



**Annual Report of the  
Southern Boundary Restoration and Enhancement Fund and the  
Northern Boundary and Transboundary Rivers Restoration and Enhancement Fund  
for the year 2006.**

***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 fishery resource management, rehabilitate and restore marine and freshwater habitat, and enhance wild stock production through low technology techniques. The United States agreed to capitalize the Northern and Southern Funds in the amounts of \$75 million U.S. and \$65 million U.S. respectively. Canada also contributed CAN \$500,000. The 1999 Agreement also established a Northern Fund Committee and a Southern Fund Committee, each comprised of three nationals from each country, to oversee investment of the Funds' assets and make decisions about expenditures on projects. Only the earnings from investments can be spent on projects.

***Committee Members***

Northern Fund Committee

**Canada:**

David Einarson, Co-Chair  
Lorelei Smith  
Ron Fowler

**United States:**

Doug Mecum, Co-Chair  
David Bedford  
Jev Shelton/Jim Bacon

Southern Fund Committee

**Canada:**

Wilf Luedke, Co-Chair  
Don Hall  
Mike Griswold

**United States:**

Rollie Rousseau, Co-Chair  
Larry Rutter  
"JP" Olney Patt

## *Executive Summary*

- Total contributed capital (nominal) at year end was \$US 140,065,000 or \$CDN 209,796,000. Actual fund asset value at December 31st was \$US 206,254,000 or \$CDN 240,348,000. The much greater growth in asset values when expressed in U.S. currency (\$US 66,189,000) as compared to Canadian currency (\$CDN 30,552,000) is due to the significant appreciation of the Canadian dollar relative to the U.S. dollar since the funds were capitalized.
- For the year, the Fund outperformed the benchmark by 3.3%. The EAFE and Global equity portfolios showed very strong absolute and relative performance (EAFE 6% and Global 8.6%). The US equity portfolio beat its benchmark by almost 1%. The bond portfolio met expectations.
- In 2006 the Southern Fund Committee supported a total of 63 projects for U.S. \$3.9 million or CAN \$4.58 million.
- The Southern Fund Committee undertook a Strategic Planning exercise and have produced a draft Strategic Plan document presently under review by the Southern and Fraser River Panels.
- In 2006 the Northern Fund Committee supported a total of 51 projects for U.S. \$3.09 million or CAN \$3.6 million.
- Northern and Southern Fund Committee members met jointly twice in 2006. In addition, the Southern Fund Committee met eight times in separate session and the Northern Fund Committee met three times in separate session.
- For the U.S., Mr. Jim Bacon was appointed to the Northern Fund Committee, replacing Mr. Jev Shelton.
- Mr. Victor Keong was hired in the position of Program Assistant at the PSC Secretariat in March 2006.

## ***Investment Review***

The Fund outperformed the benchmark in the first quarter. Each of the active managers outperformed their respective benchmarks. There was a slightly negative bond return over the quarter.

In the second quarter the Fund again exceeded the benchmark with each of the active managers outperforming.

In the third quarter, the Fund once again exceeded the benchmark, doing well with its Global and EAFE equity portfolios. The performance of the Global equity portfolio managed by Brandes was particularly strong.

The Fund eased just above the benchmark return in the fourth quarter of 2006. While the EAFE manager (LSV) beat the index, the Global manager (Brandes) trailed its relevant index return, as did Barclays in the U.S. equity component. The passively-managed bond portfolio matched the benchmark index return, as expected.

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Contributed capital and asset value of the individual Funds as of December 31, 2006 stood as follows:

	<b>Contributed Capital</b>		<b>Asset Value</b>	
<b>Northern:</b>	\$US 75,000,000	\$CDN 112,388,000	\$US 111,872,000	\$CDN 130,365,000
<b>Southern:</b>	\$US 65,000,000	\$CDN 97,408,000	\$US 94,382,000	\$CDN 109,983,000

### Note #1:

In 2003 a rescission of 0.65% applied to the FY 2003 appropriations reduced the final contribution to the Northern Fund by \$US162,500 and to the Southern Fund by \$US97,500. Thus the actual Contributed Capital is:

Northern:	\$US 74,837,500
Southern:	\$US 64,902,500

### Note #2:

U.S. Dollar Exchange (noon) rate: 1.1653 per Royal Trust, December 31, 2006  
U.S. Dollar Exchange (noon) rate: 1.1415 per Royal Trust, November 31, 2006  
U.S. Dollar Exchange (noon) rate: 1.1659 per Royal Trust, December 31, 2005

## ***2006 Project Funding***

### **Southern Boundary Restoration and Enhancement Fund**

Between 2004 and 2006 the Southern Fund has granted \$9,185,291 US to 150 projects.

