



**Interstate Pest Control Compact (IPCC) and Pest Control Insurance Fund
Annual Meeting of the Governing Board
Saturday, September 17, 2011
7:30 AM – 8:30 AM
Little American Hotel, Salt Lake City, UT
[Draft]**

Attendees:

Member States Present (26):

Arizona	– Don Butler
California	– Karen Ross
Colorado	– John Salazar
Delaware	– Ed Kee (IPCC Chair)
Indiana	– Joe Kelsay
Louisiana	– Mike Strain (IPCC Treasurer)
Maine	– Walt Whitcomb
Michigan	– Gordon Wenk (MDA staff)
Minnesota	– Dave Frederickson
Mississippi	– Lester Spell
New Jersey	– Doug Fisher
North Carolina	– Richard Reich (NCDACS staff)
North Dakota	– Doug Goehring
Ohio	– Jim Zehringer
Oklahoma	– Jim Reese
Oregon	– Lisa Hanson (ODA staff)
South Carolina	– Martin Eubanks (SCDA staff)
Tennessee	– Jai Templeton (TDA staff)
Texas	– Drew DeBerry (TDA staff)
Utah	– Leonard Blackham
Vermont	– Chuck Ross
Virginia	– Matt Lohr
Washington	– Jeff Canaan (WSDA staff)
West Virginia	– Steve Miller (WVDA staff)
Wisconsin	– Ben Brancel
Wyoming	– Jason Fearneyhough

Others Present (3):

Charlie Coffman	– IPCC Executive Director
Carrie Castille	– IPCC Treasurer Assistant & Deputy Assistant Commissioner, Louisiana Department of Agriculture & Forestry
John Campbell	– Mississippi Department of Agriculture & Commerce staff

Call to Order

Chairman Ed Kee (DE) welcomed everyone to the meeting and asked Executive Director Charlie Coffman to call the roll.

Roll Call of Member States

Charlie called the roll and counted 19 member states present. Chairman Kee noted that a quorum (19) was present and thanked everyone for being diligent on a Saturday morning. *(Note: Upon examination of the attendance roster following the meeting, it was noted that seven additional states were represented for a total of 26.)*

Report of the Chairman

Chairman Kee: On the agenda is a report of the chairman and what I really want to say is thank you to Charlie Coffman for holding everything together over the past year and before that. We've been in a transition (with the treasurer position) and also owe special thanks to Commissioner Strain and Carrie for really doing a lot of legwork on this over the past year.

Please note that the Governor of Utah is coming in about 8:30, so we want to be forewarned and get our business done efficiently.

Our first item is the report of our Executive Director Charlie Coffman.

Charlie: Thank you Chairman Kee; I have just a few housekeeping items before we get started. Each of you should have a paper copy of the agenda and my PowerPoint presentation at your location. There were some minor adjustments to the PowerPoint since I sent it out. I apologize, but I inadvertently duplicated one table in the financial report in the draft I sent out but that's been fixed in the copy you have today.

If you are concerned that you're not getting the documents or other mailings I send out, please see me or e-mail me. If there is anyone else on your staff that you'd like to have on the distribution list other than the ones that are already on there, I will be happy to add those for you.

There is an attendance roster going around; I started it over here on the left with Don. Please be sure to sign that to document your state's presence for quorum purposes and if you see anybody come in after it has gone around, please try to get it to them. Perhaps Robin Gothard from Commissioner Douglass' staff can help with that too, if necessary.

Not that I expect any of you to necessarily need me, but to save the Compact money after the meeting this morning I'll be on my own time. My wife is with me and we'll be doing some sightseeing, but if you need me at any time for Compact business I'm in room 716. I'll be here until Tuesday so just to make that note.

Approval of the February 15, 2011 Mid-Year Meeting Minutes

Chairman Kee noted that the mid-year meeting minutes had been previously distributed and called for a motion and a second to approve same. Approval was moved by Mississippi and seconded by Wyoming. Motion carried.

