EXXON VALDEZ OIL SPILL
TRUSTEE COUNCIL
Public Meeting
Wednesday, April 23, 2003
10:00 o'clock a.m.
NMFS Conference Room, Room 445
Federal Building, 709 W. 9th Street
Juneau, Alaska

TRUSTEE COUNCIL MEMBERS PRESENT:

U.S. DEPARTMENT OF COMMERCE, National Marine Fisheries Svc: (Chairman)	MR. JAMES W. BALSIGER Administrator, AK Region
STATE OF ALASKA - DEPARTMENT OF FISH AND GAME:	MR. KEVIN DUFFY Commissioner
STATE OF ALASKA - DEPARTMENT OF LAW:	MR. GREGG RENKES Attorney General State of Alaska
U.S. DEPARTMENT OF AGRICULTURE, U.S. FOREST SERVICE	MR. JOE MEÀDE Forest Supervisor Forest Service AK Region
U.S. DEPARTMENT OF INTERIOR:	MS. DRUE PEARCE Senior Advisor to the Secretary for Alaskan Affairs, U.S. Department of Interior
STATE OF ALASKA - DEPARTMENT OF ENVIRONMENTAL CONSERVATION:	MS. ERNESTA BALLARD Commissioner

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TRUSTEE COUNCIL STAFF PRESENT:

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

(TELEPHONICALLY)

MS. SANDRA SCHUBERT	Program Director
MS. PAULA BANKS	EVOS Staff
MS. BRENDA HALL	EVOS Staff
MS. DEDE BOHN	U.S. Geological Service

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P R O C E E D I N G S

(On record 10:06 a.m.)

CHAIRMAN BALSIGER: I'll call this meeting of the Trustee Council to order. As you know we rotate chairpersonship between the Federal side of the Trustees and the State side. I mentioned to Ms. Ballard, just in the foyer here, that even though we have a Federal side and a State side, for the last three years that I've participated in this, I haven't really seen sides here. I haven't seen inactive participants and I haven't seen anyone overwhelming the agenda. So I don't know that the side issue will prevail. But nonetheless, it's time for one of the Federal Trustees to chair this. Drue chaired the last time it was the Federal side, so it turns out I have to do this. Mr. Meade could but he's elected to wait until at least his second meeting.

So perhaps it'd be useful if we did introduce ourselves to start with. I'm Jim Balsiger with NOAA Fisheries here in the Alaska region. My office is just through the hall here. The secretarial administrative help will be prepared to help you as much as you would need so if you need something, ask me or ask one of the women that's in the hall over here. Or Pete Hagen will be here to assist anything that you need.

And perhaps I'll -- although I know you

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

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

CHAIRMAN BALSIGER: Thank you. Drue, please?

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

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

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

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

CHAIRMAN BALSIGER: Thanks. Maria?

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

CHAIRMAN BALSIGER: And Joe?

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

CHAIRMAN BALSIGER: Thank you. Kevin.

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

Thank you, Mr. Chairman.

CHAIRMAN BALSIGER: Gina?

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

CHAIRMAN BALSIGER: And I think the rest of

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

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

CHAIRMAN BALSIGER: Welcome. And over here.

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

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

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

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

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

CHAIRMAN BALSIGER: Okay. So.....

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

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

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

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

MS. WOMAC: People in the Anchorage office.

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

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

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

CHAIRMAN BALSIGER: Right. Thank you.

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

MS. McCAMMON: It should say 41803-DRAFT.

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

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

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

(No audible response)

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

MS. PEARCE: So moved.

CHAIRMAN BALSIGER: Is there a second?

MR. DUFFY: Second.

CHAIRMAN BALSIGER: Any objection?

(No audible response)

CHAIRMAN BALSIGER: If not, we'll adopt the

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

MS. McCAMMON: Yeah.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Joe, did you have a question there?

MR. MEADE: NRDA program?

MS. McCAMMON: Natural Resource Damage Assessment.

MR. MEADE: Thanks.

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

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

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

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

And in the early days, and I think the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

forth, in executive session if you request.

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

Ms. Pearce.

MS. PEARCE: Still.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

About the third week in January we had a

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

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

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

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

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

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

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

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

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

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

CHAIRMAN BALSIGER: Thank you.

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

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

contingent valuation study.

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

MR. TILLERY: Yeah.

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

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

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

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

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

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

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

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

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

(Laughter)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Laughter)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DR. MUNDY: And chum.

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

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

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

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

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

wouldn't have been able to answer.

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

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

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

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

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

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

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

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

We had some effects on subtidal organisms.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

together.

MS. ELFRING: Molly, I am here.

MS. McCAMMON: And Chris is there.

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

MR. MEADE: I can hear you well.

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

DR. MUNDY: It's there.

MS. McCAMMON: It's there.

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

MS. McCAMMON: Yes.

DR. MUNDY: First, right.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Is there anything else I can tell you all?

CHAIRMAN BALSIGER: Any questions for Chris?

(No audible response)

CHAIRMAN BALSIGER: Thank you very much.

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

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

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

MR. DUFFY: That's fine.

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

executive session for purposes of.....

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

MR. RENKES: Second.

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

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

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

(No audible response)

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

MS. McCAMMON: Yes.

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

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

CHAIRMAN BALSIGER: Okay.

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

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

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

MR. DUFFY: Yeah.

CHAIRMAN BALSIGER: Mr. Duffy.

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

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

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

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

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

CHAIRMAN BALSIGER: Thank you.

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

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

CHAIRMAN BALSIGER: Dr. Mundy.

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

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

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

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

CHAIRMAN BALSIGER: Any other questions? Ms. Ballard.

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

proposals.

CHAIRMAN BALSIGER: Molly.

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

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

CHAIRMAN BALSIGER: Mr. Duffy.

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

MS. McCAMMON: Thank you.

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

MS. McCAMMON: Yes.

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

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

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

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

MR. BADER: Yes, I am.

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

fund briefly while Gary can still be here.

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

MS. McCAMMON: If that's okay.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAIRMAN BALSIGER: Please.

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

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

discussion.

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

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

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

MS. BALLARD: Let's proceed.

MR. RENKES: Let's proceed.

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

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

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

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

as they come to you.

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

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

MR. BADER: Yes.

MR. DUFFY: Okay, thank you.

MR. BADER: This is a state fiscal year.

MR. DUFFY: All right.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thank you, Mr. Chairman.

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

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

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

five years.

MS. BALLARD: I understand that.

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

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

CHAIRMAN BALSIGER: Yes.

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

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

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

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

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

CHAIRMAN BALSIGER: Molly.

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

that intent, that they know that all in advance.

CHAIRMAN BALSIGER: Any other questions?

(No audible response)

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

MR. BADER: Thank you, Mr. Chairman.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thank you.

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

(No audible response)

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

MS. KOHLER: Yes, this is Mila Kohler.