In 2006 the Southern Fund invested \$3.9M US in 62 projects, the single largest of which was a \$1.3 M investment in a collaborative suite of research studies on the early in-river migration of late-run Fraser River sockeye. With 2006 being a peak year for Fraser sockeye there was an imperative to act now and act decisively. Southern funds supported researchers tagging fish in the approaches off the Queen Charlotte Islands, in Johnston Strait and in the lower Fraser River. The Fund paid for the set up and maintenance of radio tag tracking stations along the length of the Fraser; covered the costs of fish physiologists working with fishermen on the Fraser sampling sockeye for bioassays from fat content to parasite loads; sponsored DNA analyses and gene arrays; oceanographic surveys and temperature fluctuation studies. Much of the field work is now complete, lab analysis and data processing continues; a comprehensive report is due next year.

Elsewhere the Southern Fund continued to sponsor Georgia Basin and Fraser Valley coho habitat restoration projects in the Lower Mainland of BC and in the BC Interior where Thompson Basin coho and the water they depend on remains a concern. West Coast of Vancouver Island and Puget Sound chinook were also the subject of on-going investments in habitat restoration. A number of tribal proponents in Washington and Oregon states were awarded grants in support of projects concerning Columbia River chinook. And the Cowichan River on the east coast of Vancouver island was the site of a quarter million dollar investment into a major slide remediation project at a site that has been contributing an estimated 28,000 cubic meters of silt to the river every year, to the serious detriment of spawning gravels from the slide to tidewater, 27 kms downstream.

Enhancement is typically the smallest of the three investment areas and in 2006 only \$331,000 was awarded in this category, less than 10% of annual spending. Some of these concerned incubation and rearing facilities for chinook stocks on the Campbell, Cowichan and Nanaimo rivers along the east coast of Vancouver Island.

### **Northern Boundary & Transboundary Rivers Restoration & Enhancement Fund**

Between 2004 and 2006 the Northern Fund has granted \$7,877,873 US to 100 projects.

The Northern Fund Committee awarded grants in the amount of just over \$3M US in 2006 with two thirds of that money being directed towards Improved Information projects. This is consistent with a trend in the north that has seen major investments into filling the gaps in stock assessment and stock identification work in these large and remote watersheds, with less being spent on habitat restoration because a much greater proportion of the region encompasses watersheds not yet subject to the pressures of human activity found in the south. Thus the Northern Fund continued to support population estimates, mark recapture programs and radio telemetry studies on the Alsek, Stikine and Nass rivers. Grants were again made for further

northern sockeye and chinook genetic stock ID studies and more monies were put towards expanding the baselines and upgrading the labs where much of this work takes place.

Most of the habitat work focused on the Skeena and its tributaries. Sockeye spawning and rearing habitat in Lakelse and Kitwanga lakes were again the subject of on-going investments into flow augmentation, gravel improvements and habitat assessment work. In another on-going area of interest, culvert assessments and their potential for remediation with a view to improving accessibility to rearing habitats beyond them were supported again in 2006 along the Skeena corridor and for the first time in the Cranberry River watershed

Investments in enhancement projects in the north are generally larger than those in habitat restoration, and 2006 was no exception with \$580,000 being awarded in enhancement grants as opposed to \$385,000 in habitat restoration. Chum and sockeye are the main species of interest. Chum enhancement opportunities were investigated in Area 3 by Nisga'a fisheries staff and on Porcher Island off the mouth of the Skeena by a local community enhancement group. Larger in scale were the sockeye enhancement projects including Trapper Lake now in its third year, the Tuya harvest structure also in its third year of funding and an investigation into the potential of hanging lakes for sockeye production in the Hartley Bay region of northern BC. This project is building on a feasibility study first supported in 2004.

