



**Interstate Pest Control Compact and Pest Control Insurance Fund
Annual Meeting of the Governing Board
Sunday, September 21, 2008
The Radisson Inn, Bismarck, ND
7:00 am to 8:00 am**

Attendees:

Member States Present (16):

Arizona	– Don Butler (IPCC Secretary)
California	– A.G. Kawamura
Colorado	– John Stulp
Florida	– Charles Bronson
Georgia	– Tommy Irvin (IPCC Executive Committee)
Indiana	– Ken Klemme (IPCC Executive Committee)
Maine	– Ned Porter (MDA staff)
Michigan	– Don Koivisto
Mississippi	– John Campbell (MDAC staff)
Nebraska	– Greg Ibach (IPCC Chairman)
New Jersey	– Charles Kuperus
North Carolina	– Richard Reich (NCDACS staff)
North Dakota	– David Nelson (NDDA staff)
Pennsylvania	– Dennis Wolff (IPCC Executive Committee)
Tennessee	– Gray Haun (TDA staff)
Utah	– Leonard Blackman

Others Present (2):

Bob Balaam	– Executive Director, IPCC
Mike Strain	– Louisiana Commissioner of Agriculture

Call to Order

Chairman Greg Ibach (NE) called the meeting to order at 7:20 am.

Roll Call of Member States

IPCC Executive Director, Bob Balaam, took role call, declaring 16 member states present.

Approval of Meeting Minutes

Chairman Ibach called for an approval of the February 10, 2008 meeting minutes. Acceptance of the minutes was moved by Charles Kuperus (NJ) and was seconded by John Stulp (CO). Motion passed with a majority vote.

Report of the Chairman

Chairman Ibach deferred his report to that of the Executive Director.

Report of the Executive Director

Executive Director Bob Balaam gave a report highlighting issues affecting the Compact since the February 2008 meeting as follows:

Membership

Currently there are 37 total parties to the Interstate Pest Control Compact (IPCC). No new members have joined the Compact since our last meeting in February, 2008. There are no outstanding membership fees.

Louisiana passed enabling legislation to join the Compact effective June 30, 2008, but has preferred to delay paying the state assessment until July 2009 when they will begin installment payments on the \$12,228 fee to join the Compact. Once they have commenced payment of their assessed fees, they will be considered an IPCC member.

Six (6) party/member states still have not passed specific enabling legislation (AZ, AR, FL, NE, PR, and VT) as legally required by the Compact. These member states have until September 2010 in which to pass enabling legislation or they will rescind all voting rights. The State of Arizona introduced Compact legislation as part of an omnibus bill that included the Department's budget. There was some controversy over the Compact language in committee so the bill sponsor pulled the IPCC language out of the bill so as not to hold up the remaining portions of the bill; no decision has yet been made as to how to reintroduce the legislation in the future. The State of Florida introduced enabling interstate pest control compact legislation but due to some unrelated controversial language added to the bill, the legislation died at the end of the session without passage; Florida is exploring possibilities on how to introduce the IPCC legislation during the next session in March 2009, but the same problem may occur.

Insurance Fund Claims/Projects

In December of 2006, the State of Ohio requested that the Compact be invoked and that the Compact's Pest Control Insurance Fund provide \$75,000 in funding assistance to the State of Michigan to conduct an eradication project and delimiting survey for a small infestation of hemlock woolly adelgid (HWA) in northwest Michigan. The Compact approved Ohio's request and has committed \$75,000 to the State of Michigan on that effort. To date, \$60,000 has been provided to the State of Michigan. In addition, MDA utilized IPCC funds as MDA's cost-share in leveraging and equal grant from the U.S. Forest Service. The funding for the IPCC agreement initially expired on October 23, 2007. MDA requested an extension to the existing cooperative agreement until June 1, 2008. That extension was approved by the IPCC Governing Board at the February 2008 meeting and provided MDA with the resources necessary to conduct the additional activities in 2008. In July 2008, Michigan again requested an extension of the agreement until June 1, 2009 in order to utilize the remaining \$15,000 to conduct additional surveys and precautionary soil treatments in previously known infestation sites in 2009. This balance has not yet been sent to the Michigan Department of Agriculture. Michigan has removed all known infested and adjacent trees and has conducted soil treatments in infested sites

where other hemlock trees occur. The State of Michigan has established an exterior quarantine to prevent the further movement of infested hemlock from entering that State. They consider the pest eradicated in areas of known infestation, but wish to use the remaining balance to ensure eradication of potential HWA life forms on susceptible trees in areas of previous infestation. This matter was discussed and voted upon under unfinished business.

