you know, the
24 median value was a 178 million, so one implication would
25 be, well, you know, in most of the cases you don't run out

1 of money and it looks like you end up with a fairly healthy
2 balance for the fund at the end of 20 years. Perhaps you
3 can increase the load if you will and spend more each year.
4 However, by doing that, you start increasing the
5 probability that you won't be able to fund projects for the
6 whole period and there's a tradeoff there. Unfortunately,
7 you can't get around how it will turn out. But in general,
8 the more you -- the more that is spent each year, the
9 higher probability there is that it will run out of money.
10 And the less you spend each year, you know, the greater the
11 probability that you will survive. But with that comes a,
12 you know, a likelihood that you will have a significant
13 balance at the end of the time period.

14 MR. ZEMKE: Okay. Bob, this is Steve Zemke again.
15 Kind of as a concrete example, looking at the 20-year
16 spending cycle at five million dollars a year, it's kind of
17 on the second page of that time table, that shows like a
18 178 million dollars kind of total expenditures over the 20-
19 year time frame. So given your probabilities, that
20 essentially says that we'd spend out the money in 20 years;
21 is that correct?

22 MR. MITCHELL: Okay. Looking -- on Page 2, it would
23 be under the scenario of spending 750,000.

24 MR. ZEMKE: Yeah, administrative costs and five
25 million initial spending.

1 MR. MITCHELL: Yeah. That -- the 178 million would
2 be the total over 20 years. And looking at the chart on
3 Page 3 it would show that, you know, this is assuming -- by
4 the way, this table is assuming that there remains enough
5 money -- that it doesn't run out of money. And then moving
6 back to Page 3 and looking at the bottom of the table on
7 Page 3, using the 750,000 administrative expense assumption
8 and assuming that five million (indiscernible - audio cuts
9 out), there's a almost 33 percent chance that this will not
10 happen, that you -- that the fund will run out of money
11 prior to the end of 20 years; or alternatively a 67 percent
12 chance that there will be enough money. And if -- and
13 you'll also notice the negative number there for the
14 terminal market value. I preserved that, essentially
15 allowing it to deficit spend, if you will, to -- just to
16 provide you with another sense of how, you know, how likely
17 it is that you'll run out of money. So, you know,
18 certainly the negative number doesn't mean anything.
19 You'll never realize that unless the Trustee Council in
20 some way borrows money to fund the (indiscernible - audio
21 cuts out), which I don't foresee happening. But it
22 provides you with a sense of, you know, what the terminal
23 market value would look like in this example. So, for
24 example, the 50th percentile number of 43 million, 42,807
25 is the median of all of the hundred thousand runs. But in

1 one-third of those runs, the funds could not make -- keep
2 this commitment for the full-time period. So looking at
3 the tables, it's assuming that has the capacity to make
4 this -- fund these programs, and if it does have the
5 capacity it would spend -- it would project to spend 117
6 (indiscernible - audio cuts out) over the -- this time
7 period.

8 MR. ZEMKE: Okay. That makes a lot more sense to
9 me now. Example, if you wanted to be 90 percent sure that
10 we weren't going to run out of money, you could look at
11 this table with the 750,000 administrative costs, we
12 probably should be spending between 30 -- 3,500,000 and
13 4,000,000 a year. That would give us.....

14 MR. MITCHELL: Yeah.

15 MR. ZEMKE:probably about 10 percent
16 probability of ruin.

17 MR. MITCHELL: Yeah, I think that would be the
18 right -- the way to interpret it. I would also caution
19 that this is a model and, you know, I have a number of
20 warnings at the end of my presentation, but in general.....

21 MR. ZEMKE: You must be an economist.

22 MR. MITCHELL: My experience has been that there --
23 the hundred year flood happens, but in these models, the
24 hundred year flood is assumed to happen every hundred
25 years, so it is possible that, you know, that the 10

1 percent probability may be too low or too high.

2 MR. ZEMKE: The Hindenburg might catch fire.

3 MR. MITCHELL: Yeah, I would just caution -- I
4 would caution the council to not rely on these numbers in
5 themselves, but that they provide a general sense of what
6 the range of outcomes is likely to look like.

7 CHAIRMAN ELTON: Steve, any.....

8 MR. ZEMKE: Yeah, that resolves some of my.....

9 MS. HSIEH: I have a question too for Bob.

10 CHAIRMAN ELTON: Elise has a question for you, Bob.

11 MR. MITCHELL: Okay.

12 MS. HSIEH: Bob, the probability of ruin for the
13 scenarios, does that include the assumption that the
14 unallocated, unencumbered research funds remain invested to
15 help weather some of the long term -- or does that assume
16 that those funds are spent during those years?

17 MR. MITCHELL: I would say it is -- it blindly
18 assumes that the spending pattern that you see here is
19 followed until the bitter end in those more adverse
20 circumstance. So it would, you know, if investment returns
21 are poor and the Trustee Council chooses to, you know,
22 maintain the spending pattern), that's what the probability
23 of ruin is showing you. If, however, their investment
24 returns are poor and the market value fund is low and the
25 Trustee Council chooses to reduce the amount of spending,

1 that's not contemplated in this model. So if that were the
2 case, your probability of survival would certainly go up if
3 you have the, you know, if you incorporate some decision in
4 more adverse circumstances.

5 MS. HSIEH: So, okay.

6 CHAIRMAN ELTON: So I -- to follow up on Elise's
7 question, I mean, this was a question I was going to ask.
8 I mean, this assumes a rigidity over a long period of time
9 in how you spend your assets and I'm assuming that future
10 trustees will be as smart as the trustees are now and you
11 make mid-course corrections depending on.....

12 MR. MITCHELL: Yeah.

13 CHAIRMAN ELTON:what is actually happening
14 rather than what is modeled.

15 MR. MITCHELL: Yeah. Yes, that is my -- certainly
16 would be my sense of it as well. You know, the only -- I
17 guess the only caution there would be to the extent that
18 the Trustee Council makes multi-year commitments that may
19 reduce ability in the future to make, you know, those
20 (indiscernible - audio cuts out).

21 CHAIRMAN ELTON: Right. And it would assume good
22 advice from people like you also, Bob, on asset
23 allocations. Also not being rigid that you change the
24 investment strategy over time to meet what is actually
25 happening in the market.

1 MR. MITCHELL: Yes. And as the time horizon
2 shrinks, then, you know, that would, you know, certainly
3 call -- raise this issue. Incidentally, this model is
4 assuming that, you know, 17 (indiscernible - audio cuts
5 out) set aside, by which is not currently (indiscernible).
6 So to the extent that the Trustee Council moves down a path
7 like this, I would ask that they consider -- or you
8 consider, you know, making a change to the asset allocation
9 for this fund to accommodate the short term commitments.

