

Prince William Sound Aquaculture Corporation

Executive Committee Regular Meeting

November 2, 2009 @ 9:30 am
PWSAC Conference Room

APPROVED MINUTES

I hereby certify the accuracy of the attached Minutes of Prince Wm Sound Aquaculture Corp.
Date: 12/12/09

Hap Symmonds
Hap Symmonds, Secretary

Call to Order: Chairman Covell called the meeting to order at 9:37a.m.

The foregoing instrument was acknowledged before me this 17 day of December, 2009,
By Hap Symmonds
Kathleen M. Jager
Notary Public, 3rd Judicial District, State of Alaska

Roll Call:

Present – Mike Glasen, and George Covell,

(Via Teleconference): Mike Bowen, Scott Seaton, Tim Moore and Guido Casanova

Absent - John Bocci and ADF&G Ex-Officio, Bert Lewis

A quorum was established

Other Board Members Present: John Platt

PWSAC Staff Present: General Manager, Dave Reggiani; Administrative Assistant, Kate Jager; and Sales Manager, Ray Cesarini; AFK Manager, Craig Parry; WNH Manager, Rob Unger; MBH Manager, Jason Myhrer; CCH Manager, Neil Wright; GH Manager, Gary Martinek; Hatchery Support Manager, Christine Mitchell; and Remote Programs Manager, Geoff Clark.

Public Present: Eric Lian and Torie Baker.

Recorder/transcriber: Kate Jager

All Handouts are numbered and available in the meeting file.

MOTION TO APPROVE THE AGENDA:

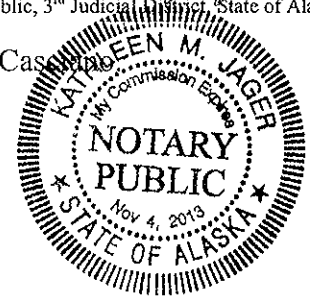
Motion, Moore; Second, Glasen to approve the agenda for November 2, 2009 regular Executive Committee meeting.

Discussion:

Chairman Covell requested under New Business, item *e* outlining our 2010 corporate priorities be postponed until a later meeting. It would be more helpful to have everyone present for the discussion.

Moore asked for an update on the meeting the Executive Committee had with Fish and Game on Friday, October 23rd in Anchorage. Covell said that would be a part of his Chairman's report.

Motion passed with changes unanimously.



MANAGEMENT REPORTS:

Chairman's Report- Covel began with an update on the meeting the Executive Committee had with the ADF&G in Anchorage on October 23rd. He summarized that they had discussed the Internal Review and the status of the Action Plan. He felt that it was a productive meeting. One thing to come out of it was that PWSAC and Fish and Game agreed on the issue of green/bad eggs. With full utilization, the Department agrees that green/bad eggs do not exist. However, the Department would like PWSAC to continue to collect the information so they can use the data as a tool to evaluate any changes that may be occurring in regards to run timing. There was a discussion on other information PWSAC collects that may be a more useful tool.

The Granite Bay Subdistrict was also discussed in regards to the Department's statement that PWSAC's fishery recommendations outside of hatchery subdistrict are "inappropriate." Covel stated that many members were still confused on what exactly the Department's concerns were. Since the meeting, Reggiani provided the 2005 Board of Fisheries meeting record regarding the creation of the Granite Bay Subdistrict and forwarded it to the Executive Committee. The record clearly states that the Granite Bay Subdistrict was created as a hatchery subdistrict. Covel forwarded a copy to Jeff Regnart at Fish and Game who will share the information with the local Fish and Game staff.

Bowen added that the Department had agreed the published 2006 report needs to reflect the current status on the progress PWSAC has made with the Internal Review and the Action Plan.

Covel explained the Department has a publication on their web page in regards to the Internal Review and the Action Plan. There had been no discussion with PWSAC previous to the release of the information to the public domain. PWSAC's legal department is reviewing the information and wants the public record to be factual. The Department is now working on the legislatures inquires to the released report.