### ***Joint Fund Committee Meetings***

The Northern and Southern Fund Committees have agreed that given the congruent nature of their agendas and their decision to combine the funds into a single master account for investment management purposes, and the efficiencies involved with respect to interaction with the fund managers, it was appropriate to meet together as a Joint Fund Committee at least for the time being. Thus the Joint Fund Committee met in person on two occasions: April 20<sup>th</sup> and November 29<sup>th</sup> and 30<sup>th</sup>, 2006.

The Joint Committee's first meeting in 2006 was held on April 20<sup>th</sup>, 2006 at the PSC offices in Vancouver. Mr. John Myrah and Mr. Chris Kautzky of Hewitt and Associates presented their Fund performance review for the first quarter of 2006. Mr. John Myrah reviewed the final edits to the updated Statement of Investment Policies and Procedures and a motion approving the document was passed. The Committee also discussed issues of joint interest including genetic stock identification techniques; coded-wire tagging developments and coast-wide project funding opportunities.

The other Joint Fund Committee meeting of the year was an in person meeting held at the PSC offices in Vancouver, BC on November 29<sup>th</sup> and 30<sup>th</sup>, 2006. As usual the November meeting was marked by the annual Fund investment manager performance reports and interviews. The Committee was generally satisfied with the performance and reports from Barclays Global Investors; from Brandes Investment Partners and from LSV Asset Management. Hewitt and Associates staff provided their third quarter report and also briefly discussed options with the Committee on alternative investment opportunities. The Joint Committee also reviewed a joint application for funds received from the PSC's Committee on Scientific Cooperation for 2007. In addition, an anticipated application from the Chinook Technical Committee for funding support ahead of the renegotiation of the Chinook chapter of Annex IV of the Pacific Salmon Treaty was discussed.

## *Southern Fund Committee Meetings*

The Southern Fund Committee met eight times in separate session during 2006.

January 9<sup>th</sup>, 2006

- Final approval of projects selected for funding in 2006.

February 13<sup>th</sup>, 2006

- Preliminary meeting with consultants to discuss the outline for development of a Southern Fund Strategic Plan over the year ahead.
- Review of the spending policy and analysis of comparable endowment funds with Chris Kautzky from Hewitt and Associates.

April 19<sup>th</sup>, 2006

- Motion to accept proposal from Counterpoint Consulting Inc to develop a Strategic Plan.
- Administrative issues concerning 2005 projects (holdbacks, requests for extension, requests for additional funding).
- Fraser River sockeye assessment framework discussion.
- Strategic issues concerning the 2007 funding round, Fraser River & Southern Panel priorities.

May 11<sup>th</sup> and 12<sup>th</sup>, 2006

- First 2-day workshop on the Southern Fund Strategic Plan with Counterpoint Consulting.

June 19<sup>th</sup> and 20<sup>th</sup>, 2006

- Second 2-day workshop on the Southern Fund Strategic Plan with Counterpoint Consulting.

September 21<sup>st</sup> & 22<sup>nd</sup>, 2006

- First round “Project Concept” review meeting and shortlist selection for 2007.

November 28<sup>th</sup>, 2006

- Third workshop on the Southern Fund Strategic Plan with Counterpoint Consulting.

December 12<sup>th</sup> and 13<sup>th</sup>, 2006

- Initial project selection meeting for 2007.
- Final Committee meeting, without consultants, to prepare the Strategic Plan for presentation to the Southern and Fraser River Panels at the January 2007 post-season meeting of the Pacific Salmon Commission.

## *Site visits*

In mid-November 2006 five members of the Southern Fund Committee and the Fund Coordinator visited some of the projects on southern Vancouver Island that had been funded in 2005 and 2006. These site visits are considered to be an important aspect of the Committee's ongoing oversight responsibilities. The first day was spent on the Cowichan River where the Southern Fund Committee has invested more than \$750,000 CDN over three years on a variety of projects. The team visited the pulp mill and project sites along the river and heard presentations from proponents with projects concerning water use and management, habitat restoration, estuarine eelgrass replanting, mixed stock assessments using a DIDSON, and hatchery marking techniques. On the second day of the visit, Committee members visited the Pacific Biological Station in Nanaimo and met the genetic stock identification team and toured their labs. They also met with habitat restoration specialists, fisheries researchers and fisheries management staff from DFO who were all recipients of Southern Fund grants.