Status of IPCC Treasury

Since the 2007 midyear meeting of the IPCC, the IPCC funds were transferred to NASDA for management (investment and operating accounts). Due to various problems at the NASDA office, NASDA has requested that we find a new home for our accounts. Our funds are currently invested with Smith Barney. Our Smith Barney account manager is willing to continue managing our investments as a non-profit for no fee, but we need to find someone who will handle our accounting services and tax return preparation. Commissioner Tommy Irvin, the IPCC Treasurer has offered those services through his Department fiscal officer but this would only be a short term fix since Commissioner Irvin is expected to retire at the end of his current term. NASDA is willing to continue providing limited accounting services (not including tax return preparation) until we find a more permanent solution.

The 2006 IPCC tax return was prepared by Veris Consulting. Just before this meeting Veris submitted an estimate of providing accounting services for the IPCC for of \$4,500 to include:

- Disbursement services, filing of annual Forms 1099 and 1096, monthly reconciliations and semi-annual financial statements will be \$3,000 per year (billed \$750 per quarter)
- Filing of Federal Form 990 and any extensions relating to the filing will be \$1,500.

The issue of utilizing an outside accounting firm was discussed and voted upon during the FY 2008-2009 budget approval.

Motion to accept the Executive Director's report was made by A.G Kawamura (CA) and seconded by Charles Bronson (FL). The motion passed.

Report of the Treasurer

Treasurer Tommy Irvin (GA) authorized Executive Director Balaam to present the Treasurer's Report.

Total assets available on June 30, 2007 were \$1,103,576.95; an increase of \$5,026.47 from the June 30, 2007 balance of \$1,098,550.48. No membership dues were received; no donations were received. Income on investments totaled \$58,517.63. There were no investment fees or expenses. Investment income covered all of the administrative and operating costs (\$21,740.86) for the year. Funds were invested in Smith Barney securities earning varying rates of yield. The insurance claim to the Michigan Department of Agriculture (\$75,000) for survey and eradication of Hemlock woolly adelgid was scheduled for completion on June 1, 2008, with only \$60,000 dispersed; all funds were dispersed in FY 2007. On July 14, 2008 the IPCC received a request from Michigan Department of Agriculture to extend the claim until June 1, 2009 and

utilize the remaining 15,000 in the grant to conduct survey and evaluation activities in 2009. This issue was discussed and a motion to accept the request was made by Tommy Irvin upon the condition that the remaining \$15,000 be used to leverage additional funds from the United States Forest Service. Director Don Koivisto (MI) assured those present that the USFS has or will provide an equal amount of funding to the HWA eradication effort. To date, Michigan has spent over \$40 million from various sources including the USFS. The motion was seconded by Charles Kuperus (NJ) and approved by majority vote.

Investment Risk (1): The Virginia Local Government Investment Pool, in which IPCC funds were invested for the first 9 months of the fiscal year, followed guidelines that permit only high quality corporate investments. The LGIP was diversified in the following way as of June 30, 2006:

- U.S. Treasury / Agency Bonds 13%
- Repurchase Agreements 26%
- Negotiable CDs & BAs 24%
- Non-Negotiable CDs 0%
- Commercial Paper* 26%
- Corporate & Bank Notes* 11%
- Total: 100%

* Commercial Paper was restricted to a maximum of 35% and Corporate & Bank Notes to a maximum of 25% of the entire investment pool by law. This minimized the risk to the IPCC while attempting to maximize gains.