CHAIRMAN BALSIGER: Go ahead, please.

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

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

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

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

Thank you.

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

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

MS. KOHLER: June 7th and 8th.

MR. MEADE: Thank you.

CHAIRMAN BALSIGER: Anyone else in Anchorage with comments?

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

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

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

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

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

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

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

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

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

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

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

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

The GEM to us and to many other people is a

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

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

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

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

Thanks.

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

(No audible responses)

CHAIRMAN BALSIGER: Anyone from Kodiak?

(No audible response)

CHAIRMAN BALSIGER: Anyone else on the phone anywhere?

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

CHAIRMAN BALSIGER: Please, Mr. Devens.

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

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

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

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

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

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

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

(No audible response)

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

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

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

MR. ADAMS: Sure.

CHAIRMAN BALSIGER: .....if you don't mind.

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

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

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

trying to use that information.

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

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

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

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

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

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

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

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

Thank you very much for the opportunity.

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

(No audible response)

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

(No audible response)

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

(No audible response)

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

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

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

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

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

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

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

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

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

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

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

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

CHAIRMAN BALSIGER: Molly.

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

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

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

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

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

CHAIRMAN BALSIGER: So it's the pleasure of

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

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

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

Mr. Meade.

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

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

MR. MEADE: Is there a timeframe that needs

to be dealt with for the investment time clock?

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

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

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

CHAIRMAN BALSIGER: Okay, anything else on this issue?

MS. McCAMMON: No.

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

MS. McCAMMON: Thanks, Gary.

MR. BADER: Thank you.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

take it up.....

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

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

MS. BALLARD: Okay.

CHAIRMAN BALSIGER: So, Phil.

DR. MUNDY: Mr. Chairman.

CHAIRMAN BALSIGER: Please.

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

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

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

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

DR. MUNDY: Thank you, Mr. Chairman.

CHAIRMAN BALSIGER: Thank you.

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

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

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

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

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

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

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

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

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

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

only person who was on the Trustee Council then?

MS. PEARCE: I was.

MS. McCAMMON: Drue.

CHAIRMAN BALSIGER: Drue Pearce.

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

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

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

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

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

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

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

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

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

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

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

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

The subcommittees, the concept is built

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

DR. MUNDY: Twelve.

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

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

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

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

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

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

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

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

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

Thank you.

CHAIRMAN BALSIGER: Dr. Norcross,

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

DR. NORCROSS: We're tagging.

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

(No audible response)

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

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

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

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

CHAIRMAN BALSIGER: Okay.

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

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

who I believe was here.

MR. HUBER: Yes.

MS. McCAMMON: Yes.

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

MR. MEADE: Go until 6:30.

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

CHAIRMAN BALSIGER: Okay, so.....

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

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

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

CHAIRMAN BALSIGER: Ms. Pearce.

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

MS. McCAMMON: Right.

CHAIRMAN BALSIGER: For sure. Before?

MS. PEARCE: Before we do the action items.

CHAIRMAN BALSIGER: Oh yes, I -- well,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MS. McCAMMON: Thank you.

CHAIRMAN BALSIGER: Thank you, Mr. Huber. Any questions?

(No audible response)

CHAIRMAN BALSIGER: Thanks a lot. That's.....

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

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

MR. MEACHAM: That is correct. And I would

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

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

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

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

CHAIRMAN BALSIGER: Oh, yes. Sure.

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

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

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

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

MS. BALLARD: Yes.

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

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

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

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

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

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

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

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

(No audible response)

CHAIRMAN BALSIGER: If not, please go ahead then.

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

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

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

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

MS. McCAMMON: Yeah.

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

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

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

MS. McCAMMON: We pay for the conservation easement.

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

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

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

MR. RENKES: Okay.

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

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

MS. McCAMMON: That's correct.

MR. RENKES: .....habitat fund now?

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

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

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

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

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

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

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

MR. TILLERY: Right.

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

MR. RENKES: Okay.

CHAIRMAN BALSIGER: Go on.

MS. McCAMMON: And then the other piece of

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

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

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

MR. MEIKLEJOHN: Kasilof.

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

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

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

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

MR. MEIKLEJOHN: Yeah, we do.

CHAIRMAN BALSIGER: Please do it then.

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

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

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

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

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

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

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

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

A few years ago The Conservancy and the

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

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

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

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

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

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

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

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

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

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

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

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

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

MR. HAGENSTEIN: Yes.

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

working group view or.....

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

MR. RENKES: Okay.

CHAIRMAN BALSIGER: Ms. Pearce.

MS. PEARCE: No, I'll pass.

CHAIRMAN BALSIGER: No, okay.

MS. PEARCE: He answered my question.

CHAIRMAN BALSIGER: Thank you very much. So can we turn to that as an action item then? What would the Trustees -- Molly, what would be the process here, I guess?

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

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

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

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

these today.

CHAIRMAN BALSIGER: Thank you.

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

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

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

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

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

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

CHAIRMAN BALSIGER: Thank you.

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

MR. HAGENSTEIN: Correct.

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

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

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

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

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

MR. MEIKLEJOHN: That's completed.

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

MR. HAGENSTEIN: Yeah.

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

MR. RENKES: Yeah, I think that would be

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

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

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

CHAIRMAN BALSIGER: No motion? No motions, okay.

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

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

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

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

MS. PEARCE: You mean extend the time.

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

CHAIRMAN BALSIGER: Extend the time.

MS. McCAMMON: .....for the offer, correct.

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

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

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

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

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

CHAIRMAN BALSIGER: Ms. Ballard.

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

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

CHAIRMAN BALSIGER: Ms. Pearce.

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

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

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

CHAIRMAN BALSIGER: Thank you.

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

CHAIRMAN BALSIGER: Please.

MS. LISOWSKI: Mr. Chairman.

CHAIRMAN BALSIGER: Ms. Lisowski.

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

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

CHAIRMAN BALSIGER: Thank you. Mr. Meade.

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

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

CHAIRMAN BALSIGER: Thank you. Ms. Pearce.

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

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

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

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

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

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

MR. MEADE: I'll so propose.

CHAIRMAN BALSIGER: Is there a second?

MS. McCAMMON: Shall I read the motion?

CHAIRMAN BALSIGER: Please read the motion.

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

CHAIRMAN BALSIGER: Is there a second?

MS. PEARCE: Second.

CHAIRMAN BALSIGER: Is there any discussion

of this?