10 CHAIRMAN ELTON: And you had noted that at the
11 beginning of your presentation also, Bob. I mean, and you
12 said this is not consistent with the existing allocation
13 system.

14 MR. MITCHELL: Yes.

15 CHAIRMAN ELTON: And I think we had gone through
16 that several months ago. But I mean, is -- is what.....

17 MR. MITCHELL: I would.....

18 CHAIRMAN ELTON:you contemplate here, it's
19 not radically different than what we're now doing.

20 MR. MITCHELL: Right. I view -- you know, from my
21 perspective this -- I view this as new information. You
22 know, I -- in terms of the exercise that we go through in
23 setting the asset allocation, we're essentially
24 (indiscernible) to what the short term commitments are.
25 Had I known that, you know, six months ago that the fund is

1 committed to 17 million dollars over two to three years, I
2 would probably have recommended that there would be a
3 significant cash allocation to the funds so that it can
4 fund that without adversely affecting the rest of the
5 portfolio if -- because essentially right now the fund is,
6 you know, roughly speaking 70 percent in the equity market.
7 If, you know, between now and the time the 17 million is
8 culled, the equity market does particular poorly, it will
9 impact the fund in the long term, because the 17 million
10 will be spent and, you know, the -- you know, we'll have to
11 essentially pull money out of the equity market having
12 incurred a loss over this short period of time and that
13 money is gone forever. And as a result it's -- I think the
14 -- given the 17 million in outflows, think the fund is a
15 bit aggressively invested.

16 CHAIRMAN ELTON: Thanks, Bob. Are there further
17 questions for Bob?

18 MR. ZEMKE: It seems like that would be a somewhat
19 similar scenario all the way down the line in that we're
20 looking at funding scenarios of 10 to 15 million for a
21 three year period. And so those are some -- are probably
22 committed funds and we're going to wind up with that same
23 scenario play out over and over and over again through
24 whether it's 13 years 20 years. But that's again, kind of
25 the probability of ruin scenarios, how much risk do we want

1 to take. Right now since we do have 17 million obligated
2 in the next three years, maybe it is wise to re-look at our
3 allocation. Put the -- at least some -- pull those out.
4 What would be the process of that? Would we look at
5 treasuries or something like that to be able to
6 guarantee.....

7 MS. HSIEH: Bob looks at it.....

8 MR. MITCHELL: You could.....

9 MS. HSIEH:and would give us a presentation
10 in October and then you guys would sign.....

11 MR. MITCHELL: I'm sorry.....

12 MS. HSIEH:an asset allocation.

13 MR. MITCHELL:I didn't hear Elise's comment.

14 MS. HSIEH: The procedure for the Trustee Council
15 is that Bob, anticipating those expenses, would go back to
16 his drawing board and come up with a presentation for our
17 October meeting and present different asset allocations
18 which then you guys would review and approve.

19 MR. ZEMKE: Okay. Thank you.

20 MR. MITCHELL: I will note that, you know, based on
21 the information that I've been dealing with, the
22 expenditures are a bit front loaded with 17 million in the
23 next three years. And then depending the trajectory or the
24 initial course that the Trustee Council takes, that number
25 should go down pretty dramatically. I mean, in the most --

1 in the five million dollar case, it's still a fraction of
2 that.

3 MS. HSIEH: Except that if we -- the unallocated,
4 unencumbered research funds, I mean, if you move half of
5 those, for example, up into the long term programs, you
6 know, what does that do for the fragility of the existence
7 of the fund if we bump up those percentages? I'm assuming
8 your probability of ruin -- and I think I've already asked
9 this question -- relates to those funds even if they're
10 held. So does it make the whole model fragile if we take
11 some of those funds and bump up the percentages?

12 MR. MITCHELL: Yeah, the tabular results are
13 essentially assuming that the Trustee Council makes one
14 decision and walks away and then comes back in 20 years and
15 sees how -- you know, sees what happened. Certainly that's
16 not reality. To the extent that the commitments are longer
17 term it reduces the flexibility in the future to make
18 course corrections and as a result kind of locks you into
19 numbers that look more like this the higher those numbers
20 go.

21 MS. HSIEH: And that, Bob, again, that wouldn't be
22 the case. This is for planning purposes and the Trustee
23 Council would be able -- would annually be reviewing
24 funding, asset allocation and projected returns, so.....

25 MR. MITCHELL: Yeah, that's right, but if you

1 increase the period of time, you're reducing the ability to
2 (indiscernible) expenditures.

3 MS. HSIEH: Right.

4 MR. MITCHELL: Right.

5 MS. HSIEH: Because you're anticipating those
6 expenditures in the future. So again, if we.....

7 MR. MITCHELL: Right.

8 MS. HSIEH:if the Trustee Council decided to
9 use, for example, half or more of -- if they bumped up the
10 percentages and used more of the unallocated, unencumbered
11 research funds, would that change your probability of ruin
12 calculations for each scenario?

13 MR. MITCHELL: I'm sorry, Elise. I didn't hear
14 you.

15 MS. HSIEH: If the Trustee Council used half or
16 some amount of the currently unallocated, unencumbered
17 research funds that remain, for example, bumped up the
18 percentages used in a couple of the categories, would that
19 change your probability of ruin estimations for the
20 calculations?

21 MR. MITCHELL: No.

22 MS. HSIEH: Okay.

23 MR. MITCHELL: No, because these -- the probability
24 of ruin calculations assume no change to the posture of
25 the, you know, the expenditures overall.

1 MS. HSIEH: So that's good news.

2 MR. MITCHELL: They're assuming no flexibility,
3 right? So it -- to the extent you move the expenditures
4 from allocation from another, if you -- it's still assuming
5 that you spend the totals that are in the bowl in the
6 middle of the tables, that -- if that doesn't change, then
7 these probabilities don't change.

8 MS. HSIEH: But even if you.....

9 MR. MITCHELL: It's just the allocation.

10 MS. HSIEH: But even if you're taking the
11 unallocated funds, which would be -- under these scenarios
12 are sitting in the investment fund, if we bump some of
13 those out into an allocation.

14 MR. ZEMKE: I think what.....

15 MR. MITCHELL: No, these would be.....

16 MR. ZEMKE: Those are spent actually each year.

17 MR. MITCHELL: Yeah.

18 MR. ZEMKE: We're just not saying.....

19 MR. MITCHELL: These are.....

20 MR. ZEMKE:what on there that we're spending
21 them in.

22 MS. HSIEH: Oh, I see.

23 MR. ZEMKE: So, you know, it, again, at like fiscal
24 year 15 in a 13-year.....

25 MS. HSIEH: Right.

1 MR. ZEMKE:cycle, basically the allocation
2 amounts to, you know, 1,161,000 for herring long term and
3 storm water, and then there's currently 1. -- almost 1.5
4 million left, but that -- Bob's saying is actually we're
5 spending 2.639.....