Investment Risk: The Smith Barney Financial Management Account, in which IPCC funds were invested, followed the investment strategy approved by the IPCC Executive Committee on September 23, 2007. The Smith Barney FMA was diversified in the following way as of June 30, 2008:

- Money Fund 5%
- Preferred Stocks 9%
- Corporate Bonds 34%
- Government Bonds 18%
- Certificates of Deposit 34%
- Accrued Interest on Bonds / CDs 1%
- Total: 100%

There was some discussion concerning inclusion of preferred stocks in the portfolio considering the current downslide in market conditions. It was reported by Executive Director Balaam that since the close of the fiscal year (June 30, 2008), the preferred stocks portion of the portfolio was moved and the current (September) diversification was:

○ Money Fund	13%
○ Preferred Stocks	0%
○ Corporate Bonds	44%
○ Government and GSE Bonds	9%
○ Certificates of Deposit	34%
○ Total:	100%

BALANCE SHEET

June 30, 2008

Assets

Cash Balance	0
Money Fund	\$54,794.98

Investments

Accrued Interest	11,131.08
Preferred Stocks	100,000.00
Corporate Bonds	382,672.00
Government Bonds	199,157.00
CDs	378,393.90
Total investments	1,071,353.98

TOTAL ASSETS	\$1,126,148.96
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Liabilities & Equity

Liabilities	\$15,000.00 ¹
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Equity	1,111,148.96
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TOTAL LIABILITIES & EQUITY	\$1,126,148.96
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- 1 Balance due to Michigan Department of Agriculture for completion of Hemlock Woolly Adelgid Survey and Eradication claim.**

STATEMENT OF CASH FLOWS
For the 12 Month Period Ended June 30, 2008

<i>Balance on July 1, 2007</i>		<u>\$ 1,098,550.48</u>
<u>Add - Inflows</u>		
Dividends and Interest Received	58,517.63	
Smith Barney interest earned	32,931.31	
Smith Barney dividends earned	4,729.16	
Smith Barney money fund earnings	2,124.18	
Smith Barney accrued interest received	18,732.98	
Membership Fees:	0.00	
Donations:	0.00	
Unrealized Gains/Losses	-31,750.30	
TOTAL INFLOWS		<u>26,767.33</u>
<u>Deduct-Outflows</u>		
Operating Expenses:	21,740.86	
Executive Director	15,090.65	
General Administration Fee	1,995.82	
Travel	3,231.25	
Conference Registrations	1,150.00	
Postage	0.00	
Printing	0.00	
IPCC Website	167.40	
Bank Service Charges	0.00	
Supplies	105.74	
Insurance Claims	0.00	
TOTAL OUTFLOWS		<u>21,740.86</u>
<i>Balance on June 30, 2007</i>		<u>\$ 1,103,576.95</u>

**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN
FUND BALANCES/EQUITY
For the 12 Month Period Ended June 30, 2008**

Revenues

Dividends and Interest	\$58,517.63	
Membership Fees	0.00	
Donations	0.00	
Unrealized Gains/Losses	(31,750.30)	
Total revenues		\$26,767.33

Expenditures

Operating Expenses	\$21,740.86	
Insurance Claims	0.00	
Total expenses		21,740.86

Excess of revenue over expenditures **\$5,026.47)**

Fund balances/equity July 1, 2007 **1,098,550.48**

Fund balances/equity June 30, 2008 **\$1,103,576.95**

**Budget VS Actual Report
July 1, 2007 to June 30, 2008**

<u>Description</u>	<u>2007-2008</u>		<u>2006-2007</u>		<u>2005-2006</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Management Services						
Executive Director Services	15,000.00	15,090.65	15,000.00	13,956.27	15,000.00	11,440.65
Travel and Registration	3,800.00	4,381.25	3,800.00	3,826.15	3,800.00	3,415.69
Bond	100.00		100.00		100.00	
Facilities and Administrative Costs						
Overhead	2,500.00	1,995.82	2,500.00	1,520.00	2,000.00	2,232.00
IPCC Website **	200.00	167.40	200.00	215.10	200.00	188.25
Supplies	-	105.74	-	-	-	-
Postage	300.00		300.00		300.00	199.90
Printing	500.00		500.00		500.00	453.42
Bank Charges	-		-		-	8.50
Equipment	-		-		-	
Charitable Solicitation	1,000.00		1,000.00			
Registration						
Contractual Services						
Audit	100.00		100.00		100.00	
Special Purpose						
Technical Advisory Committee	500.00		500.00		500.00	
Special Committee						
TOTAL	24,000.00	21,740.86	24,000.00	19,517.52	22,500.00	17,938.41

**includes website hosting and domain name registration.

A motion to accept the treasurer's report was made by Tommy Irvin (GA) and seconded by Richard Reich (NC). The Treasurer's report was accepted.