Executive Director's Report

Executive Director Coffman gave his report highlighting issues affecting the Compact since the mid-year meeting on February 15, 2011 as follows:

Membership

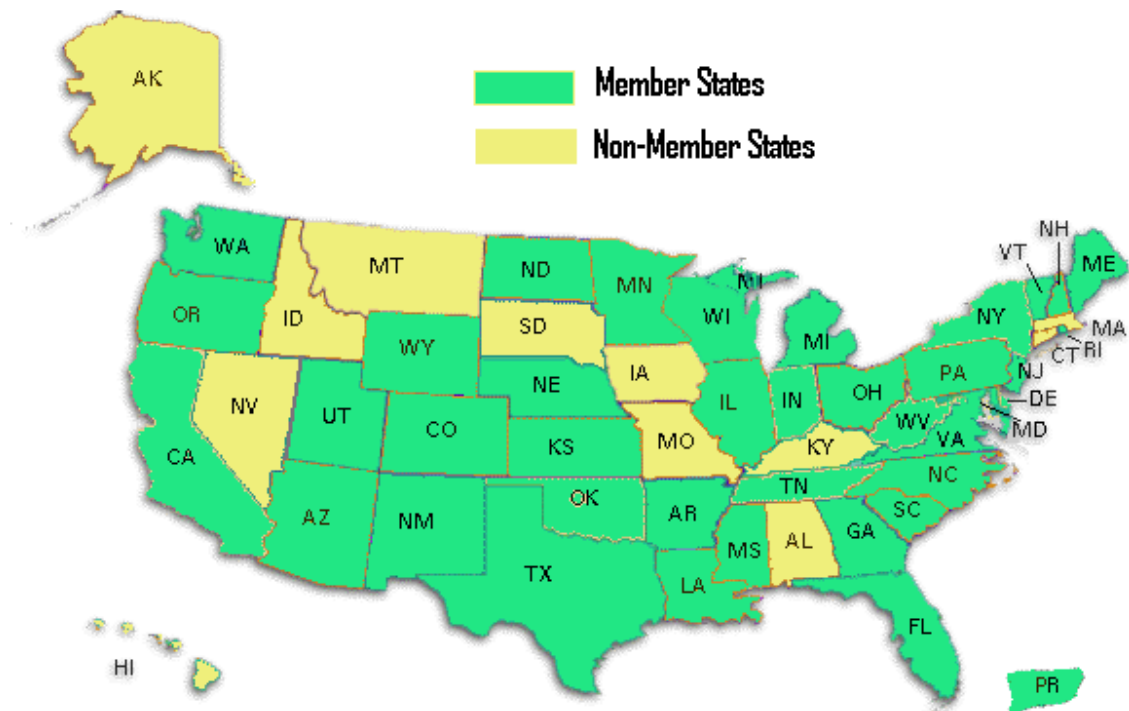
There have been no changes in membership since the mid-year meeting. We continue to remain static with 39 total parties; that's 38 states and Puerto Rico.

Assessments in Progress – Louisiana and Wisconsin

Louisiana paid its third installment on April 6 and Wisconsin was billed for its final installment on September 2. There are no other outstanding fees.

Enabling Legislation – Arizona and Nebraska

As those of you who have attended the last couple of meetings know, Arizona and Nebraska lost their voting privileges as a result of not being able to get their enabling legislation passed in the six-year period after they paid their assessment fee. I was just informed here at the meeting by Arizona Director Don Butler that they feel they're in a position to move on theirs. He has a draft copy of the bill and some legislative support, so we certainly hope they are successful and that we get them back to full membership.



Treasury Status

The engagement letters for financial reporting and tax return services were drafted by Silva Gurtner & Abney, approved by the Executive Committee and signed by the Executive Director on May 6. The estimated approved fees for these services were \$2,000 for financial reporting and \$1,200 - \$1,500 for the tax return services. I've incorporated these fees into the FY 2011-12 budget.