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

MS. McCAMMON: It's not the price.
MR. RENKES: It's not the price?
MS. McCAMMON: No.
MR. RENKES: What is holding up the transaction?
MS. McCAMMON: Cultures.
CHAIRMAN BALSIGER: Perhaps Mr. Hagenstein can put us.....
MR. HAGENSTEIN: Thank you. Molly, that's probably as accurate as anything but the specific thing that made us unable to reach an agreement prior to December 31st was the issue about whether or not a quitclaim deed to the subsurface estate would be included as part of that transaction. The University, from my understanding with staff -- discussions with staff with the Forest Service, had agreed to provide that once upon a time. When it came right down to the wire, they didn't agree to do that. So there's some issues about what exactly is going to be included in terms of title. The price at this point is not really a point of issue, as far as I understand.
CHAIRMAN BALSIGER: Ms. Ballard.
MS. BALLARD: Well, I would think the price really would be, maybe a phantom issue, but if the subsurface either is or isn't out and the price stays constant, then the value is up or down, depending on which

components are in or out.

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

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

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

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

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

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

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

CHAIRMAN BALSIGER: Ms. Pearce.

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

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

MS. PEARCE: Right.

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

MS. PEARCE: Okay.

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

MR. MEADE: As I.....

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

MS. McCAMMON: It's not amazing.

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

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

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

to be completed.

CHAIRMAN BALSIGER: Ms. Ballard.....

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

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

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

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

MS. BALLARD: (Raises hand in opposition)

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

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

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

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

030522, which is the exchange between

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

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

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

MS. McCAMMON: That's correct.

CHAIRMAN BALSIGER: Ms. Ballard.

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

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

MR. DUFFY: Second.

MS. PEARCE: Second.

CHAIRMAN BALSIGER: Is there any other discussion?

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

CHAIRMAN BALSIGER: Mr. Duffy.

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

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

MR. DUFFY: Okay, thanks.

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

MR. DUFFY: No.

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

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

CHAIRMAN BALSIGER: Go ahead.

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

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

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

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

(No audible response)

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

(No audible response)

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

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

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

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

(No audible responses)

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

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

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

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

MS. BALLARD: Question for Molly.

CHAIRMAN BALSIGER: Ms. Ballard.

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

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

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

MS. McCAMMON: No, really there's no action on the Council until it actually comes before you for potential funding. And even at that time if in a couple of months you decide that you want to do a supplemental invitation asking for additional things, that maybe you want to decide that not as much money is available for these kinds of things but you want to defer action, then you have that total discretion.

CHAIRMAN BALSIGER: Ms. Ballard.

MS. BALLARD: Another question, Mr. Chair. I note in the note to proposers that synthesis is first. Would that synthesis be dovetailed in some way with Dr. Spies' work and be expected to complement it or would it be another synthetic -- and I don't mean that in its plastic sense but.....

MS. McCAMMON: Right.

MS. BALLARD: .....another synthetic proposal that would take a different cut at it?

MS. McCAMMON: I'll let Phil.....

DR. MUNDY: Mr. Chairman.

MS. McCAMMON: .....Mundy answer that.

CHAIRMAN BALSIGER: Dr. Mundy, please.

DR. MUNDY: If I may. Yes, those synthesis efforts will be fully coordinated with Dr. Spies' effort and in fact it could be that some of the people who are working on the current synthesis effort with Dr. Spies might successfully bid for this. Since these are contracts and an open invitation process, we don't know exactly who's going to show up to do this. But some of those people would be in a very strong position to help us move these science plan synthesis efforts forward.

CHAIRMAN BALSIGER: What's the pleasure of the Council? Does this take a motion to release this,

Molly?

MS. McCAMMON: I think it should, yes. Unless you just want to get the general sense. In the past these invitations have been so general that they haven't come to the Council for actual action because it's here are the injured resources, give us -- here's what -- the kinds of things going on, here's some ideas, give us your best shot at it. This is much more specific than it has been in the past and that's why I brought it forth -- brought it to you, so.....

CHAIRMAN BALSIGER: Would you tell us the damage that would take place -- that may be the wrong word. The impact of delaying this to another meeting.

MS. McCAMMON: Well, as mentioned, it's tough doing a broad agency announcement and the public notice and the peer review. If this was delayed further, it would delay it into the actual fiscal year a lot further into it. We're already about four months out of cycle. We're trying to do peer review in the summer right now, which is going to be difficult as it is.

CHAIRMAN BALSIGER: So then interpreting your comments to Ms. Ballard earlier, should the Trustees not become comfortable with this over the next couple of months, they could choose not to fund anything. It would be a disservice to all those people that took time to

submit projects but we wouldn't be -- at this point we don't commit any funds.

MS. McCAMMON: That's correct. There are a number of projects that were funded last year and the year before with the intention of full funding and those would are still hanging out there. There's also the section on lingering oil impacts, which I think a lot of folks are real interested in seeing go forward. So those I think in particular.

CHAIRMAN BALSIGER: Ms. Ballard.

MS. BALLARD: Since I know that there's a public record of this and since I've been somewhat outspoken today, I can't quickly find the good wording in the National Research Council book but I clearly will be interested, Molly, as we receive these proposals, and I thought that your testimony was excellent, Brett. But the tension that has emerged, and I mean it again in a healthy sense, the tension between what can be applied practically now and useful to those who are here versus a much longer term is something that at least I and I think Kevin are going to be focused on. I was disappointed that we had so little time with the woman from the National Research Council because I think there was some more forceful language in her written report about the need to have a focus that had some current time, real time applicability.

And I'm prepared to support putting the proposal out but I will be looking for a way that we can work together, leading up to or at the next meeting, to try to provide information to those putting the proposals forward of at least the new State Trustees' beliefs that there has to be a voice for current applicability in this to balance the very loud voice we heard today from the more science end of it of this longer term.

CHAIRMAN BALSIGER: Mr. Duffy.

MR. DUFFY: Just I concur with those comments and a quick question for you, Molly. I notice that there's like nine categories of where projects can be proposed and in some of them you indicate an approximate amount of what a proposal would be. Does that by definition kind of shape in the end the percentage that each category gets or is that a choice that the Council will have a choice to make at some point in the future?

MS. McCAMMON: It's totally up to the Council. This is to give some idea to the proposers because often when we're thinking about it, we're thinking well this should be about a $50,000 proposal. And then somebody puts in a $200,000. It mainly is to give some range and guidance to the proposer.

MR. DUFFY: Okay, no, I appreciate that amount of effort that goes into it, it's just learning the

ropes here on how we do business so that's why I asked.

MS. McCAMMON: This is new for the staff, too.

MR. DUFFY: Oh, okay. We'll learn together then.

CHAIRMAN BALSIGER: I would entertain a motion to send this out for -- send the invitation out.

MS. PEARCE: So moved.

CHAIRMAN BALSIGER: Is there a second?

MR. DUFFY: Second.

CHAIRMAN BALSIGER: Is there any more discussion?

(No audible response)

CHAIRMAN BALSIGER: Any objection to sending out the invitation for proposals?

(No audible responses)

CHAIRMAN BALSIGER: Hearing none, the motion passes. It brings us to.....