FY 2008-2009 Budget

The following budget was presented and explained by the Executive Director. The total budget proposed was equal to the FY 2008 budget. NASDA had expressed interest in no longer providing services for the IPCC so other options were sought. Just before this meeting Veris Consulting, upon the request of the Executive Director, submitted an estimate of providing accounting services for the IPCC of \$4,500 to include:

- Disbursement services, filing of annual Forms 1099 and 1096, monthly reconciliations and semi-annual financial statements will be \$3,000 per year (billed \$750 per quarter)
- Filing of Federal Form 990 and any extensions relating to the filing will be \$1,500.

Discussion followed on this issue. Certain Board members felt that the cost was too high and that perhaps the accounting services could be provided by staff of a member's Department. Treasurer Irvin offered the services of his Chief Financial Officer at least until the end of his term as Secretary of Agriculture and perhaps longer if agreed to by the Secretary that would replace him. There was some discussion concerning finding a permanent home for these services so as not to have to move the records around as Treasurer's or other members changed office. It was also discussed that the IPCC should contract with Veris Consulting to prepare and file the income tax return for fiscal year 2007-2008.

Charles Kuperus motioned that the accounting services be moved to the Georgia Department of Agriculture at no cost to the IPCC, that the Executive Director was authorized to pay up to \$1,500 for filing of the 2007-2008 income tax return and to amend the proposed 2008-2009 budget by \$1,500 to cover this additional administrative (overhead) cost. The motion was seconded by Charles Bronson (FL). The budget was approved.

Pest Control Insurance Fund Proposed Budget (FY 2008-2009)

Budget Line Item	FY 2007-2008		Proposed FY 2008-2009	
	Budget (\$)	Actual (\$)	Budget (\$)	Change (\$ +/-)
Management Services				
Executive Director Services	15000	15091	15000	0
Travel and Registration	3800	4381	3800	0
Bond	100		100	0
Facilities and Administrative Costs				
Overhead*	2500	1996	4000	1500
IPCC Website	200	167	200	0
Supplies	0	106	0	0
Postage	300	0	300	0
Printing	500	0	500	0
Bank Charges	0	0	0	0
Equipment	0	0	0	0
Charitable Solicitation Registration**	1000	0	1000	0
Contractual Services				
Audit	100	0	100	0
Special Purpose				
Technical Advisory Committee	500	0	500	0
Special Committee	0	0	0	0
TOTAL	24000	21741	25500	1500
* Includes NASDA meeting room charges as well as agreed upon general administration fee, and tax return filing fees.				
** State fees for non-profit organization charitable solicitation registration				

Unfinished Business

Request to extend cooperative agreement for Michigan Insurance claim

On July 14, 2008 the IPCC received a request from Michigan Department of Agriculture to extend the claim until June 1, 2009 and utilize the remaining 15,000 in the grant to conduct survey and evaluation activities in 2009. This issue was discussed and voted on during the Treasurer's report. That discussion resulted in a motion to accept the request made by Tommy

Irvin upon the condition that the remaining \$15,000 be used to leverage additional funds from the United States Forest Service. Director Don Koivisto (MI) assured those present that the USFS has or will provide an equal amount of funding to the HWA eradication effort. The motion was seconded by Charles Kuperus (NJ) and approved by majority vote.

New Business

FY 2009 Investment Strategy

The following investment strategy was proposed for FY 2008-2009 by Executive Director Balaam. A motion to accept the strategy was made by Ned Porter (ME) and seconded by Charles Kuperus (NJ). The motion passed. Based on the discussion and vote to move the accounting services of the IPCC from NASDA to the Georgia Department of Agriculture the investment strategy was modified slightly to reflect this fact.

Investment Objective

The investment objective of the Interstate Pest Control Compact (IPCC) Pest Control Insurance Fund (Fund) is to maximize income while preserving capital and maintaining liquidity.