6 MS. HSIEH: Okay.

7 MR. ZEMKE:million.

8 MS. HSIEH: Okay.

9 MR. ZEMKE: It's just -- so that's what my point
10 was, is that if we're -- indeed wanted more money and long
11 term monitoring per year it would be possible to use, you
12 know, of that 1.5 million you could -- if you want to go
13 50/50 you could put almost 750,000 additional in long term
14 monitoring and another 750.....

15 MS. HSIEH: Right.

16 MR. ZEMKE:in herring.

17 MS. HSIEH: So then I was just wondering how that
18 related to the probability of ruin, so.....

19 CHAIRMAN ELTON: Kind of a procedural question for
20 Elise. I mean, we have a couple of people who aren't here.
21 Given the questions that the people who are participating
22 have, I mean, if they have questions on these tables, do
23 they go through you, Elise, and then you work with Bob?
24 How do you want to handle that?

25 MS. HSIEH: Well, procedurally probably the couple

1 of trustees who aren't here and maybe any others, you know,
2 maybe one from this meeting who want to join us, we can
3 have another teleconference with Bob if he would be willing
4 to indulge us and kind of go over it again, I'm assuming
5 similar questions, so people are comfortable and familiar
6 with the material. I also wanted to plan a meeting in
7 October with the Trustee Council with this topic of how to
8 allocate funds and come up with projected expected funding
9 numbers for the invitation, could be put in so we could
10 move that forward, which involves a lot of policy
11 discussions as well. So that's I think is how it unfolds.

12 CHAIRMAN ELTON: Okay. I suspect that they're
13 going to have questions, perhaps some of the same questions
14 that have been answered here, but we should maybe make sure
15 that they know they can work with you.....

16 MS. HSIEH: Yeah.

17 CHAIRMAN ELTON:to potentially set up a
18 conversation with Bob that -- in the same way we've had the
19 opportunity to have a conversation with Bob.

20 MS. HSIEH: Yes.

21 CHAIRMAN ELTON: Okay. Bob, did you hear that and
22 you're comfortable with that?

23 MR. MITCHELL: Yes.

24 CHAIRMAN ELTON: Okay. Are there other questions?

25 MR. O'CONNOR: And I would add, Mr. Chairman.

1 CHAIRMAN ELTON: Yes, Craig.

2 MR. O'CONNOR: I would add that between now and
3 then we as a council ought to be looking at what our
4 forward movement strategy is going to be. What is it we're
5 going to try to accomplish in a programmatic sense, because
6 that sort of is the missing piece in my ability to evaluate
7 the investment strategies that we might be utilizing here.
8 We're looking at some very broad thoughts, but I would like
9 to have an opportunity to get more specific on what it is
10 we're going to be doing and how we're going to be doing it
11 and what it might cost us in the end to accomplish what we
12 want to accomplish.

13 MS. HSIEH: I think that reviewing the invitation
14 will help with some of the substantive programmatic focus
15 areas for long term monitoring and reviewing the IHRP will
16 help with that for herring.

17 MR. O'CONNOR: Right.

18 MS. HSIEH: With regard to how to administrate the
19 Trustee Council staff, I think that reaching \$750,000
20 annually is doable if partial positions are embedded in the
21 trustee agencies and if expenses such as staff support for
22 Trustee Council members is minimized or reimbursed on a
23 task -- more task oriented basis versus the money being
24 transferred and then sent back. So I think we can probably
25 get there under there under that scenario, but the one

1 million dollar administrative scenario we can probably
2 maintain, again, a separate office. I finally got actual
3 numbers for the first time for 2009. It looks like it was
4 about 1.3 million dollars that we spent under our current
5 structure. That is, of course, we've cut the office space,
6 cut the staff almost in half and I've cut a lot of other
7 areas. So it would take a few more changes for me to get
8 to one million dollars for a freestanding EVOS office.
9 That's kind of a quick nutshell. If you guys give me a pin
10 on the map and say this is what we want to head towards
11 administratively, then I think the discussions would flow
12 from that as it does with any budget setting versus the
13 wish list budget setting.

14 With regard to long term monitoring and herring, I
15 think you have the materials in the invitation and the IHRP
16 to have a discussion. I think what's necessary is continue
17 Trustee Council discussion on priorities and also comfort
18 levels with the different spending scenarios and the
19 probabilities of ruin. I think those -- that -- those two
20 conversations hybridized together with the Trustee Council
21 would be a helpful next step, which we could either, you
22 know, depending on people's calendars, which we were going
23 to look at today, start polling people. I had considered
24 in October some trustee retreat time, potentially in the
25 morning for a couple of hours and then have a meeting for a

1 couple of hours in the afternoon to work with the spending
2 and priorities and putting numbers in the invitation. Or
3 I'm also open to other suggestions that the Trustee Council
4 might feel would be helpful to move this along.

5 CHAIRMAN ELTON: And Craig, I would just add to
6 Elise, I mean, I think it may be possible for us as a group
7 to maybe get to a certain comfort level, but the assumption
8 is going to be that a future Trustee Council, you know, can
9 make changes also. So we're kind of -- it's kind of like
10 counting the number of beans in the jar and assuming that
11 everybody else will count them the same way even though
12 people might change on.....

13 MS. HSIEH: Legally, there would.....

14 CHAIRMAN ELTON:the Trustee Council.

15 MS. HSIEH:again, be no commitment, which is
16 every year or however often the Trustee Council would like
17 to come in and review funding. I would assume the
18 contracts would run year-to-year, but would be in a five
19 year time frame so it would have some momentum of its own.
20 People -- entities which are interested in proposing under
21 the RFP during all of these years have been aware of them.
22 Asking them to create a program that may have questionable
23 funding is a whole another level of interaction. And I
24 think due to that I think it's gotten widespread scientific
25 and public support. I think the Trustee Council has been

1 very interested in it as well as well as past trustee
2 councils have also been interested in a long term program.