General Manager's Report- Reggiani informed the committee members that hatchery managers are in Cordova this week for one of their bi-annual hatchery managers meeting. The fall meeting is focused on a review of the past summers projects and budget preparation for the upcoming fiscal year. Reggiani invited each of the Hatchery Managers to address the committee and give an update on their respective hatchery.

Neil Wright, CCH Hatchery Manager, began by giving an overview of operations at Cannery Creek. He said the adult return did not materialize this year as expected which was disappointing. Even with that, however, the egg-take was one of the best. Wright stated that they needed to use a few more fish as brood since the number of eggs per female was less than expected. The hatchery staff has completed the egg picking project and the green to eyed egg survival is 96%. Wright said otolith marking is going smooth and is expected to be done at the end of the week. CCH is getting ready for winter and the incubation is going as expected.

Jason Myhrer, MBH Hatchery Manager, one of the newest managers to the group, described operations at Main Bay. Myhrer said egg-take also went really well at MBH and was the shortest ever on record. The eyed egg processing was complete and the incubators were all full. Otolith marking is also going very quickly due to the warm lake temperatures. The raceway room is starting to slow down with the fish going into dormancy in early December.

Covel asked what was meant to by the eyed egg processing.

Myhrer explained the eyed egg processing is the egg picking process where the hatchery staff separates of the live eggs from the dead eggs at the eyed egg developmental stage.

Gary Martinek, GK Hatchery Manager, reported that, unlike the egg-takes at other hatcheries, this was the longest egg-take ever at Gulkana Hatchery. He said egg-take went from late July until early October. The Gulkana hatchery was unable to achieve the eggs required from the adults that returned on-site so they had to include a remote egg-take at Crosswinds to their program. With an outstanding crew and some additions from the Sound hatcheries, they were able to get 6 million eggs at the Gulkana hatchery site and 27 million eggs from the Crosswind Lake weir. This year they had to fly in milt from Crosswinds since they ran out of males on-site, which was something new. The hatchery is tucked in for winter and temperatures at Gulkana are currently below zero.

Glaser asked if the fish from Crosswind Lake were wild stock.

Martinek replied that the fish that return to Crosswind Lake are from the hatchery released. However, they have observed a growing percentage of unmarked fish from the broodstock otolith mark recoveries.

Rob Unger, WNH Hatchery Manager, reported to the directors that everything was going well at WNH. The chum egg-take was successful. The eggs have been otolith marked, everything went smoothly. WNH has experienced good survival rates as well. WNH came up short 30 million eggs during the pink salmon egg-take. AFK was able to provide eggs needed to fill the WNH incubators. The coho incubation room and the start up tanks are set up, as is the incubation room. The coho broodstock this year were beautiful and the eggs are looking great. The egg-take should be complete tomorrow. The coho fry in the raceways are also doing well and are getting ready to go into dormancy in December.

Covel asked how the egg transfers had gone.

Unger said the transfers went very well again this year. WNH sent approximately 16 million chum salmon eggs to AFK and AFK sent back approximately 30 million pink salmon eggs.

Craig Parry, AFK Hatchery Manager, reported that everything is going well at AFK. Egg-take went great both chum and pink incubation is going well with a 96% survival rate. The Otolith marking was complete as of Saturday, October 31, and egg-take lot 1 has already started to hatch. The temperatures have really started to cool down at AFK.

Geoff Clark, Remote Programs Manager, updated the directors that they had successfully moved the AFK chums to WNH in mid September and the pinks in October. At the same time in October at MBH we completed the Marsha Lake sockeye salmon transport. This year PWSAC tried something new. Two oxygen supplied transferred tanks were fabricated that would enable us to move the fish by helicopter. This was all new for everyone involved and was a great learning experience. The prototype tanks will need some adjusting in order to work more efficiently next year. Clark elaborated that when the helicopter pilot took the first tank full, the pilot pushed the wrong button and dropped the entire tank into the lake. Luckily we had one another tank.

Christine Mitchell, Hatchery Support Manager, reported the addition of a new employee at the ADC, winter clean up is progressing nicely. We are doing the yearly maintenance on all of the trailers getting ready for the fish food transportation season.