MS. McCAMMON: Mr. Chairman, as part of that on the multi-year funding, in the past when the Council has funded proposals it's been with the intent of having it multiple year. But, in reality, people have had to come back every year with a whole new proposal and have it peer reviewed. In trying to streamline our process and also be responsive to our researchers and to the peer

reviewers to minimize the times they have to keep seeing proposals, either preparing them or seeing them, we're recommending a different process that's included in your packet here.

In this case what would happen is a proposer would come forth and if they had a three-year project they would come forth with a three-year budget and a three-year plan. They would do an annual report and based on that annual report, it still gives the Council the ability to stop a project at the basis of the staff recommendation. But as long as things were going forward, they would automatically get the second year's funding. And this would really reduce the amount of peer review that we would have on an annual basis and it would streamline the process quite a bit. So our recommendation is that you consider revising the procedures and allow for this multiple year funding. And there is actual language in here on how the procedures would be revised.

CHAIRMAN BALSIGER: Mr. Duffy.

MR. DUFFY: A question for Molly. Would the STAC have a role in reviewing these annually before a decision is made to keep them going?

MS. McCAMMON: I think the proposal that we have is when the annual reports come in they get reviewed by staff and then depending on their complexity, they could

go to the STAC or they could go to some other independent reviewer that had some technical expertise. So it would kind of depend on the situation.

MR. DUFFY: Okay, and you and Phil, with his advice, make those kind of calls?

MS. McCAMMON: Yeah.

MR. DUFFY: Okay. I just want to ensure that there's some scientific review, which you obviously have a lot at the staff level, no doubt about that, but this STAC sure -- it was a good presentation today on their role and I'd like to see them continue to be involved.

CHAIRMAN BALSIGER: So perhaps had we had this discussion before we voted to send the proposal out we could have had that as the understanding of the Council but it was -- it trailed so do we need another motion or is that the Trustee Council's sense that -- as Molly described it, there was an opportunity for multiple year proposals?

MS. BALLARD: That was my understanding.

CHAIRMAN BALSIGER: That's the understanding so we'll adopt that by.....

MS. McCAMMON: Adopted by understanding.

CHAIRMAN BALSIGER: .....by reviewing the record. Thank you. I think that's through the invitation.

The next item is the ARLIS Library. We have a tab on that.

MS. McCAMMON: Have a tab on that. The Trustee Council has supported oil spill information services since 1990, either through the EVOS funded Oil Spill Public Information Center, OSPIC and since 1997 through a contribution to the Alaska Regional Library and Information Services, ARLIS. The Council's needs over time have diminished and as a consequence the Council's contribution to ARLIS has declined. Kind of under the past scenario for this coming fiscal year the idea was to go to being just a founding member, which would have been a $40,000 contribution.

However, in discussing with our librarians some of the needs, because of the 15th anniversary of the oil spill, trying to clean up a lot of the past reports, I'm recommending that the Council make a commitment now for the Federal fiscal year 04 to fund our current librarian, Carrie Holba for the entire Federal fiscal year through September 30th, 2004 and then a second librarian, Celia Rosen through March 31st. Originally hers was going to be through the end of the State fiscal year and they said they didn't need the money but now I think they would like it for the nine months. So the recommended motion would be the Council would support in Federal fiscal year 2004 funding for one full-time librarian for a full 12 months and a second full-time librarian for nine months through

June 30th, 2004.

CHAIRMAN BALSIGER: Any discussion?

MR. DUFFY: So moved.

MS. PEARCE: Second.

MR. DUFFY: Question.

MS. PEARCE: For nine months?

MR. DUFFY: Yes. I want to describe my understanding of the situation here for my fellow Trustee members. The second full-time librarian and the funding needed there is part of our reorganization that we've recently gone through where a number of our habitat biologists are going over to DNR. We thought that it was important to maintain a Fish and Game presence as part of the ARLIS Library structure and so this is really partially a request from the State to maintain this position that we think is very important internally to do a number of the things that the Department will continue to do under this new, newly reorganized habitat structure. So I would appreciate supporting this modest request.

MR. MEADE: We're in support of it.

CHAIRMAN BALSIGER: Any other discussion?

(No audible response)

CHAIRMAN BALSIGER: For my purpose, could you give me like one sentence on how this ties into the Trustee Council for me? I was happy with it until you said

it supported your movement of the habitat people to DNR.

MR. DUFFY: No, I didn't mean it that way.

MS. McCAMMON: He didn't really say that.

MR. DUFFY: What I meant to say was there are a number of biologists with a habitat focus that are being maintained in the Department to do certain things and they are tied in with what we do through the Trustee Council process and I need that support.....

CHAIRMAN BALSIGER: Okay, thank you.

MR. DUFFY: .....to be maintained.

CHAIRMAN BALSIGER: Thanks.

MR. DUFFY: Sorry about that mix-up.

CHAIRMAN BALSIGER: Any opposition to the motion?

(No audible responses)

CHAIRMAN BALSIGER: If not, it passes. The NOAA grant.

MS. McCAMMON: The NOAA grant. As part of the Council's goal in establishing a long-term monitoring program, we've been working with a number of groups across the country who also are interested in establishing regional monitoring systems and then trying to tie them together in some kind of a loose federation network. What we're finding is that under our current system and our ocean system, California, Washington, Oregon are actually

upstream of Alaska. Certainly Japan, Russia are actually downstream of Alaska. If you'll look at where the currents flow, we're very connected. So a lot of things happening in other parts of the world are -- have a lot of applicability to what goes on in Alaska.

But doing a lot of this ocean observing is very expensive. It's real time moorings, buoys, transects. It's ocean science. It's big bucks. The Federal government is very interested in establishing a program to fund this on a national level. To fund regional observing systems on a national level. In fact, this will be one of the major recommendations coming out of the U.S. Oceans Policy Commission on which Ed Rasmussen is the Alaska representative. And because of the efforts of Phil working with some of these groups on the national level, Alaska is very well positioned to get some of that funding when it does appear in the Federal budget. And this would be a major boon to NOAA, to the GEM program, to the RCAC's operating in Prince William Sound and in Cook Inlet. To shippers, to the PORTS program out of the Anchorage Port. To all kinds of people to have these kinds of efforts funded at the Federal level because it really takes the burden off of Alaska or off of the local programs.

Because of our efforts in working with these groups, for some reason a grant to the GEM program

appeared in the Federal budget in the fall in the National Ocean Sciences budget. We didn't ask for the money, it just appeared. We got a phone call asking us about it and we started checking it out. We never really could figure out exactly who put it in but it appeared for $750,000. It was one of those things that appeared through conference committee, you weren't sure it would stay so you didn't really, you know, well maybe it will stay; maybe it won't. Well, it actually did stay although it took a five percent nick so it's down to like $745,000. We finally received confirmation I think in March, mid-March, that yes, the money was there and in order to get it you have to put in a proposal and we need the proposal right away on how you plan to spend it.

