



**Annual Report of the Southern Boundary Restoration and Enhancement Fund and Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund to the Pacific Salmon Commission for the year 2001.**

***Introduction***

In June of 1999, the United States and Canada reached a comprehensive new agreement (the "1999 Agreement") under the 1985 Pacific Salmon Treaty. Among other provisions, the 1999 Agreement established two bilateral funds: the Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund (Northern Fund); and the Southern Boundary Restoration and Enhancement Fund (Southern Fund). The purpose of the two funds is to support activities in both countries that develop improved information for resource management, rehabilitate and restore marine and freshwater habitat, and enhance wild stock production through low technology techniques. Subject to Congressional appropriations, the United States agreed to capitalize the Northern and Southern funds in the amounts of \$75 million and \$65 million, respectively, over a period of up to four years. The 1999 Agreement also established a Northern Fund Committee and a Southern Fund Committee, each comprised of three nationals from each country, to manage the funds.

Committee Members:

Northern Fund Committee

Canada:

John Lubar, Co-Chair

Gord Zealand

Ron Fowler

United States:

Jim Balsiger, Co-Chair

Kevin Duffy

Jev Shelton

Southern Fund Committee

Canada:

Ron Kadowaki, Co-Chair

Don Hall

Bill Otway

United States:

Rollie Rousseau, Co-Chair

Larry Rutter

Arthur Taylor, Jr

## ***Joint Committee Report***

The Joint Northern and Southern Fund Committee met in person on three occasions (January 8, 2001; February 19-20, 2001 and November 29, 2001) and by telephone conference call once (January 16, 2001). In addition, a three person Fund Coordinator Search Committee met in October.

At the initial meeting of the Joint Committee in January at the Four Seasons Hotel in Vancouver BC, Perry Teperson from Hewitt Associates reviewed a draft "Statement of Investment Policies and Goals" for the Master Trust fund. In the following discussion a number of changes and revisions were suggested. It was agreed that these amendments should be incorporated into a second draft for review and adoption pending committee approval at a conference call on January 16, 2001. In addition, a policy on salary honoraria for non-government committee members was adopted. Comments on a draft Report to Governments being prepared by L. Rutter were asked for by the next meeting.

On the conference call in January, John Myrah from Hewitt Associates reviewed the revised "Statement of Investment Policies and Goals". Minor changes were agreed to and the document was formally adopted as policy. Revisions to the draft Report to Governments by L. Rutter were discussed. A motion was passed to not allow American Depository Receipts (non-North American investments) to be a part of the fund's MFS U.S. Equities portfolio.

The Joint Committee's second meeting in person was held at the Embassy Suites Hotel in Portland, OR in February. L. Rutter reviewed the final version of the Report to Governments. A 3 person delegation will take the report to Washington DC in early March. Project management and administration was then discussed with presentations on the Pacific Salmon Endowment Fund (Canadian federal) and the Yukon River Restoration & Enhancement Fund. The need for program staff at the PSC was also discussed. The following day the Joint Committee heard reports back from the Canadian co-chairs of the Northern and Southern Fund Committees, which had met separately the day before. Both committees had discussed spending policies; funding process guidelines and the programs' need for support staff.

The last meeting was held at the PSC offices in Vancouver, BC at the end of November. A principal agenda item was the annual review of asset allocations, investment policies and the performance of the fund. Presentations were made to the Joint Committee by the fund managers: Hewitt, MFS, Putnam and Barclays. There was discussion around rebalancing the bonds portion of the portfolio to bring them back within guideline limits. Discussion also covered committee views on changing the asset mix of 60% equities and 40% bonds and on changing the equity portfolio asset weights presently set at 50% U.S. and 50% international.

## ***Northern Fund Committee***

The Northern Fund Committee met on five occasions in 2001 (February 19, 2001; March 14-15, 2001; May 7-8, 2001; July 26-27, 2001; November 30, 2001).