Dr. Castille and I have talked here at the meeting about the need for a separate engagement letter from the firm for the mid-year financial report. Once the final draft of the letter is ready, it will be passed through the Executive Committee for approval before it is signed. I'm hoping the cost figure will come in a little lower for this mid-year report. We'll just have to see how that goes. We'll be working with the firm in the coming months on the tax return, the new engagement letter and the mid-year report.

The FY 2011 Financial Report was prepared by Silva Gurtner & Abney, distributed to the Governing Board on August 30 and posted on the website on September 9.

Tax Status

To recap quickly; our five-year advance ruling period was scheduled to end on June 30 of this year and we've failed to meet the public support test during any of the years since our 501(c)(3) status was granted in 2006. The direction approved at the February meeting was for me to seek 501(c)(5) status under that category's agricultural organization definition.

As directed, I proceeded to contact the Internal Revenue Service (IRS) after the meeting by letter on March 11; it took two months to get a response. After getting their letter, I ended up calling them twice; once on June 16 and again on August 17. What was learned was that we could proceed to file for reclassification as a 501(c)(5) at any time and the advance ruling period, this kind of set me back a little, had been eliminated. We had no written notice of the latter. Apparently, it just happened this spring and we still haven't received any written notice of it. I would have thought they would have sent notice to every organization that was under an advance ruling period. I found out about it during one of the phone conversations. They said as long as we'd been filing our tax returns properly and on time, that we didn't have anything to worry about, so I think we're in good shape there.

In addition to the above, I asked if there was any possibility that we could maintain our 501(c)(3) status as a private foundation, since further reading on my part suggested there was, and was told that all we had to do was to continue filing our returns as we had been. I believe it is more complicated than that, but didn't argue the point as I felt more research needed to be done and that we would need to seek a written opinion from them in the end. When you look at the definition of a private foundation under 501(c)(3), it's not clear whether we can qualify for that or not.

Following my contact with the IRS, I contacted Silva Gurtner & Abney for an informal opinion, since they are going to be doing our tax return this year. They encouraged us to go ahead and

take advantage of what was to be our final year under the advance ruling and file the long Form 990 that will be required of us this year and I agreed with that.

In the conversation I had with the IRS on August 17, the gentlemen I talked with said all we needed to do in the future was to file a 990 PF (for private foundation) instead of the 990 and that would take care of us under our current 501(c)(3), but I'm not sure that's correct. Silva Gurtner & Abney recommended that we explore our options in the coming months to maintain our 501(c)(3) status without meeting the public support test before we file for 501(c)(5) recognition. Additional assistance with this has been offered by Commissioner Gary Black from Georgia. He has recommended that I call an accountant they have who works with a lot of non-profits to get another opinion and I plan to do that.

Conflict of Interest Policy

The annual distribution of the conflict of interest policy was initiated following the mid-year meeting. The chronology of my effort to date to get all of your signatures is as follows: The policy and a signature page went out with an explanation via e-mail on February 25. With only nine responses received by May 23, a reminder went out to those that had not responded and that brought in an additional 10 by August 17. A second reminder went out on August 18 in an effort to pull in the remaining signatures before the annual meeting and I believe I now have all but two of those, as I have received several here at the meeting.

2011 Annual Report

The annual report was prepared by the Executive Director in August, distributed to the Governing Board on September 7 and published on the website on September 9.

Funding of Temporary Interstate Duty for State Personnel in Plant Pest Emergencies

This is a piece of business that needs to have some closure put to it. We had a lot of new members at this year's mid-year meeting and it was not on that agenda. It is something that was introduced at the 2010 mid-year meeting by National Plant Board (NPB) President Carl Schultz. He referenced the cooperative use of state personnel in wildfire control and animal disease emergencies within state and federal circles. He said the NPB would like to see a parallel mechanism for plant pest emergencies. He speculated whether the IPCC could underwrite such a mechanism with backing from APHIS and we looked at that. The Technical Advisory Committee and I reviewed Compact language with the conclusion that existing language would support such an endeavor. After that, nothing more was done on our part. The NPB continued its pursuit of this with APHIS into 2011 with the eventual determination that there were too many legal obstacles for APHIS to fund such a mechanism through the Compact. Efforts continue by the NPB and APHIS to find an appropriate vehicle to fund a cooperative emergency response mechanism that provides for temporary interstate duty by state personnel in plant pest emergencies. I just wanted those of you who weren't in on this when it came out originally to know exactly what was going on if you hear it being talked about.