Phil and I put our heads together and we put together that one way of doing this would be to offset money that the Council had already approved for data support, STAC support, planning, kind of that infrastructure of getting the GEM program going. And then by using the Federal money for that, it would release Trustee Council money for other projects and other things. So we wrote the grant, sent it back hurriedly and at the same time, Fish and Game was closing out the EVOS budget in the legislative process. Kevin Brooks had called me and said we didn't have enough receipt authority, Federal

receipt authority in the budget. We put together a budget amendment, unfortunately I didn't know that questions would be -- that it would be sent to Commissioner Ballard and some others, otherwise I would have made sure you had all the information and I really apologize for you being blindsided and not having the information there that you needed.

So this isn't -- I think this is something the Council should decide, whether you want to pursue. I didn't -- I just assumed, and I shouldn't assume, that additional money would free up Trustee Council money to do other things. But it's certainly something that if you would rather we not accept these funds then we need to tell them right away. And also we need to get an amendment to the Fish and Game budget to increase the receipt authority. We did do the planning so it would be received over a three-year period. And we're here to answer any questions on that.

CHAIRMAN BALSIGER: Are there any questions?

MS. BALLARD: I don't even know where to begin.

CHAIRMAN BALSIGER: Ms. Ballard, please.

MS. BALLARD: What you just described isn't exactly what I initially understood it to be, Molly. I

just -- I don't even know where to begin with this. I mean, if $750,000 would fall out of the sky for me to do a rural diesel study, I'd really be grateful. I mean, I just -- I don't know sort of how these things happen. And I realize -- I mean, I have no reason not to believe what you say. You just talked about hardware, buoys and, you know, sonobouys and stuff like that and the proposal talks about writing the science plan. You're right, I knew nothing about it. I was asked by the Governor's office.....

MS. McCAMMON: Right.

MS. BALLARD: .....I could picture myself having to somehow testify about it and I thought how do I explain to a legislature confronted with dramatic proposed cuts in the Governor's budget that we're going to propose to receive a Federal grant for one of the best funded research programs in the country if not in the world. I mean, it just didn't hang together for me and I'm still somewhat baffled about it. I do know from my own experience with Federal grants that there are strings and sometimes they take you in a different direction. Given the somewhat amorphous direction in which GEM is headed, maybe that's not possible, you know, to head off in the wrong direction because there are plenty of opportunities for direction setting. So I confess to being really baffled here.

CHAIRMAN BALSIGER: Dr. Mundy.

DR. MUNDY: Mr. Chair, if I may. Had I had a little more time on the Science Plan I was going to address some of the issues associated with the NOAA grant. Even though I haven't been able to get anyone to admit to it, the GEM program has been adopted by the National Ocean Service, Center for Coastal Studies and by the U.S. Steering Committee of the Global Ocean Observing System which works closely with NOS and with NOAA on these issues as a national model for regional observing systems. So we've been picked up and touted as the group to watch and the group to follow. I think that perhaps some, you know, because of the interest in our program and the desire to see it succeed and to be out there as a model around which they can design other regional observing systems throughout the nation that someone decided to give us a little jumpstart. Initially in how fast we implement the -- even though the GEM program is relatively well funded, we're going to have a lot of infrastructure costs up front early on.

One of the proposals that we recommended do not fund was Hinchinbrook Entrance Mooring Project, which is one of the most important areas in which we collect data because this monitors the input of nutrients and carbon from the Gulf of Alaska into Prince William Sound which

drives the herring and the pink salmon fisheries, among others. We said do not fund on this because the equipment we have that they proposed to do the project with is antiquated and needs to be replaced. The whole thing needs to be replaced. So we're going to have infrastructure costs at the outset which, you know, we will meet those but we'll meet them over a period of time. We can't meet them all at once. So having this money will allow us to move that much faster in getting the GEM program implemented.

And we are -- the Science Plan is fairly definite on certain locations and certain types of data that need to be collected. And we can be sure that those sites and those types of data will be part of the long-term program and that's where we're proposing to move right now. So that's my explanation. But as I say, I have not been able to get a staffer to raise their hand and say that they put it in but maybe I didn't ask the right staffer.

CHAIRMAN BALSIGER: Well, any further comments?

MR. RENKES: Any comments from NOAA?

CHAIRMAN BALSIGER: Well, I -- you know.....

MR. RENKES: It's your money.

MS. BALLARD: Can you make it rain again?

CHAIRMAN BALSIGER: Of course, NOS isn't

the same as the Fishery Service and I know that I represent NOAA here but I also don't know where the money came from or why it was put in there. I'm generally reluctant to turn down money but I don't believe that there's any reason to expect this is going to come back year after year. I'm also not certain whether Dr. Mundy and Molly are suggesting that this be spent outside the RFP process for hardware or whether you would fund proposals or whether you're going to set up your own buoy system. I'm not quite sure of those things and I'm not sure I'd be in favor of if it was the latter part. So, Dr. Mundy. I know we're running out of time so I'm not quite sure how to get around this.

Ms. Ballard.

MS. BALLARD: Before he answers your question, is there a way -- I don't know, who knows about the budget? Maybe Kevin knows. Is there a way for us to seek the budgetary authority to receive the grant without committing ourselves to receive the -- Drue knows how to.....

MS. PEARCE: Yeah, we can.....

MS. BALLARD: If we can do that and try to find out more about this, I mean, I would be content to put the placeholder in the budget but I'm not content to take money that nobody seems to understand the source of and we don't have clear agreement yet about the purpose of.

MS. PEARCE: You can put unlimited Federal receipt authority into the State budget and only if the money comes do you actually accept it and does it flow through, whichever department it comes to.

CHAIRMAN BALSIGER: I would actually think that we'd have trouble getting the money if we didn't tell what we're going to use it for. And my grants man is over in the back there.

MS. PEARCE: Well, he would still have to -- the point is they're -- the legislature, if the House didn't -- the Federal receipts, which I assume they did not, the Senate needs to do so before they go to the floor when they go to the floor because they can't do it when they get to conference committee. So if we want the authority there in case we decide we want to accept the grant, we have to have that happen tomorrow at the Senate Finance Committee. So we can have them do that, if everybody is agreeable. And we, as I understand it, the Trustee Council can decide whether we're comfortable with this particular -- I mean the money is there but we would still have to say yes and this is what we're going to use it for.

MS. McCAMMON: Well, we have submitted the grant.

MS. PEARCE: And does it have to go to

LB&A?

MS. McCAMMON: It's already gone. There's also another option that Kevin Brooks, the admin director at Fish and Game said. Because EVOS has been moved into the commissioner's -- the administrative BRU, there is sufficient Federal receipt authority in that BRU now. So theoretically, we don't have to go back to the legislature, we can use some -- a little excess Federal authority. But we didn't want to do that without your kind of consent and knowledge.

MS. BALLARD: Since you're not going to get any money anyhow, Kevin.

MS. McCAMMON: So really we can avoid going to the legislature but we just wanted to make sure you knew. But the grant has gone for what you see in the copy that was included there. So if you don't want it spent on that, we need to know that right away.