3

4 That said, we all understand the frailties and the
5 uncertainties and so I think the amount the money that is
6 expend -- that's expected to fund that program needs to be
7 large enough to get that momentum and get other entities to
8 partner with the Trustee Council to make it happen. So I
9 think that's the Trustee Council's next discussion, is how
10 to make that work. And everyone knowing full well that the
11 stock market or a different Trustee Council panel may
12 assess it differently. Although, in the past consistently
13 the Trustee Council has been fairly interested in long term
14 programs, it just hasn't been able to necessarily get it
15 off the ground. The GEM program was very ambitious and
16 very large. And so this is a smaller program made before,
17 so -- and also the funds are diminishing, which also takes
18 some of the -- I think some of the inherent pressures away
19 as well, so.....

20 CHAIRMAN ELTON: Okay. Are there further questions,
21 further comments?

22 (No audible responses)

23 CHAIRMAN ELTON: Hearing none, I'm going to say
24 that we've completed agenda item number 5. Did I hear
25 Craig? Did you -- were you starting to say something?

1 MR. O'CONNOR: No, sir.

2 CHAIRMAN ELTON: All right.

3 MR. O'CONNOR: I was not.

4 CHAIRMAN ELTON: Okay.

5 MR. O'CONNOR: Thank you.

6 CHAIRMAN ELTON: Dan, did you have any comments,
7 questions?

8 MR. EASTON: I don't, Kim.

9 CHAIRMAN ELTON: Okay.

10 MR. EASTON: Thank you though. I am listening. I
11 would say just as a technical matter, it's a little hard to
12 hear. We hear some breathing and it tends to drown out,
13 you know, some of the presentation. So -- I mean, to the
14 extent that maybe folks on the line could use their mute,
15 that would help the rest of us out. Thank you.

16 CHAIRMAN ELTON: Okay. And we'll try not to
17 shuffle papers here also.....

18 MR. EASTON: It's.....

19 CHAIRMAN ELTON:Dan. Thanks for.....

20 MR. EASTON:mainly the breathing, but thank
21 you.

22 CHAIRMAN ELTON: Quit breathing. Somebody quit
23 breathing. Okay. I -- let's have a brief discussion here
24 about the next agenda items. I mean, we're -- I think
25 we've gotten to a point where we're going to be starting,

1 you know, agenda items that are going to require kind of a
2 consensus of the trustees. I -- with the potential
3 exception -- I mean, Elise, agenda item number 8, I mean,
4 what -- I mean, is that just kind of a briefing by you on
5 behalf of Catherine?

6 MS. HSIEH: Of Catherine. Yeah.

7 CHAIRMAN ELTON: And is there is a nexus to.....

8 MS. HSIEH: There's really.....

9 CHAIRMAN ELTON:a decision?

10 MS. HSIEH: Yes, there's actually not a lot of
11 briefing. It's -- it is the multi-year projects which the
12 Trustee Council have already approved in 2009. Catherine
13 contacted all of the project managers for those projects to
14 make sure they were all running according to expectation,
15 to make sure there weren't any issues that we should look
16 at, and they've all reported back that everything is
17 running as expected. So in that scenario the Trustee
18 Council typically continues funding. We don't really re-
19 view recommendations of the project. It tends be more of
20 a housekeeping matter unless we're having issues with the
21 project which.....

22 CHAIRMAN ELTON: Okay.

23 MS. HSIEH:is very rare.

24 MR. ZEMKE: So is there a motion that needs to be
25 made by the Trustee Council?

1 MS. HSIEH: I believe there is a motion, which is
2 to approve the federal fiscal year 2011 work plan in the
3 amount of \$4,686,848 including the G&A.

4 CHAIRMAN ELTON: Okay. I think it's probably best
5 at this point to stand in recess until a time certain.
6 That time certain -- I mean, are we assuming that Denby is
7 landing at the airport about 11:15?

8 MS. HSIEH: We are assuming -- I spoke with him on
9 his cell phone at the airport this morning and he is hoping
10 to walk in the door around noon. He has someone picking
11 him up at the airport and bringing him right here.

12 CHAIRMAN ELTON: Okay.

13 MS. HSIEH: While we're in recess, I think it would
14 be -- we have Trustee Council members on the phone and some
15 present. We have Nancy Bird and Molly McCammon, two great
16 resources. We could, you know, have some informal
17 discussion and -- or if people want to go work for one hour
18 or.....

19 CHAIRMAN ELTON: Well, I guess -- I mean, I'm kind
20 of looking at Nancy and Molly. I mean, I guess my
21 preference would be if those kind of discussions, if people
22 want to have those kind of discussions, this is probably
23 more important to Dan and to Craig who are on the.....

24 MS. HSIEH: Yes.

25 CHAIRMAN ELTON:phone.....

1 MS. HSIEH: Yes.

2 CHAIRMAN ELTON:because the rest of us can
3 have them, if we wish, while we're in recess. Dan, Craig
4 -- I mean, Elise is suggesting that kind of instead of
5 recessing that we just kind of chat if there is an
6 inclination by either of you to chat especially with Nancy
7 or with Molly. Doug is still here also. So I'm going to
8 kind of kick this to Dan and Craig to see what works for
9 you. I guess my suggestion would be to go into recess, but
10 if in fact Dan or Craig want to have that kind of a chat,
11 we'll accede to their wishes.

12 MS. HSIEH: Well, you could have -- you could also
13 go into recess and have then online.

14 CHAIRMAN ELTON: Yeah. Craig? Dan?

15 MR. EASTON: Mr. Chairman, if I -- this is Dan.
16 While we've been talking I got a note from Larry Hartig and
17 he says now that the forum -- or as of 20 minutes ago --
18 that the forum was well behind and that it was unlikely
19 that he'd be joining the meeting at any point in, time just
20 so that you know that. So if the idea is to recess for,
21 you know, an hour or two and then, you know, pick things up
22 again with Denby and Larry, I -- it doesn't sound good for
23 Larry.

24 MS. HSIEH: I think we.....

25 CHAIRMAN ELTON: Elise.

1 MS. HSIEH: I think we could recess and pick things
2 up with Dan and Denby. Dan, the things -- I hope Larry
3 briefed you -- the things that remain on the budget are
4 fairly straightforward.....

5 MR. EASTON: Right.

6 MS. HSIEH:and I would.....

7 MR. EASTON: Right.

8 MS. HSIEH:of expected that Larry would be
9 comfortable with you participating in that, the voting on
10 those items.

11 MR. EASTON: Right. Yeah, I think we talked about
12 it at some length yesterday so I'm prepared to go ahead and
13 sit in for him.....

14 CHAIRMAN ELTON: Well.....

15 MR. EASTON:if that's how you want to
16 proceed.

17 CHAIRMAN ELTON: Yeah, Dan, I'm comfortable if
18 you're comfortable with that. And so I guess my suggestion
19 is we stand in recess until -- I mean, just to give us a
20 little bit of a margin -- until 12:15. This probably means
21 that people in the room that were planning on lunch at
22 12:00 they can maybe have a late breakfast or an early
23 lunch or something, but if we could be back at the table
24 and back on the phone at 12:15 Alaska time, which I guess
25 -- Craig, are you in Seattle?