Treasurer's Report

Executive Director Coffman gave the Treasurer's Report for Commissioner Strain.

Year-End Financial Report

All of the tables for the formal report are in the PowerPoint slides, so I'm not going to go through those individual tables. If you have any questions, you can certainly ask us, but in the interest of time I'm just going to move on through those as we have done in the past. Looking at the highlights, total assets as of June 30 of this year were \$1,186,376.00. This represents an increase of \$9,706 from June 30 of last year. Funds are invested in a MorganStanley SmithBarney portfolio at varying rates of yield.

As for the investment risk, the IPCC portfolio follows the conservative investment strategy approved by the Governing Board on September 18, 2010. Investments were diversified in the following way as of June 30:

Money Market Funds	9%
Accrued Interest	1%
Exchange Traded and Closed End Funds	10%
Preferred Stocks	1%
Corporate Funds	45%
Mutual Funds	<u>34%</u>
	100%

Contracts payable reported as \$52,000 represented the contractual balance due to the state of Minnesota for its approved eradication program this season.

Total revenues amounted to \$49,631, of which income on investments totaled \$41,234.

Wisconsin paid the second installment on their state assessment and Louisiana made their third installment payment. No donations were received.

Investment income covered all of the administrative and operating costs of \$26,430 for the fiscal period. There were no fees or expenses associated with the investments.

A copy of the full report was sent out prior to the meeting for Governing Board member files and has been posted on the website.

At this point, I'm going to turn it over to Commissioner Strain to make any comments he might like to make and also Dr. Castille if she has any.

Commissioner Strain: Thank you, Charles. I also want to thank the investment committee and that would be Director Tom Jennings, Commissioner Steve Troxler, and Secretary Kee. What we've done, we've taken a hard look at the different investments that we have to make sure they are safe as these are all government funds. The rate of return is anywhere from 2 or 3 to 5%, but we've had a pretty sound investment strategy. We continue to work with Claire Meade, who is

our investment person with MorganStanley SmithBarney. Do you have any questions on where we have the monies? Dr. Castille, do you have any comments?

Dr. Castille: No comments.

Commissioner Strain: Okay, thank you.

Chairman Kee: Thank you Commissioner and Dr. Castille. I will entertain a motion to accept the year-end financial report as presented. Motioned by North Dakota, thank you; seconded by Oklahoma. Any discussion on the motion? All in favor of the motion signify by saying 'I'; opposed... none. Thank you. Motion carried.

FY 2011-2012 Budget Approval

Chairman Kee: The next item is the FY 11-12 budget approval. It is in your packet, the sheet with the spreadsheet, and it is on the screen, thank you. Are there any questions for Charlie? We can entertain those. I would just say it is virtually the same level except the Colorado project is complete, so if you go down the blue column you can see the annual budget is less than the previous year, primarily because of the completion of the Colorado project. Charlie, do you have anything to add to that? Are there any questions about the proposed budget or comments?

Charlie: I might just say that we began purchasing the directors and officers liability insurance policy last year and the premium on that has gone up a little bit. I wasn't too keen on that, but I included that increase, and the \$850 that's shown on other expense, that's the fee that would be required if we filed for 501(c)(5) status with the IRS, so I plugged that in as a contingency. There is no figure in there yet for the additional engagement letter that we'll need from Silva Gurtner & Abney for the mid-year financial report, but I was planning to submit that when I get the information from them and have it ready for the Executive Committee.