The first meeting was at the Embassy Suites Hotel in Portland, OR. The committee discussed spending policy and agreed to ask Hewitt to provide options for building the fund to a \$100M target. They also agreed to hold a workshop in March to develop a strategic direction and identify priorities. Representatives from the Northern and Transboundary Panels and Technical Committees would be invited. They also approved the hiring of 1.5 staff to coordinate fund administration.

The next meeting was held March 14 and 15 at the Boardroom of the PSC in Vancouver. Perry Teperson from Hewitt gave a presentation on Spending Policies. He estimated fund growth over a range of possible rates of return and at low, medium and high levels of spending. The rest of the meeting involved working through a draft Strategic Plan document with consultant Edwin Blewett and with invited guests from the PSC Northern and Transboundary Panels and the Transboundary Technical Committee.

The third meeting was held in May in Vancouver. The Strategic Plan document was further refined and a draft was agreed upon to be sent to relevant PSC Panel and Committee members for comment. Three possible pilot projects were discussed. A Draft Spending Plan was agreed to. The Fund Coordinator position was discussed and hiring was approved. A Calendar of Events was drafted and the committee agreed to consider the RFP process in more depth at their next meeting.

In July the committee met again in Vancouver. Pilot projects were discussed. J. Lubar commented on the Fulton Spawning channel and hanging lakes projects. K. Duffy reported on the Tuya River blockages project. Canadian DFO priority watershed policies were discussed. The Exxon Valdez RFP forms were reviewed and used as a template for a draft document for the committee to use. The Calendar of Events was approved. The Spending Plan was adopted. The Committee reviewed the fund manager's reports for the end of the second quarter.

At the November meeting in Vancouver, committee members reviewed the draft RFP document developed in July. Changes were suggested to expand the sections on habitat restoration and enhancement projects. Date changes to the Calendar of Events document were also made. It was recognized that the pilot projects could not be funded in 2002 because of the financial position of the Fund. However, some level of review of the three pilot projects should be undertaken in the new year. K. Duffy briefed the committee on the Governor of Alaska's proposed Oceans and Watersheds Conference planned for June 2002.

### ***Southern Fund Committee***

The Southern Fund Committee met three times in 2001 (February 19 and 20, 2001; March 22-23, 2001; June 14-15, 2001).

In February the first meeting was held at the Embassy Suites Hotel in Portland, OR. Key areas of a Mission Statement were discussed, in particular the issue of targeted RFPs as opposed to an open application driven process. Interactions with the Fraser and the Southern Panel and their Technical Committees were considered. The question of land acquisitions was raised. A review of other funders was suggested. On the second day, Bill Otway agreed to prepare a draft Mission Statement outlining strategy and goals. Fund staffing was discussed and 1.5 FTE's was agreed to.

The March meeting was held in Vancouver at the PSC offices. A report was given on the visit to Washington, D.C. to meet with the State and Commerce Departments. Perry Teperson from Hewitt gave a presentation on Spending Policies similar to the presentation given to the Northern Committee earlier in March. The committee then worked on producing a draft Southern Fund Expenditure Policy outlining principals, spending plan and decision rules. Hewitt will comment on the draft and report back at the next meeting. The committee then considered Bill Otway's draft Mission Statement. Amendments were made; members were tasked with further developing the concepts and categories outlined. Don Hall volunteered to act as coordinator.

In June the committee again met at the PSC offices in Vancouver. They initially discussed the Fund Coordinator position and a hiring committee was struck. The Southern Fund Expenditure Policy as reviewed by Hewitt was approved. The Mission Statement/Strategic Plan was again reviewed. The Project Selection Process and associated timelines were compared with those developed by the Northern Fund. The following day this discussion continued with the suggestion that a common schedule be considered. A financial report on fund manager performance indicated that market conditions were poor and declining as of March 31. An operating budget for the next fiscal year was requested.