Covel reported that after the meeting with Fish and Game in October, they were able to show John Hilsinger, Sue Aspelund and Ron Josephson around the Distribution Center. They were impressed with the size of the operation and how well it works.

FY10 2nd Quarter-End, Budget Tracking and Projections – Reggiani reviewed *Handout #1* with the committee members. The budget expenditures are broken down into expenses by budget site, and with hatchery sites broken down into three categories; Fish Culture, Hatchery Maintenance and Hatchery Administration.

AFK is projected to be under-budget by \$13,656.71 or 1.0 %. CCH is projected to be under-budget by \$62,094.84 or 7.6%. GH is projected to be under-budget by 10,435.21 or 1.8%. MBH is projected to be over budget by \$6,343.36 or 0.8%. This is due to having to order extra maintenance supplies and some unexpected repairs on the hatchery electric boiler. WNH is projected to be under-budget by \$6,976.70 or 0.4%. This is pretty remarkable as we had an overage in fish food of approximately \$56,000. We held the fish longer and we used more fish food to get them to their release date. Overall, the Total Hatcheries are projected to be under-budget \$86,820.10 or 1.7%.

The five support budget areas are administration, board, distribution center, operations, and sales. Administration is projected to be under by \$30,887.08 or 3.1%. This is due in part to some saving in health and life benefits due to changes in the staff from family to singles. There is also a savings in the lobbying and staff development line items. Board expenditures are projected to be under-budget \$8,906.33 or 13.7%. The savings is in part to more one day meetings with no lodgings required. The Anchorage Distribution Center is projected to be over budget by \$26,885.60 or 4.1%. The overage is due to an additional seasonal employee during the fish food shipping season and more repairs and maintenance than expected on the trailers. Operations are projected to be over budget by \$42,877.29 or 11.0%; of which \$38,000 was for the contract for the MBH cost recovery seiner. Sales are projected to be over budget by \$2,719.13 or 2.0%; this is due to the late trip to Seattle in the spring which fell into this fiscal year.

The total Operating Budget is projected to be under-budget by \$54,131.49 or 0.6%. The Capital Budget is projected to be over by \$9,753.66 or 1.7%. Combined the total PWSAC Budget is projected to be under-budget by \$44,377.83 or 0.5%.

FY10 2nd Quarter-End Budget Tracking – Capital, Handout #2, was reviewed with committee members. This document shows the detail for capital projects. The largest line item amount is for the replacement of the WNH Front-End Loader. Reggiani explained the strategy of the fall purchase timing and that he anticipates being able to save a significant amount given the economic times. The Dissolved Oxygen Meter and the Chain Hoist were eliminated from the capital budget since they came in under \$1000 and therefore absorbed within the hatchery supply budgets.

Chugach Alaska Bankruptcy- Handout #3- Reggiani reviewed the letter from Chugach Alaska Bankruptcy Distribution Agent and the history with the committee. In 1991, Chugach Alaska purchased approximately \$1 million of cost recovery fish but then went bankrupt before they paid. The letter (handout #3) is accompanied by the first interest payment on the claim filed by PWSAC. The second page shows a summary of the payments by date that have been made to PWSAC to date.

FY10 Revenue Budget Tracking Summary- Handout #4- Reggiani said the information on the summary has not changed much since the Board of Directors meeting except the recovery of the bad debt of \$116,234. Buck Adams, our financial advisor with UBS, also updated his year-end projection of the interest income to be \$576,702 or \$316,702 more than anticipated last spring when we build the budget. With that, the total revenue balance will be over budget by \$959,912.

The Contingency Fund Balance is projected to be approximately \$12.3 million if we meet our current expenditure and revenue projections. This will leave us with a net income of approximately \$1.3 million and the Contingency Fund fully funded at \$11 million. Typically and historically the board has utilized these surplus revenues to reduce the cost recovery goal in the following year.

Moore said he was glad that Reggiani had clarified the contingency fund explanation. With the different revenue items it is hard to nail down. He now understood that when we have excess, the next year we reduce the amount of cost recovery.