## *Southern Fund Strategic Plan*

Early in 2006 the Southern Fund Committee took steps to initiate a Strategic Planning exercise that would take much of the year to complete and that would result in a plan mapping out the route towards achieving the Committees goals over the next 5 years. The process required a return to the terms of the 1999 Agreement that established the Fund and focusing those building blocks into a clearly articulated statement of purposes, goals and objectives. Some of the fundamental questions asked were:

- What are the vision and mission of the Southern Fund ?
- What are the values that guide the mission and the vision ?
- How would the goals and objectives of the Fund be described ?
- What are the opportunities and threats that might be expected to be encountered in working toward meeting the goals and objectives ?
- What core goals (results) does the Fund want to achieve in the next few years ?
- What will the action plan be for the next few years ?

The process has involved hiring a consultant to guide the Fund Committee through a series of surveys, workshops and meetings that have culminated in the production of a draft document presently under review by members of the Southern and Fraser River Panels. A final version is expected to be available in the Spring of 2007. The Strategic Plan will:

- Guide potential proponents and better focus proposals on the goals and objectives of the Southern Fund Committee, and
- Help the Committee communicate with agencies, partners and proponents about its procedures and rationale for funding decisions and to make its decisions more transparent.

A key element of the plan is the establishment a number of Strategic goals or intended outcomes to be realized over the term of the plan. Commonly a number of core objectives must be accomplished in order to achieve each intended outcome. Core objectives are precise, measurable, time-defined results. Having them articulated in a Strategic Plan document is a significant achievement that should enable the Fund to move towards evaluating the long-term outcomes of its project investments.

### ***Northern Fund Committee Meetings***

The Northern Fund Committee met three times during 2006.

February 2<sup>nd</sup> & 3<sup>rd</sup>, 2006

- Final project selection meeting for 2006.

April 19<sup>th</sup>, 2006

- Consideration of strategic issues in the preparation for 2007.

September 27<sup>th</sup> and 28<sup>th</sup>, 2006

- First round “Project Concept” review meeting and shortlist selection for 2007.

### ***2006 Call for Proposals for projects in 2007/08***

During the summer of 2006 both the Northern and Southern Fund Committees reviewed the earnings from the Fund’s investments and found that according to their spending policies, a fourth round of project funding could be undertaken in 2007. The Southern Fund set a target budget figure of U.S. \$3.9 million and the Northern Fund U.S. \$3.5 million.

The Southern Fund Committee’s 2007 Call for Proposals schedule involved the issuance of the Call for Proposals in July with a deadline for submission of Stage 1 project concepts by the end of August. 214 project concepts were received of which 107 were short-listed by the Southern Fund Committee and invited to proceed to Stage 2, the development of full-length proposals. Once again in 2006, two independent, bilateral proposal review teams were recruited to assist the Committee by providing their expert opinion on those elements of the applications concerning technical feasibility, human resources and cost effectiveness. One team of reviewers reviewed the Improved Information proposals, while the other reviewed the Habitat Restoration and Enhancement proposals. Proposal review by the independent teams took place in early December 2006. Initial project selection by the Fund Committee took place in mid-December and final project selection in January 2007.

The Northern Fund Committee again applied their two-stage Call for Proposals approach adopted in 2004, requiring applicants to submit a brief 3 page project summary for initial review by the Committee themselves. In 2006 this yielded 96 project concepts from which a shortlist of 57 projects were chosen and the proponents invited to complete full length proposals. The full length proposals were forwarded to a team of Alaskan and Northern BC and Yukon expert reviewers who met in person in Seattle in November. Their findings were circulated to the Fund Committee members in December. Final decisions were made by the Northern Fund Committee in late January 2007.



### *Committee Appointments*

Mr. Jim Bacon was appointed by the U.S. to the Northern Fund Committee late in early 2006, replacing Mr. Jev Shelton.

### *Staff Appointments*

Mr. Victor Keong was hired in March of 2006 in the position of Program Assistant.