DR. MUNDY: Let me.....

CHAIRMAN BALSIGER: Very quickly if you could, Phil.

MS. McCAMMON: Yeah.

DR. MUNDY: If I could just try one more shot at clarifying the purpose here. We were given -- we were told to write a grant proposal, which we did. This grant proposal was written under the rules for the Coastal

Service's Center of NOS. Okay, so we're sure -- we were very clear about what we're going to do with the money and that is subsidize or pay for administrative costs of GEM. This fits the purpose of the -- through which the money is granted for CSC. So we wrote to those purposes and so we know that we're meeting the NOS requirements. The reason we targeted those was so that we would free up money in other parts of the GEM program. We know that these costs are going to be borne by the GEM program. These are basic administrative costs and we will pay those out of Trustee Council money. If we have money for three years to bear the costs of those, that means that we can put more of our budget into building the infrastructure for GEM and that's what it has to do with buoys. It's not that we're going to spend any of this CSC money on buoys or surveys but that we're going to free up money that would otherwise be spent on administrative costs in the GEM program. And that we had a very limited amount of time to do that and that was the easiest way for us to qualify for this money.

CHAIRMAN BALSIGER: Molly.

MS. McCAMMON: Well, but Phil, that does not commit us to any other money -- spending the money on buoys. You could use the money for.....

DR. MUNDY: Oh, yes. Oh, right.

MS. McCAMMON: .....some other, you

know.....

CHAIRMAN BALSIGER: For the RFP.

MS. McCAMMON: Something that's still consistent with the settlement but something unrelated to kind of the GEM and ocean observing so.....

MS. BALLARD: It seems that then there's nothing for us to do right now. You've applied for the grant so we can't.....

MS. McCAMMON: It's a pro-forma application.

MS. BALLARD: .....un-apply -- I mean, we can't go to FedEx or whoever it was that it says here and get it back. Kevin has the ability to receive it. I don't see that any action is required. It is, however, a frustrating and a bizarre experience. Unique in my experience.

CHAIRMAN BALSIGER: Well, with the understanding that we don't need to seek further receipt ceiling, or whatever it's called, I think that you're right that there's no further -- there's no action that we have to take. Can we move on? Any other discussion? Ms. Ballard.

MS. BALLARD: Yeah, can I -- can we just have the opportunity, Molly, at the time the grant is awarded to review this one more time before we accept it?

MS. McCAMMON: Yes.

MS. BALLARD: I mean, if we can do that, that at least provides us an opportunity to get our act together and have a common script and be sure we understand what we're doing.

CHAIRMAN BALSIGER: Mr. Duffy.

MR. DUFFY: No, no comment.

CHAIRMAN BALSIGER: Okay, thanks. All right, that brings us to the science planning STAC Committee.

MS. McCAMMON: Yes, under the tab STAC, we have one opening on our STAC Committee created by the resignation of Warren Wooster. I think in November the Council actually appointed our alternate and then it turned out his supervisor said he was overcommitted and didn't want him to participate on the committee. So we did solicit some additional nominees. There were three of them. They were reviewed by the nomination committee and the recommendation was to have the name of Tom Royer, who is professor and acting chair of the Department of Ocean, Earth and Atmospheric Sciences at Old Dominion University and he's currently a professor emeritus at the University of Alaska, too. He was in Fairbanks at UAF for quite some time. And so the recommendation is to have him be appointed to serve out the remainder of Warren Wooster's two-year term until April 2004. And at that time he would

be eligible for reappointment to a full four-year term.

CHAIRMAN BALSIGER: Any discussion?

(No audible response)

CHAIRMAN BALSIGER: Does this take a motion to add him?

MS. McCAMMON: Yes.

MS. PEARCE: So moved.

CHAIRMAN BALSIGER: There's.....

MR. MEADE: Second.

CHAIRMAN BALSIGER: Any opposition to this motion?

(No audible response)

CHAIRMAN BALSIGER: If not, we've added Dr. Tom Royer to the STAC. The next item on the agenda is the habitat, which we've dealt with. We've come to meeting note corrections which.....

MS. McCAMMON: Yes, and we do have to approve the November of 25th, 2002 meeting notes, it's here up at the top.

MS. PEARCE: So moved, for the 2000 -- for the meeting November.....

CHAIRMAN BALSIGER: So the very first action item -- agenda item has been moved that we approve the November 25th, 2002 notes. Is there any.....

MS. PEARCE: Right.

CHAIRMAN BALSIGER: Is there any -- is there a second?

MR. DUFFY: I'll give it a second.

CHAIRMAN BALSIGER: Any discussion of that?

MR. DUFFY: Yes, I would like his comment on that. I was not a participant in the Council at the time but I will rely on the expertise of those who were. And as you as Chairman today and Molly and Drue, so if you people say those are an accurate reflection of the discussions then I don't have any reason not to believe that so I will support it.

CHAIRMAN BALSIGER: Any further discussion?

(No audible response)

CHAIRMAN BALSIGER: Any opposition?

(No audible response)

CHAIRMAN BALSIGER: If not, those notes are adopted. The corrections and -- which were incorporated.

MS. McCAMMON: We hope they're accurate. Can we go to the next item.....

CHAIRMAN BALSIGER: Yes.

MS. McCAMMON: .....which are corrections to past meeting notes. I'm not sure of the segue there.

MR. DUFFY: Oh-oh.

MS. PEARCE: Mr. Chairman, I would move the corrections.

CHAIRMAN BALSIGER: Thank you. These corrections are to minutes prior to the ones which you just approved. They don't apply to the ones that we just approved.

MR. DUFFY: So assuming the minutes improve over time then I'm still correct?

CHAIRMAN BALSIGER: Yes.

MR. MEADE: And I'm still abstaining.

CHAIRMAN BALSIGER: Well, is there any opposition to adopting this motion?

(No audible response)

CHAIRMAN BALSIGER: If not, those corrections are adopted.

Kodiak waste management.

MS. McCAMMON: Fortunately we do have transcribed minutes.

CHAIRMAN BALSIGER: Yeah.

MS. McCAMMON: So sometimes our meeting notes, which are a summary, don't always reflect those.

This you have some public comment from, let's see, the Kodiak Island Borough, the City of Ouzinkie and a couple of others. But this is a project that was approved in FY99 by the Council for $1,857,100 for implementation of the Kodiak Waste Management Plan. It was funded as a capital project. It had a lapse date of

September 30th, 2003 with a three-year completion schedule. This is a project that's being administered by the Kodiak Island Borough through an MOU with the Alaska Department of Environmental Conservation. But because of a number of delays, primarily because the borough lost some of its staff and had quite a period of time where they weren't able to get staff to oversee this project, there wasn't much work done on this. So the borough has requested a no cost extension of the lapse date to September 30th, 2004. They think this project will be on track and so that's the recommended motion. And there is a summary of the project and a list of project accomplishments, a chart showing the project's schedule and all in the attachment.