Targeted Fund Balance

Income to the IPCC and the Pest Control Insurance Fund shall come from numerous sources including: appropriations received from each party state at the time of joinder with the Compact; any and all donations, and grants of money, equipment, supplies, materials, and services, conditional or otherwise, from any state, the United States, or any other governmental agency, or from any person, firm, association, or corporation, and return from investments.

The Governing Board of the IPCC and the Fund it administers shall attempt to ensure that the total assets of the Fund shall not be depleted below \$750,000. If emergency programs require depletion of the fund below \$750,000, then assessments to member states will be prorated, as needed, to bring the total Fund balance to \$1,000,000 according to the formula contained in Article IX (b) of the Pest Control Compact. (*IPCC Bylaws #7*)

Fiscal Year

The fiscal year for the Insurance Fund shall commence on the first day of July and conclude on the thirtieth day of the following June. (*IPCC Bylaws #7*)

Budget

The Insurance Fund shall submit to the executive head or designated officer or officers of each party state a budget for the Insurance Fund for such period as may be required by the laws of that party state for a presentation to the legislature thereof. (*Article IX – Finance – of the Pest Control Compact*)

[If required because of fund depletion,] each of the budgets shall contain specific recommendations of the amount or amounts to be appropriated by each of the party states. The request for appropriations shall be apportioned among the party states as follows: one-tenth of the total budget in equal shares and the remainder in proportion to the value of agricultural and forest crops and products, excluding animals and animal products, produced in each party state. In

determining the value of such crops and products the Insurance Fund may employ such source or sources of information as in its judgment present the most equitable and accurate comparisons among the party states. Each of the budgets and requests for appropriations shall indicate the source or sources used in obtaining information concerning value of products. (*Article IX – Finance – of the Pest Control Compact*)

Funds Administration

All checks, drafts or other documents for the withdrawal of funds of the Insurance Fund shall be signed by the Executive Director or, in his absence and if specifically authorized in writing approved by the Governing Board, by an employee specifically designated by the Executive Director. Any such check, draft or other document also shall be countersigned by the Chairman, or Vice Chairman: provided that if the amount involved does not exceed five hundred dollars, countersignature shall not be necessary. Endorsement of checks to be deposited to the credit of the Insurance Fund shall be by either the Executive Director, an employee designated as previously provided in this paragraph, the Chairman, or the Vice Chairman. (*IPCC Bylaws #7*)

For FY 2009 (until services are transferred to the Georgia Department of Agriculture), the National Association of State Departments of Agriculture (NASDA) shall have authority to manage these funds according to the investment strategy outlined herein. Upon transfer of services to the Georgia Department of Agriculture, that agency shall have authority to manage these funds according to the investment strategy outlined herein.

As per IPCC Bylaws, the IPCC Executive Director shall have check issuance or payment authority for the IPCC's operating expenses not to exceed \$500 per invoice, but shall not have authority to issue any checks or make any payments to him/her pertaining to his/her compensation under the personal service contract. All other check issuance or payment authority and check endorsement for deposit authority shall be granted to NASDA's Executive Vice President/Chief Executive Officer and the Fiscal Officer and Treasurer of the Georgia Department of Agriculture. NASDA and/or the Georgia Department of Agriculture may issue such checks, payments or deposits upon receipt of a qualified invoice or instruction authorized by the Executive Director, Chairman, or Vice Chairman.

Operating and Claims Accounts

The financial assets of the Insurance Fund shall be maintained in two accounts to be designated respectively as the "Operating Account" and the "Claims Account." The Operating Account shall consist only of those assets necessary for the immediate administration of the Insurance Fund. The Claims Account shall contain all other moneys not included in the Operating Account and should be invested in such a way to be sufficient to pay all legitimate claims on the Insurance Fund within a reasonable amount of time. At any time when the Claims Account has reached its maximum limit or would reach its maximum limit by the addition of moneys requested for appropriation by the party states, the Governing Board shall reduce its budget requests on a pro rata basis in such manner as to keep the Claims Account within such maximum limit. Any moneys in the Claims Account by virtue of conditional donations, grants, or gifts shall be included in calculations made pursuant to this paragraph only to the extent that such moneys are available to meet demands arising out of the claims. (*Article IX – Finance – of the Pest Control Compact*)

The Operating Account shall be maintained in a checking account, or interest bearing money market account where the funds may be accessed immediately with no penalty for withdrawal. If the money market account has a monthly check writing or withdrawal limit, that limit shall not be less than three (3) transactions per month. For FY 2009, the Operating Account's initial balance shall consist of approximately \$54,000.