Chairman Kee: Motion to approve the budget, please. Motioned by Wyoming; seconded by Wisconsin. Thank you, any other questions about the proposed budget? Hearing none...

Commissioner Doug Goehring (ND): Nothing specific, but in the future could we have the font just a little bit larger?

Chairman Kee: Some guys look like they're getting older, but we'll take that into consideration, thank you. Okay, with no further comments, all those in favor of the motion to approve the budget signify by saying 'I'; opposed... none. Okay, thank you. Motion carried.

The next item on our agenda is the insurance fund claims/projects; I'll turn it back to Charlie.

Insurance Fund Claims/Projects

Historical Denials

At the mid-year meeting, I think it was Director Coba from Oregon that asked as we were going through and considering approval of the Minnesota gypsy moth claim project, if there had been

any historical denials of project proposals. I did some research on that and wanted to close it out with everybody, since the question was asked.

A review of the projects' history table lists two; one for cereal leaf beetle all the way back in 1970 and one for a common barberry survey in 1999. The table also lists a claim for gypsy moth eradication in 1985 that was withdrawn and two where less money was spent than originally requested; one for white-fringed beetle control in 1979 and one for Echium vulgare eradication in 2005. As a hedge against whether these listings were exhaustive, I consulted with previous Executive Director Bob Balaam, who built the website by the way, and he said he had researched the record to construct the table for the website and to the best of his knowledge that was a complete list, so that should close that out for us.

Colorado: Eradication of Yellow Starthistle in Two Colorado Counties –

As Chairman Kee said, we had the closing out of the Colorado project against yellow starthistle, which was the third year of that project. Their second interim report, a report that is done every year which is more thorough than the update that is presented at these meetings, dated March 15, was published on the website on March 18. It can also be found in the recently completed 2011 Annual Report, which is on the website.

An update on the project's final field season through August was provided by the Colorado Department of Agriculture's Steve Ryder. That information is provided in the bullets in my slide, but I'm not going to go through those with the time constraint we have. I don't want to short change the project, but you can read those and they can also be found in my personal Executive Director's Report that was distributed to you prior to the meeting. The final report on the project will be due March 15, 2012, after which it will be put on the website, so you can look for it there.

Minnesota – Gypsy Moth Eradication

I do want to touch on the Minnesota project, as I have the bullets from their update here as well for you, mainly just to show you how fast we can move on projects. The cooperative agreement was finalized on February 22 with Commissioner Frederickson's signature. I didn't start work with them on the application until December and it was finalized prior to the mid-year meeting, so you can see how quickly we were able to move. Project treatments were completed on June 3, the invoice for the full claim amount of \$52,000 was received on August 9 and Dr. Castille paid the claim on August 15. The final report on the project is due January 31, 2012, and that will also be loaded on the website when it is completed. Again, you have the bullets there, but I'm not going to go through those in the interest of time.

Unfinished Business

We have the bylaws amendment to address and vote on this morning that was read at the mid-year meeting. Just briefly, Article 9 on Finance, I've put up the same slide we used then, addresses audits. It says the receipts and disbursements of the insurance fund shall be subject to the audit and accounting procedures established under its bylaws. It goes on to say that these audits shall be conducted yearly by a certified or licensed public accountant, but there were never any procedures put in the bylaws for this. So, with Tony Amoroso and Mauldin & Jenkins' staff,

who we were working with at the time, we put together an amendment to Bylaw 7 by adding an 'e' to it. Bylaw 7 is "Financial Affairs" and we did read this at the mid-year meeting as required by the bylaws for an amendment: *"The insurance fund receipts and disbursements shall be accounted for using generally accepted accounting principles and mid-year (January) and annual (July) reviews conducted of that accounting that culminate in reconciled mid-year and annual financial reports. Full audits will only be conducted at the request of the Governing Board."* I'll turn it over to Chairman Kee for a motion on that.