1 MR. O'CONNOR: Yes, so that's 1:15 my time.

2 CHAIRMAN ELTON: Okay. Okay.

3 MR. O'CONNOR: Yeah.

4 CHAIRMAN ELTON: And hearing no objection, let's
5 just recess until 12:15 Alaska time.

6 (Off record)

7 (On record)

8 CHAIRMAN ELTON: Present here after the recess is
9 Larry Hartig, Steve Zemke, Denby Lloyd, myself, Jen Schorr
10 -- did I pronounce your last name right?

11 MS. SCHORR: Yes. Thank you.

12 CHAIRMAN ELTON: From Department of Law and then
13 staff. Can we get a quick run, Dan, on who's online?

14 MR. O'CONNOR: O'Connor.

15 CHAIRMAN ELTON: Anybody else online? Dede?

16 (No comments)

17 CHAIRMAN ELTON: Okay.

18 MR. HAGEN: Pete Hagen.

19 CHAIRMAN ELTON: Pete. Dede, are you still on?

20 MS. BOHN: Yes.

21 CHAIRMAN ELTON: Thank you. Anybody else?

22 (No audible responses)

23 CHAIRMAN ELTON: Okay. Just to recap very quickly
24 what happened this morning, is we have made it through the
25 first five agenda items. Next on the agenda is the

1 administrative budget, but we have -- I will note that we
2 have some time constraints. The first time constraint is
3 with trustee Craig O'Connor. Craig, do you need to -- how
4 much time do you have?

5 MR. O'CONNOR: Not very much. I'm supposed to be
6 involved in another call starting at 2:00 o'clock that.....

7 CHAIRMAN ELTON: Okay.

8 MR. O'CONNOR:I'm the head of, so it's.....

9 CHAIRMAN ELTON: Okay.

10 MR. O'CONNOR: I can maybe go over a couple of
11 minutes, but that's it.

12 CHAIRMAN ELTON: Okay. Thanks. We also have a
13 time constraint from Doug Mutter. I will note the agenda
14 has different amounts of time allocated to each of these
15 issues. I would highly encourage people not to read that
16 as the amount of time we expect them to present. And
17 without objection from trustees, I'd like to make one
18 adjustment to the agenda moving agenda item number 12 up so
19 we can take it up as a matter of business so that Doug can
20 meet his commitment. Doug, if you could come up and join
21 us at the table. I think everybody has seen the
22 recommendation and so I'm going to suggest that if we have
23 any questions of Doug that we can maybe skip the
24 presentation unless there's something you need us to hear,
25 Doug, before we take up this agenda item.

1 MR. MUTTER: Just one thing, Mr. Chairman. The --
2 I talked to the Department of the Interior Committee
3 Management Office today. The charter has been through the
4 discerning process, is ready for the signature of the
5 Secretary of the Interior. I asked him to do that on
6 October 1st, so that you've got the full fiscal year or two
7 fiscal years. So that's ready to go. So they're just
8 waiting for the PAC member nominations and I told them next
9 week, that you were going to take action on it today.

10 CHAIRMAN ELTON: Okay. Are there any questions of
11 Doug?

12 (No audible responses)

13 CHAIRMAN ELTON: I don't want to push this too
14 much, but I'm going to ask for a motion. Do we have a
15 motion for agenda item number 12?

16 MS. HSIEH: Oh, it's number 6. I still have it as
17 number 6 on the.....

18 MS. WOMAC: Oh, well, again, that's -- they'll read
19 the motion.

20 CHAIRMAN ELTON: I think we just.....

21 MS. HSIEH: Sorry, we had moved it.

22 UNIDENTIFIED SPEAKER: They changed it on us.

23 CHAIRMAN ELTON: Oh, you've already moved it? Oh,
24 okay.

25 MS. HSIEH: Sorry, we had changed it.

1 CHAIRMAN ELTON: Okay. Can I get a motion, agenda
2 item number 6?

3 MR. MUTTER: Move to adopt the recommendation --
4 shall I read all the names?

5 MS. HSIEH: You do have to read them.

6 MR. MUTTER: Okay. That would include new
7 membership for the PAC, for the aquaculture/mariculture
8 seat, Gary Fandrei; commercial fishing, Torie Baker;
9 commercial tourism, Amanda Bauer;
10 conversation/environmental, Jennifer Gibbins; Native
11 landowner David Totemoff; public at large, Jason Brune;
12 recreational, Stacy Studebaker; science/technical, John
13 French; sport hunting and fishing, Kurt Eilo; and
14 subsistence, Patience Anderson Faulkner.

15 CHAIRMAN ELTON: Is there a.....

16 MR. HARTIG: I'll second.

17 CHAIRMAN ELTON: Okay. Motion's been made.
18 There's a second. Is there any discussion of the motion?

19 MR. LLOYD: Well, Mr. Chairman, I wasn't able to go
20 through the materials provided to us and I though they were
21 -- you know, we had a reasonable although not overly large
22 applicant pool. There's a lot of experience in the suite
23 of candidates that are embodied in this motion and I think
24 they would serve us well.

25 CHAIRMAN ELTON: Further discussion?

1 MR. ZEMKE: I guess the only other thing I would --
2 I was little bit torn about whether I'd want to see Larry
3 Evanoff versus David Totemoff in that one seat. I think
4 we've discussed that and I think David will do a very good
5 job in that seat. I'd maybe like the Executive Director to
6 prepare a letter for Larry Evanoff thanking him for his
7 service to the PAC and also for his application. Maybe
8 it's a little bit about how difficult it was in trying to
9 make that tough decision.

10 CHAIRMAN ELTON: For those on the phone, the
11 Executive Director nodded in the affirmative to that
12 request, so a letter will be prepared for Larry. Any other
13 discussion? Objection to the motion?

14 (No audible responses)

15 CHAIRMAN ELTON: Hearing no objection, the motion
16 passes. The next -- thank you, Doug, for your help. Next
17 item on the agenda is the administrative budget
18 presentation by Elise.

19 MS. HSIEH: Overall, the budget decreased from
20 FY'10 about \$434,000. The actuals spent in '09, just for
21 people's reference, is about 1.2 to 1.3 million. We're
22 continuing to try and shrink the spending and get the
23 budget closer to the actuals. The admin had a slight
24 increase of \$16,000. We moved Jen from science into admin
25 due to her responsibility for admin and habitat work. Data

1 management, we have a slight increase of \$2,000. We have
2 Karen Hickling, who's a new lateral state hire at a higher
3 step. Science management decreased \$273,000, mostly do to
4 moving Jen and also we have a more focused science panel
5 savings from a contracted science coordinator, and also the
6 herring group meetings are no longer necessarily because
7 the herring team is centralized with the Prince William
8 Sound herring survey.