Reggiani concluded his report by adding that he is working on the fall newsletter draft. He welcomed any ideas on topics or articles. He told the committee to feel free to submit ideas.

Sales Manager's Report – Cesarini reported that everything has quieted down for the year and the inventory is moving along. Russia had a huge year. There is not a lot of product still out there.

Seaton asked if Bristol Bay had hurt PWSAC on the reds.

Cesarini said Bristol Bay didn't have any effect on the Prince William Sound, Cook Inlet did well also.

NEW BUSINESS:

Committee Appointments - Covell said everyone that had been on the Finance Committee asked to serve for one more year. Next year he would like to start adding new members to the Finance Committee. The members we have now have a clear understanding of how the financial end of PWSAC works and it makes the March General Board meeting where we set the budget go a lot smoother.

- a) Committee concurrence of Chairman's Finance Committee Appointments

Finance Committee- As per the bylaws, Hap Symmonds will be the Finance Committee Chair and Chairman of the Board George Covell will be a member. Covell suggested the reappointment of Robin Dexter, Steve Aberle, and Mark Meadows.

Approved without objection.

- b) Committee concurrence of Chairman's Production Planning Committee Appointments

The Production Planning Committee – Covell suggested the appointment of Vic Jones, Torie Baker, Micah Ess, Guido Casciano, John Platt, and George Covell. Covell said it would be good to have a seiner on this committee. If anyone knows someone or if someone would like to volunteer, they would be welcomed.

Approved without objection.

Cost Recovery Committee - Covell told the committee, this is an ad hoc committee. They do not have a task for this committee yet. If a need should arise, a committee can be quickly put together.

Nominating Committee – Covell suggested the appointment of Mike Glasen and Micah Ess.

Approved without objection.

Casciano asked what problem Fish and Game could have with chum salmon production at AFK.

Covell said there was a problem with sockeye salmon interceptions. This could be something for the Production Planning Committee to look over as well as the PAR for Gulkana.

Reggiani said all the processors have indicated that they would like PWSAC to increase its pink and chum salmon production. This would be another topic for the Production Planning Committee.

- c) Resolution 2009-02-EC, Update FNBA Account Signatures:

Resolution 2009-02-EC, Authorize Signatures for First National Bank of Alaska Account Signatures – **Motion, Glasen; Second, Moore** to approve Resolution 2009-02-EC Authorize Signatures for First National Bank of Alaska Account.

**Roll Call Vote on Motion: 5 yeas, 0 nays, 1 absent (Bocci).
Motion Carried.**

d) Resolution 2009-03-EC, Update UBS Account Signatures;

Resolution 2009-03-EC, Authorize Signatures for UBS Account – **Motion, Glasen; Second Seaton** to approve Resolution 2009-03-EC Authorize signatures for UBS Account.

**Roll Call Vote on Motion: 5 yeas, 0 nays, 1 absent (Bocci).
Motion Carried.**

Public Comments: None

UNFINISHED BUSINESS: None

ESTABLISH WINTER MEETING SCHEDULE:

Wednesday, December 9, 2009 in CDV
Tuesday, January 12, 2010 in ANC
Friday, February 12, 2010 in ANC

There were no objections to the meeting dates and the place to have them. Covell said he would not be able to be at the December 9th meeting in Cordova. Casciano said he would be unable to make the meeting in January.

BOARD COMMENTS:

Bowen said he really wanted to say that he appreciated all of the PWSAC Staff. Everyone does a really good job and thanks everyone for their efforts.

Moore said he also wanted to comment on AFK. He spent a lot of time at AFK this summer. He was able to monitor the radio and watch the activities going on there. AFK is a real professional operation with a lot of hard workers and work going on.

Seaton said he had spent a lot of time at WNH this past summer. He was able to go on shore and walk around and visit with people. Everyone there seemed to always be happy.

Glasen added he also would like to thank everyone with PWSAC. The more time he spends around this operation, the more he is committed and appreciates all the work that goes into it.

MOTION TO ADJOURN:

Motion, Glasen; Second, Bowen to adjourn the meeting.

Hearing no objections, the meeting was adjourned at 10:52 am.