CHAIRMAN BALSIGER: Any discussion? Ms. Ballard.

MS. BALLARD: This kind of falls in DEC's area and we had a talk about it in the staff yesterday -- I don't know if this possible. We'd like to just give the money to the borough and let them work all this out. I mean this seems to me to be very trivial in terms of what we're dealing with. I mean, when I listened to the discussion about GEM and the Science Plan and, you know, the future, this just -- if DEC was running this project, we wouldn't be running it this way. We'd give the money to the borough, let the borough get together with these small

communities, let them work it out. We just don't -- I mean, I realize that that's not the way it's structured here.

MS. McCAMMON: I think -- Sandra, are you online?

MS. SCHUBERT: Yes, I am.

MS. McCAMMON: And I don't know if Tracy Mitchell is, but that was the intent that the money basically has to go to the borough because it's through a contractual grant then they have to do deliverables.

MS. BALLARD: If that way.....

MS. McCAMMON: I don't think we can just give them money.....

MS. BALLARD: Why can't we just give them the money and let them work it out?

MS. McCAMMON: .....without any strings attached.

MS. BALLARD: Just the level of detail that this lofty effort, I just -- I'm somewhat embarrassed to have us working on incinerators and scrap metal. It just doesn't -- I was not impressed by this. I mean, it's a wonderful effort but it -- that was my reaction. I knew that you would expect me to have a reaction because it's kind of in DEC's area.

MS. McCAMMON: I don't know if Tracy

Mitchell -- are you on the line? She may have had to go.

MS. SCHUBERT: Tracy Mitchell was here with Bud Cassidy, yes?

MS. McCAMMON: What did she ask?

CHAIRMAN BALSIGER: I'm sorry, we couldn't hear that question.

MS. MITCHELL: This is Tracy Mitchell in Kodiak with Bud Cassidy for the borough.

MS. McCAMMON: Tracy, maybe you could describe -- it's my understanding, and I haven't tracked this project in awhile because there hasn't been any real action on it in quite a long time. Maybe you could just briefly describe what your plans are for actually getting it going and -- to me, I thought the burden was on the borough to actually pull this off.

MS. MITCHELL: Well, I'd say yes to that but there has been some complications as far as staffing is concerned. And as far as getting things going, I feel that we are -- we progressed by -- in the six months that I've been here in getting things to move forward.

CHAIRMAN BALSIGER: Well, Ms. Ballard, your concern is that we're micro-managing this money, would be another way to put it?

MS. BALLARD: Yes, and we at DEC have a good deal of experience with sanitation and waste projects

and these would not have even passed muster with our standards for design and for scheduling. She's right, they've had a lot of difficulty getting it going. I don't know what the best way to move this off our plate is but that's my -- that's what I'd like to do, is to put our -- I mean, we've got a valuable resource, which is the six of us, and this doesn't to me rise to the level of what we should be doing with our valuable time. And I don't know how to make that happen.

MS. McCAMMON: Mr. Chairman, maybe what I would suggest is we look back at the original terms of the grant or the contract with the borough and see if there is a way of streamlining the deliverables and the oversight and your involvement in it, DEC's involvement in it. I don't think there's a mechanism to just give them the money completely without any.....

CHAIRMAN BALSIGER: Having some accountability.

MS. McCAMMON: Yeah, some accountability there. So -- but maybe that part could be streamlined. Or you could give it to Department of Administration to oversee or some -- I don't know.

CHAIRMAN BALSIGER: Well, let's see, the action here is we have a date that's lapsing so we at least need to keep the money available, is that correct?

MS. McCAMMON: That's correct.
CHAIRMAN BALSIGER: And so Ms.....
MS. McCAMMON: Without extending the lapse date it dies.
CHAIRMAN BALSIGER: Yeah, Ms. Pearce.
MS. PEARCE: And it's a lapse date that we put on it. That's not a lapse date for a capital project through the.....
MS. McCAMMON: Correct.
MS. PEARCE: .....legislative process, right?
MS. McCAMMON: Correct.
MS. BALLARD: Well, I'll move then to extend the lapse date so we can get our arms around it but I'd like to try to find a way first to deal with it one more time, period.
CHAIRMAN BALSIGER: Is there a second?
MR. DUFFY: Second.
CHAIRMAN BALSIGER: Is there any opposition?
(No audible response)
CHAIRMAN BALSIGER: Hearing none, that moves with the understanding that we look to find a way to make this more simple and less involving of our time. That goes through, I believe, the list of action items that were

typed up here. We had -- at the very start of the meeting today we had noticed that our Executive Director was going to resign. So is there any Trustee action that should follow that?

MS. BALLARD: Yes.

CHAIRMAN BALSIGER: Ms. Ballard.

MS. BALLARD: Mr. Chairman, I propose that we embark on an effort to replace or to seek a new Executive Director and that that effort be coordinated by Craig and Molly and entail a notification and a recruitment and a screening process to be designed by them.

CHAIRMAN BALSIGER: Is there a second?

MR. DUFFY: Second.

CHAIRMAN BALSIGER: Is there any further discussion?

(No audible response)

CHAIRMAN BALSIGER: Is there a sense of a time on this, Ms. Ballard?

MS. BALLARD: Yes, that it be a short advertisement period and that they have an opportunity to discuss the length of the advertisement relative to the media that they're in. And I think the sense of some, as we had an informal opportunity to discuss this, might be that it would be two weeks.

CHAIRMAN BALSIGER: Ms. Pearce.

MS. PEARCE: I would just ask that the Department of Justice attorneys also just know what the process is going to be and be involved in the discussions with Mr. Tillery.

MR. RENKES: Well, I'll let Maria.

MS. PEARCE: Maria, okay perfect.

CHAIRMAN BALSIGER: Any further discussion?

(No audible response)

CHAIRMAN BALSIGER: Is there any opposition to this motion?

(No audible response)

CHAIRMAN BALSIGER: Hearing none, we will embark on such a search. Ms. Pearce.

MS. PEARCE: Going back to the habitat protection activities, I heard, I think, a plea from both The Conservancy and The Conservation Fund, from Randy and Brad, to give them some sort of direction before they continue to negotiate because they did tell us that they have a number of additional projects that they're looking at beginning or have at least began talking and I don't think it's fair that we not give them something before they head out the door. I made my piece about government buying government lands but we're leaving -- we would leave private landowners and also The Conservancy and The Fund kind out there hanging. I don't think that's fair. Having

said that, I'm not sure what the sense of the group is, other than I don't know what the sense should be. But I just think we should give them some sense.