Chairman Kee: OK, does everyone understand the motion. Those of you that were here at the mid-year probably remember some of the history. I'll entertain a motion to accept that bylaws amendment. Okay, motioned by North Carolina and seconded by North Dakota. Any further questions or discussion on the amendment?

Commissioner Strain: Do you think we should give it some clarification... to better understand it?

Chairman Kee: Sure.

Commissioner Strain: The reason we're doing this, when you look at the amount of transactions they are very, very low and to do a full audit as is currently described would be costly. What we're saying is that our CPAs will do a review by standard accounting practices, but it had been in the bylaws for all these years that we were supposed to be doing these full audits which can run \$5-10,000 each time for just a handful of transactions. So therefore, in order to have our bylaws reflect what we have been doing, which was generally accepted, is why we have the amendment. But it also says that full audits will be conducted at the request of the Governing Board. So that when you turn in these reports, we are in compliance with what our bylaws say.

Chairman Kee: Thank you, commissioner; very helpful. Any other questions or discussion? Okay, hearing none, all those in favor of the amendment as presented signify by saying 'I'; opposed... none. Okay, thank you. Motion carried.

New Business

Personal Services Contract of the Executive Director (distributed prior to the meeting) – Renewal with no changes

Chairman Kee: The next item we're moving to is new business and that would be approval of the personal services contract for the Executive Director and that is reflected in the proposed budget or the finance part of it is. Charlie, do you have anything you'd like to say.

Charlie: No.

Chairman Kee: So I'll entertain a motion for what is a one year contract with no changes, and it was distributed, so I'll entertain a motion for approval of this personal services contract for Charles Coffman. Motioned by California; seconded by North Carolina. Any questions or discussion? Okay, seeing none, all those in favor of approving the contract signify by saying 'I'. Thank you. Motion carried.

Election of Officers and Executive Committee for 2011-2012

Chairman Kee: This slate was discussed and sort of arrived at both the mid-year meeting and in the months after that. You can see the slate as it is being presented. All of these folks have agreed to do this, so I will entertain a motion to accept the slate for both the officers and the executive committee as presented. Motioned by Wyoming; seconded by Vermont. Any other questions or discussion? Okay, all in favor of the two slates as presented signify by saying "I"; opposed... none. Motion carried.

Officers Slate

Chairman..... Tom Jennings (IL)
Vice Chairman..... Katy Coba (OR)
Secretary..... Walt Whitcomb (ME)
Treasurer..... Mike Strain (LA)

Executive Committee Slate

Chairman..... Tom Jennings (IL)
Midwestern Region..... Keith Creagh (MI)
Northeastern Region..... Chuck Ross (VT)
Southern Region..... Gus Douglass (WV)
Western Region..... Jason Fearneyhough (WY)

Chairman Kee: Okay, thank you very much. Is there any other new business to come before the Compact?

Commissioner Fredrickson: Thank you, I missed my opportunity to extend my appreciation for the expediency regarding the moving of the resources to Minnesota. We've been a member since 1969, I'm told, and we've applied for funds on a couple of occasions, and again I want to compliment you, Charlie, and the staff for moving that through on a rather quick basis. We were stuck with some financial problems at the state this past year with a significant deficit and a government shutdown. With the exception of the Department of Agriculture, we were fortunate enough to have our budget move along, so again, thank you very, very much, and I want to thank the state of Wisconsin and North Dakota, our neighbor states, for submitting letters of support for the project. So, thank you.

Chairman Kee: Thank you, we appreciate that comment. It is a system that works and I appreciate your observation, sir.

Any other new business to come before the Compact? Okay, hearing none and seeing none, I'll entertain a motion that we adjourn. Motion to adjourn was made and seconded. Meeting adjourned at approximately 8:10.

** Note: Appreciation is extended by the Executive Director to West Virginia Department of Agriculture (WVDA) Senior Executive Assistant Robin Gothard for providing the transcript from which the minutes were prepared and to the WVDA's Communications Director Chris Kelly-Dye for her assistance with maintaining the Compact's website.*