9 Public information outreach did decrease 137,000.
10 That was mostly because we're not budgeting for the 20th
11 anniversary of Rebecca Talbot's salary; however, some
12 monies are in the admin budget for public outreach,
13 interpretative materials and mailings of public notice. In
14 addition, our admin structure and ARLIS have absorbed the
15 heavy media interest in EVOS over the last five months
16 without a separate budget. The PAC decreased \$4500 due to
17 its decrease from 15 to 10 members which saves
18 approximately 20 percent of the budget. Then we added
19 \$2400 back in for travel for the PAC Chair, two meetings in
20 person. Trustee Council member direct expenses, \$12,000.
21 We reduced travel to three in-person meetings this year
22 instead of six. Right now we're roughly anticipating
23 meetings in October in the early spring for pre-proposals
24 and to meet in person with the PAC and in August for the
25 admin budget. Habitat program, no change. Liaison program

1 support and project management, a decrease of 27,000 due to
2 NOAA waiving Trustee Council support fees. So that's a
3 quick rundown of the decreases.

4 CHAIRMAN ELTON: Thank you for the quick.....

5 MS. HSIEH: And increases.

6 CHAIRMAN ELTON:rundown. Are there questions
7 of Elise?

8 (No audible responses)

9 CHAIRMAN ELTON: Hearing none, is there a motion by
10 a trustee?

11 MR. O'CONNOR: I move the admin budget be approved.

12 CHAIRMAN ELTON: Okay. I think we just got.....

13 MR. ZEMKE: I second.

14 CHAIRMAN ELTON:a second from Steve.

15 MR. ZEMKE: I'll second the motion.

16 CHAIRMAN ELTON: Are there -- is there any
17 discussion? Is there any objection to the motion?

18 (No audible responses)

19 CHAIRMAN ELTON: Hearing no objection, the motion
20 passes. Agenda item -- new agenda item -- I guess I may
21 have misspoke on the last one. Now on agenda item number
22 8, which is the Esler amendment. And Dede, do you have a
23 quick presentation?

24 MS. BOHN: Ready?

25 CHAIRMAN ELTON: Yes.

1 MS. BOHN: This is Dede Bohn of the USGS Department
2 of Interior and we're (indiscernible - audio cuts out) oil
3 project.

4 CHAIRMAN ELTON: Can I.....

5 MS. BOHN: We're requesting an amended.....

6 CHAIRMAN ELTON: Can I interrupt for just second,
7 Dede? I'm sorry. Craig, you may need to back away just a
8 little.

9 MR. O'CONNOR: Are you saying that to.....

10 CHAIRMAN ELTON: Yeah, I was saying that to you. I
11 didn't know how to say it politely, Craig, but.....

12 MR. ZEMKE: You're breathing in the microphone.

13 MR. O'CONNOR: Oh, that's interesting.

14 CHAIRMAN ELTON: Okay.

15 MR. O'CONNOR: I got it on speaker. Okay.

16 MR. ZEMKE: Thanks.

17 CHAIRMAN ELTON: Okay. Thanks, Craig.

18 MS. BOHN: We're requesting an amendment in FY'11
19 to an ongoing restoration project that's looking at the
20 recovery of sea otters and ducks in the nearshore
21 environment of Prince William Sound. This amendment has
22 been given the number 11100808 and it's an amendment to the
23 project 090808. harlequin ducks are one endangered species
24 that have not fully recovered from the effects of the oil
25 spill. We've evaluated for Harlequin ducks the population

1 trends, survival measures and biomarker indicators of oil
2 exposure. In this request for FY'11 spending, we're
3 dealing with the exposure questions. To measure whether
4 there's ongoing exposure to oil under previous EVOS
5 projects, harlequin ducks have been sampled from oiled and
6 unoiled areas of Prince William Sound and we've kept them
7 for an elevated biochemical marker, P451A, which is an
8 indicator of recent and continued exposure to oil. The
9 birds inhabit the intertidal and subtidal zones where we
10 know the spilled oil has continued to exist. We've done
11 these sampling studies on the harlequin duck population in
12 1998 and from 19 -- and 2005 through 2009. The most recent
13 results, those from March 2009, continue to show the ducks
14 with an elevated exposure to lingering oil. We ran these
15 samples independently through two separate labs and we got
16 similar results back from each. We've had the analysis and
17 our reports peer reviewed and we've published recently in
18 two different journals, December of '09 and April of 2010.
19 These results indicate that the ducks have continued to be
20 exposed to oil up to 20 years after the spill. That
21 information is contributed to a change in the paradigm of
22 how we're looking at the effects of the spill, emphasizing
23 chronic long term impacts in addition to the acute
24 immediate ones.

25 This work is only part of the harlequin ducks

1 recovery story. This work is measuring the induction of
2 the P4501A enzyme, but the magnitude of the resulting
3 injury and its implication for populations of harlequin
4 ducks has been unknown and there are current projects
5 looking at that, in particular Tuula Hollmen's project
6 looking at the cellular level in depth.

7 In this amendment, we're asking for funding to run
8 another round of biomarker sampling in March 2011 of the
9 harlequin ducks in oiled and unoiled areas of Prince
10 William Sound. We've used the analyses of these samples to
11 determine if the ducks are still being exposed which will
12 help define a time line on how long there's an impact from
13 the spill. We're requesting \$103,200 in this amendment to
14 accomplish this sampling and analyses and you'd have a
15 final report on the results about a year from now on
16 September 30th, 2011. Any questions?

17 CHAIRMAN ELTON: No questions at the.....

18 MR. O'CONNOR: Mr. Chairman?

19 CHAIRMAN ELTON:table. Craig?

20 MR. O'CONNOR: Mr. Chairman, this study I'm going
21 to recommend approving. I had mentioned that this work
22 needed to be done at the time I presented the update on
23 where we stood on the lingering oil studies earlier this
24 year and suggested in that that this study would be one
25 that we needed to move forward on to further determine the

1 trend information that was being presented to that point.

2 So I will recommend -- I recommend that we consider

3 approving it.

4 CHAIRMAN ELTON: Can I ask you if you're

5 recommending -- do you -- are you prepared to make a

6 motion, Craig?

7 MR. O'CONNOR: If you're ready for that, I move

8 that it be approved, Mr. Chairman.