CHAIRMAN BALSIGER: Well, I'm the Chair, I guess, so I should probably listen to everyone else's comments first. But I also was here when we sort set them on this task and it seemed like at that time I was convinced that it was a very effective way to leverage a small amount of Trustees' funds for larger amounts of public -- other public funds and private funds to preserve some very critical habitat. So I'm still favorably impressed with the habitat areas that we've been able to get conservation easements on or to own or to transfer to State land. I still think it's a good program. I don't know if there's a way to give them more specific direction on what kind of sites to get but I still support the proposal. And again, I may have spoke out of term being a chairman but that's my perception.

Ms. Pearce.

MS. PEARCE: Well, perhaps -- it's my understanding that certainly the agencies in my department and perhaps Forest Service and certainly.....

UNIDENTIFIED SPEAKER: This is Anchorage, I can't hear the speaker.

MS. PEARCE: It's my understanding that the

agencies in my department and I believe the Forest Service and I know Fish and Game and I believe DNR have in the past somehow given a list or a priority or identified lands that they were interested in. Perhaps it would be incumbent upon all of us to go back to our individual agencies, look at what was put together at that time -- I admit I have not done that -- look at what was put together at that time and ask that The Fund and The Conservancy perhaps wait until we've had a chance to look at those and decide whether the present priorities of all of our agencies are the same as the previous priorities were. There may be some changes for a whole bunch of reasons and we might just want to update what those lists were. Because I know we've got -- the staff has been working. I don't know, for example, what the Fish and Wildlife folks have been talking about in terms of additional projects other than the one I stopped in its tracks a year ago.

CHAIRMAN BALSIGER: I think that's -- any other -- Mr. Duffy.

MR. DUFFY: Yeah, I think -- we haven't discussed what our next meeting is yet but I think we should all come prepared to take action on those requests that were brought forward and we decided to delay action today on. I think that in terms of my perspective or Fish and Game's perspective at this point, I think that they

should be reading into it that I'm very supportive of these activities. I don't want them to get the wrong message but, you know, we haven't had a lot of time to discuss some of these things among some of our State representatives on the Trustee Council and I -- that's a part of my role, is to make sure that we coordinate our efforts to some degree, so.....

CHAIRMAN BALSIGER: Thank you. Mr.....

MR. DUFFY: And I'd like to deal with it in the next meeting.

CHAIRMAN BALSIGER: Mr. Meade.

MR. MEADE: I apologize, I was kind of in a post-noon ebb during the discussion or the presentation. But as I understand it, it's pretty much focused on State land so unless, Drue, I'm misconstruing with the exception of Duck Flats, aren't we mostly looking at lands that you are looking to acquire on behalf of the State? And so I don't -- you know, I don't have a, I guess, a formed position of the -- the support the past actions of the Board in that regard.

CHAIRMAN BALSIGER: Let's see, perhaps we'll get an answer to that question, but is it necessarily so that any small purchases would go to the State?

MR. HAGENSTEIN: Under the terms of the grant no, but we've been focusing our efforts in that

direction because we thought that would have the greatest amount of support on the Trustee Council.

CHAIRMAN BALSIGER: Ms. Ballard.

MS. BALLARD: In light of the hour, I think the spirit of Drue's suggestion and Kevin's response should suffice for this discussion, that we've all got some homework to do and we need to have another meeting in two or three or four month timeframe. And we need to be prepared at that time not to have so many reports, which we had to have today, but to spend some more time on these things substantively.

CHAIRMAN BALSIGER: Thank you, I think that's a good summary. So that's the sense of the Council, we want to continue it. Is there any other business? Molly.

MS. McCAMMON: Mr. Chairman, just one addition. Because this grant is a pilot grant, it actually expires September 30th. And so it had been our intent to give you a report in advance of that saying this is how it's working. So maybe in conjunction with that, that would be the time to kind of seek what additional interest from the Federal agencies and have that as part of kind of the report on the status. And then come before you, whether you want to continue with the grant, following that. Does that make sense?

MS. PEARCE: Sure.

MR. RENKES: Do we a time set for the.....

MS. PEARCE: But we have additional habitat acquisition funds and there are lists floating out there, I know, from the Park Service and Fish and Wildlife Service.

MS. McCAMMON: Right.

MS. PEARCE: The parcels that they think they want.

CHAIRMAN BALSIGER: So what is the timeframe for the next meeting that people have in mind? We've deferred a few things, we have homework to do. Molly.

MR. RENKES: We might be able -- this is a suggestion, you know -- we might be able to take up some of these things and we have personnel issues too. And maybe take up some of these things with a telephonic meeting in a, you know, quicker timeframe. And then, I don't know, do you traditionally have a meeting in August or something?

MS. McCAMMON: Traditionally in August for the Work Plan although this one is -- some things need to happen in August. I would say the next ones could definitely be teleconferenced.

CHAIRMAN BALSIGER: Ms. Ballard.

MS. BALLARD: Mr. Chairman, since you're sitting as the Chairman and we'll all know Cherri's

capabilities because she's managed to reschedule these meetings several times, why don't we just leave it at your call?

CHAIRMAN BALSIGER: I think I will do that. And are we thinking like late June, early July? Just as a general window that Cherri and -- we can work in?

MR. RENKES: Well, not for the Executive Director.

MS. BALLARD: Yeah, we've got to move it.....

CHAIRMAN BALSIGER: No, the Executive Director clearly is on the short.....

MR. RENKES: That's going to require a telephonic meeting. And I don't know if we want to do any other business at that meeting. We've got these deferred issues.

CHAIRMAN BALSIGER: Okay, well perhaps the best thing is -- Ms. Ballard's advice is to consider this when we can get it done and propose something through email to everyone as early as we can get it going. Any other topics? Issues?

MS. BALLARD: I move we adjourn.

CHAIRMAN BALSIGER: Is there a second?

MS. PEARCE: Second.

CHAIRMAN BALSIGER: We're adjourned. That

means that the next meeting there will be a State chair. Thank you very much for attending. The public was very patient and orderly, thanks a lot.

(Meeting adjourned - 5:35 p.m.)

C E R T I F I C A T E

UNITED STATES OF AMERICA)
) ss.
STATE OF ALASKA)

I, Joseph P. Kolasinski, Notary Public in and for the state of Alaska and reporter for Computer Matrix Court Reporters, LLC, do hereby certify:

THAT the foregoing pages numbered 4 through 256 contain a full, true and correct transcript of the Exxon Valdez Oil Spill Trustee Council's Meeting recorded electronically by me on the 23rd day of April 2003, commencing at the hour of 10:06 a.m. and thereafter transcribed by me to the best of my knowledge and ability.

THAT the Transcript has been prepared at the request of:

EXXON VALDEZ TRUSTEE COUNCIL
451 W. 5th Avenue, Suite 500
Anchorage, Alaska 99501;

DATED at Anchorage, Alaska this 6th day of May 2003.

SIGNED AND CERTIFIED TO BY:

_____

Joseph P. Kolasinski
Notary Public in and for Alaska
My Commission Expires: 04/17/04