The Claims Account shall be maintained in a diversified portfolio of short or mid-term investments not to exceed seven (7) year maturity duration and which will permit withdrawal of \$30,000 within any given seven (7) day period. For FY 2009 this total investment portfolio of money fund and other securities shall consist of approximately \$1.1 million.

Fund Obligations

The Insurance Fund shall not pledge the credit of any party state. The Insurance Fund may meet any of its obligations in whole or in part with moneys available to it under Article IV (g) [i.e. acceptance of donations, gifts, or grants] of the Pest Control Compact, provided that the Governing Board take specific action setting aside such moneys prior to incurring any obligation to be met in whole or in part in such manner. Except where the Insurance Fund makes use of moneys available to it under Article IV (g) hereof, the Insurance Fund shall not incur any obligation prior to the allotment of moneys by the party states adequate to meet the same.

(Article IX – Finance – of the Pest Control Compact)

Accounting

The Insurance Fund shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the Insurance Fund shall be subject to the audit and accounting procedures established under its bylaws. However, all receipts and disbursements of funds handled by the Insurance Fund shall be audited yearly by a certified or licensed public accountant and report of the audit shall be included in and become part of the annual report of the Insurance Fund.

(Article IX – Finance – of the Pest Control Compact)

The accounts of the Insurance Fund shall be open at any reasonable time for inspection by duly authorized officers of the party states and by any persons authorized by the Insurance Fund.

(Article IX – Finance – of the Pest Control Compact)

Portfolio Assets

The investment portfolio will be one of conservative risk tolerance which balances minimal risk with maximum return by investing in high quality, short and mid-term securities denominated in U.S. dollars. Investments shall generally consist of direct obligations issued by, or obligations that are fully guaranteed as to principal and interest by the U.S. Government, or any of its agencies or instrumentalities, repurchase agreements backed by such securities, certificates of deposit, time deposits, or other Standard & Poor's or Moody's rated money market funds, commercial paper and short or mid-term corporate notes and floaters. All investments shall be FDIC insured or have a credit rating of Aaa/AAA. This investment portfolio shall maximize non-profit association benefits, wherever possible.

Effective Date

This investment strategy is effective July 1, 2008 or upon approval of the Governing Board, whichever is later and shall remain in effect until the end of the FY 2009 fiscal year or until amended by the Governing Board.

Strategy Exceptions

Any exceptions, additions, deletions, or changes to this investment strategy must be in accordance with the Articles of the Pest Control Compact or the Bylaws of the Pest Control Insurance Fund, and approved by the IPCC Governing Board.

Personal Service Contract of Executive Director

Chairman Kuperus and Executive Director Bob Balaam reviewed the Personal Service Contract between the IPCC and the Executive Director. The Contract is reviewed and when necessary renewed annually (October through September) with the new Chairman of the Pest Control Insurance Fund. No changes other than dates and signatories information were made. A motion to renew the contract was made by Tommy Irvin (GA) and seconded by A.G. Kawamura (CA). The motion passed. (*Note: Following the meeting the contract was signed by the new Chairman and the Executive Director and copies were provided to each for their files and that of the IPCC.*)

Election of Officers

Chairman: Charles Kuperus (NJ)
Vice Chairman: Don Butler (AZ)
Secretary: Don Butler (AZ)
Treasurer: Donald Koivisto (MI)

The slate of nominees for 2008-2009 was nominated by A.G. Kawamura (CA) and seconded by Tommy Irvin (GA) and approved.

Election of Executive Committee

Members of each regional NASDA association nominated the following slate for IPCC Executive Committee for 2008-2009:

Chair: Charles Kuperus (NJ)
Midwestern Region: Ken Lemme (IN)
Northeastern Region: Dennis Wolff (PA)
Southern Region: Gus Douglass (WV)
Western Region: John Stulp (CO)

A motion to approve the nominees for Executive Committee was made by Tommy Irvin (GA) and seconded by Charles Bronson (FL). The motion was approved.

Adjourn

Chairman Ibach adjourned the meeting at 7:55 am.