9 MR. LLOYD: Second.

10 CHAIRMAN ELTON: Moved and seconded. Is there

11 discussion on the motion?

12 MS. HSIEH: Do you think you could read the full

13 motion under.....

14 CHAIRMAN ELTON: The.....

15 MS. HSIEH:number 8 to approve the Esler

16 project?

17 CHAIRMAN ELTON: The motion that was made is a

18 motion to approve the Esler project 1100808 amendment,

19 nearshore synthesis, sea otters and sea ducks, in the

20 amount of \$103,200 including GA, which is included in the F

21 -- federal fiscal year 2011 work plan.

22 MS. HSIEH: Thank you.

23 CHAIRMAN ELTON: Without discussion, is there

24 objection to the motion?

25 (No audible responses)

1 CHAIRMAN ELTON: Seeing and hearing no objection,
2 the motion is approved. Agenda item number 9 is the multi
3 year project agenda item. Catherine is driving the ALCAN
4 someplace, so this will be presented by Elise.

5 MS. HSIEH: The work plan this year is fairly
6 straightforward. We did not submit -- release an
7 invitation this year, so the work plan consists of the
8 ongoing multi-year projects which the Trustee Council has
9 previously authorized and it is in the amount of \$4,686,848
10 including G&A. Catherine Boerner contacted each of the
11 project managers and made sure that the program, the Prince
12 William Sound herring survey and the individual programs
13 they're in were proceeding as expected and she received
14 favorable reports, so we recommend continuing the funding
15 of these multi-year projects.

16 CHAIRMAN ELTON: Are there questions of Elise?

17 MR. O'CONNOR: Mr. Chairman, I was just ask next
18 time she speaks if she can be a little closer in the
19 microphone. I couldn't hear much of what she was
20 saying.....

21 CHAIRMAN ELTON: Okay.

22 MR. O'CONNOR:but I read through the
23 materials on it.

24 CHAIRMAN ELTON: Are -- do you want her to go
25 through it again, Craig?

1 MR. O'CONNOR: No, I had already read the
2 materials.

3 CHAIRMAN ELTON: Okay.

4 MR. O'CONNOR: I'm fine with it.

5 MR. ZEMKE: I guess I do have one question. This
6 does include this new motion that we just passed on the
7 ATPI (ph) budget?

8 MS. HSIEH: Yes.

9 CHAIRMAN ELTON: Has -- I don't think we've made a
10 motion. Has a motion been presented yet? No? Could we
11 get a -- is somebody prepared to make a motion on
12 agenda.....

13 MS. SCHORR: Oh.

14 CHAIRMAN ELTON:item number 9?

15 MS. SCHORR: I'll make a motion to approve the
16 federal fiscal year 2011 work plan in the amount of
17 \$4,686,848 including G&A.

18 MR. LLOYD: Second.

19 CHAIRMAN ELTON: Moved and seconded. Is there
20 discussion on the motion?

21 (No audible responses)

22 CHAIRMAN ELTON: Hearing none, is there objection
23 to the motion?

24 (No audible responses)

25 CHAIRMAN ELTON: Hearing no objection, the motion

1 is adopted. Agenda item -- I have to tell you, this
2 reminds me a little bit of my time -- remember the finance
3 I sat in where we moved rapidly and the number of numbers
4 that follow a dollar sign don't necessarily make a
5 difference. Item -- agenda item number 10, the herring
6 plan. I -- Elise, you're doing that again for Catherine.

7 MS. HSIEH: The draft integrated herring program
8 document has been reviewed and refined quite a bit over the
9 last year with much assistance from the Department of Fish
10 and Game, NOAA, many of our science advisors, Catherine
11 Boerner, many, many other contributors including the Prince
12 William Sound members, many of the people from the herring
13 program that met over the last few years and contributed to
14 this document. It is ready to be finalized and adopted by
15 the Trustee Council today. It contains at least eight
16 different restoration options. The Trustee Council, it's
17 not necessary for them to make any policy decisions or
18 judgments about those at this time, just to finalize the
19 document. This document will then -- can be used as an --
20 in the appendix of the Trustee Council's invitation if they
21 do issue a finalized one later this autumn. At that time,
22 the Trustee Council can decide what to direct out of this
23 document for their upcoming plan. At that this point, it
24 would just be to finalize this document. We're sort of
25 done and it's wrapped up and has been reviewed and

1 commented upon and contributed to this final state, so.....

2 CHAIRMAN ELTON: Are there questions of Elise?

3 MR. LLOYD: Were there any substantial public
4 comments that required -- I don't think -- major
5 adjustments to the draft?

6 MS. HSIEH: We did put it up for public comment and
7 we received, much to our surprise, a single comment. It
8 was from a PAC member thanking us. She had read through it
9 and was very pleased with the development of this document
10 and thought it was a clear -- a better document and was
11 pleased with the outcome.

12 MR. LLOYD: Okay.

13 CHAIRMAN ELTON: Other questions?

14 (No audible responses)

15 CHAIRMAN ELTON: Is there a motion?

16 MR. ZEMKE: Okay. I'll move to approve.....

17 MR. O'CONNOR: I'll approve its approval, Mr.
18 Chair.....

19 MR. ZEMKE:adopting the Integrated Herring
20 Restoration Plan dated July 21st, 2010.

21 CHAIRMAN ELTON: Okay. And I think you were
22 speaking at the same time, Craig, and so we'll consider
23 your comment a second.

24 MR. O'CONNOR: That's great.

25 CHAIRMAN ELTON: Okay. Thanks. I mean, before I

1 ask if there's any objection, I feel somewhat lucky that I
2 wasn't involved from the beginning on this and so I think
3 that the work that a lot of people put into this, I
4 understand how frustrating it was, and I almost feel like
5 we've reached a threshold point, and so thanks to everybody
6 that worked on this even though I didn't work on it. Is
7 there any objection to the motion?

8 (No audible responses)

9 CHAIRMAN ELTON: Hearing none, the motion's
10 adopted. Agenda item number 11 is the draft SEIS and
11 Craig, you are the presenter on this one.

12 MR. O'CONNOR: All right. Can you hear me all
13 right? I'm trying to stay way away from the microphone.

14 CHAIRMAN ELTON: Yes, we can hear you fine.

15 MR. O'CONNOR: Okay. At this point, we are ready
16 for the council for approve what actually is now the final
17 draft of the Supplemental Environmental Impact Statement
18 that we put together and took out to the public over the
19 course of several months. It's the focus -- or the change
20 of our focus from a broader-based restoration undertaking
21 to the five specific areas that we got enumerated in the
22 past: lingering oil, marine pollution, monitoring
23 programs, so on. And I would at this point say that if the
24 council is prepared to approve it and there were no public
25 comments -- and they're captured in the document for your

1 perusal -- that would in essence in any way I think
2 discourage us from taking the course that we have laid out
3 here. If the council approves it today, I will have it off
4 to the Environment Protection Agency for publication
5 tomorrow with the intent being that we sign off on the
6 record of decision regarding these actions at the October
7 meeting. In the interest of time, I'm not going to say
8 anything more unless anybody has any specific questions.

9 CHAIRMAN ELTON: Are there questions for Craig?

10 MS. HSIEH: Did -- Craig O'Connor, did you want
11 just a couple of the investment numbers, which really isn't
12 policy based, it's really -- were put in in Spring 2010,
13 did you want some of those in that one paragraph updated in
14 your final draft that's sent out tomorrow?

15 MR. O'CONNOR: It should be updated, yeah. And
16 there's a couple of tentative changes we need to make. I
17 -- in reviewing it last night I was -- I found a couple of
18 edits that needed to be (indiscernible - simultaneous
19 speech).

20 MS. HSIEH: I think we found a spelling mistake too
21 on.....

22 MR. O'CONNOR: Yeah.

23 CHAIRMAN ELTON: Craig, just kind of for the
24 record, and I think there are a lot of questions out there,
25 I mean, can you just very, very quickly go through -- I

1 mean, if there are changes to, for example, the allocation
2 percentages in this -- I mean, what is the process that a
3 future Trustee Council would have to go through if there
4 are significant changes to those allocation percentages?

5 MR. O'CONNOR: If they are going -- well, we put
6 those out, as I recall, Elise, and you're better at this
7 than I am, but we put out -- those out as estimated ranges.
8 There is nothing concrete about them. They are indications
9 of relative commitment. If they wanted to change the
10 focus, for instance, say we're not going to do anything
11 with herring next Tuesday, we're done with it, then that
12 would be considered somewhat of a substantial change. If
13 we rationalized it that there, you know, we reached a
14 conclusion there's nothing that needed to be done, we have
15 all the information we need, that's one thing, but if we're
16 going to go about changing an overarching focus to the
17 undertaking, it's probably -- it would probably require
18 somewhat of an amendment here. I'm not quite sure what it
19 would look like. The programmatic EIS's supplements to
20 those are pretty broad documents and this is -- anyway,
21 it's just an update to the work that was done in '94. As
22 long as we keep within our broad goals I think that things
23 will be just fine. It's very seldom that you actually have
24 to get down and with nuts and bolts retool a programmatic
25 environmental impact statement. But this certainly

1 expresses the intent of the council and the commitment of
2 the council today until changes are made to move in this
3 direction.

4 CHAIRMAN ELTON: Okay. Other questions?

5 (No audible responses)

6 CHAIRMAN ELTON: Is there a motion?

7 MR. O'CONNOR: Well, I would move its approval, Mr.
8 Chairman.

9 CHAIRMAN ELTON: And I'm going to read the motion
10 as it's presented on the motion sheet and you can tell me
11 if you agree with the motion that you just then made,
12 Craig. Motion to approve.....

13 MR. O'CONNOR: Yeah.

14 CHAIRMAN ELTON:finalizing the July 2010
15 Draft Supplemental EIS updating the investment figures and
16 proceeding with a review of the record of decision, the
17 ROD. If approved, the final SEIS will be noticed in the
18 federal register and the ROD can be signed 30 days later.

19 MR. HARTIG: I'll second.

20 MR. O'CONNOR: That sounds like exactly what I
21 said.

22 CHAIRMAN ELTON: Okay. And Larry has seconded.

23 MR. HARTIG: Yeah, I'll second.

24 CHAIRMAN ELTON: Is there discussion of the motion?

25 (No audible responses)

1 CHAIRMAN ELTON: Is there objection to the motion?

2 (No audible responses)

3 CHAIRMAN ELTON: Without objection, the motion is
4 adopted.

5 MR. O'CONNOR: All right. I'm going to add one
6 additional comment, Mr. Chairman. Laurel Jennings, who
7 worked on this very, very diligently, had her business life
8 interrupted on the -- this past weekend which she had her
9 baby and she sends her regrets that she could not
10 participate in the meeting today, but she will be working
11 to get this on through to EPA and we have somebody who's
12 going to fill in for her and make sure that everything gets
13 done. So she said hello and sorry she couldn't be here.

14 CHAIRMAN ELTON: Well, if you would give her.....

15 MR. O'CONNOR: She did consider naming.....

16 CHAIRMAN ELTON: If you would give her our
17 congratulations. Tell her that Elliot (ph) EVOS Jennings
18 sounds like a wonderful name.

19 MR. O'CONNOR: You know, I think she would -- they
20 were toying with NEPA to begin with. And I will. Thanks,
21 Mr. Chairman.

22 CHAIRMAN ELTON: Thank you, Craig. That completes
23 the agenda. I think the only comment is it seems as if
24 everybody has kind of agreed that October 21st is a good
25 date for the next meeting and that it would be proceeded by

1 a retreat, which means that probably is expected to be here
2 rather than on teleconference. And I'm assuming that
3 Cherri will follow up and let everybody know if that's
4 confirmed. Is there any other business that needs to come
5 before the council today?

6 MR. O'CONNOR: Mr. Chairman, I would just like the
7 record to reflect and it's my opinion that it would be good
8 if Denby show up really late again. We got a lot done very
9 quickly.

10 MR. LLOYD: It would be my please, Mr. Chairman.

11 CHAIRMAN ELTON: I don't know. I'm still a little
12 bit scared about how quickly we went through it. So
13 are.....

14 MR. O'CONNOR: Yeah.

15 CHAIRMAN ELTON: Any other discussion? If not,
16 we're adjourned and thanks everybody that's online.....

17 MR. O'CONNOR: Thank you.

18 CHAIRMAN ELTON:that's here in the audience
19 for their patience.

20 (Off record - 1:00 p.m.)

21 (END OF PROCEEDINGS)

1 C E R T I F I C A T E

2 UNITED STATES OF AMERICA)

3) ss.

4 STATE OF ALASKA)

5 I, Salena A. Hile, Notary Public in and for the
6 state of Alaska and reporter for Computer Matrix Court
7 Reporters, LLC, do hereby certify:

8 THAT the foregoing pages numbered 2 through 78
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10 Valdez Oil Spill Trustee Council's Meeting recorded
11 electronically by Computer Matrix Court Reporters on the
12 26th day of August 2010, commencing at the hour of 9:30
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Salena A. Hile
Notary Public, State of Alaska
My Commission Expires: 09/16/10