

MINUTE ITEM

5/27/71

26. QUEEN MARY PROJECT, CITY OF LONG BEACH, LOS ANGELES COUNTY - W 10248.

At the request of Commissioner Reinecke, the Executive Officer reported that staff activity on the Queen Mary project, pursuant to the Commissioner's inquiries and questions at a previous meeting, had culminated with a request for opinion to the Office of the Attorney General. This opinion request was based upon staff allocations to arbitrary cost centers of approximately \$32 million of the \$33 million of funds nonobjected to by the Commission heretofore. With the \$8 million previously approved by the Commission, \$41 million out of the \$42 million grand total of City of Long Beach contract commitments have been allocated, leaving only \$1 million still to be allocated. Complete schedules of the allocations were furnished to the Office of the Attorney General, along with the opinion request, for a directive as to their legal validity. It appears that approximately \$11 million of the \$42 million could be classified as being of primary benefit to any lessee-concessionaire operation, and not directly related to the primary trust fund purposes of the Maritime Museum as provided for in Chapter 138/64, 1st E.S.

Copies of the opinion request, together with accompanying documentation, have been furnished to the Commissioners, and also to Assemblyman Willie Brown, Chairman of the special Subcommittee on the Use of Tideland Funds at Long Beach.

In the near future, the total of the City's contract commitments will have been completed, after which a final report and analysis can be made in accordance with the criteria and recommendations on the legal questions that have been referred to the Office of the Attorney General.

It is apparent, however, that, in addition to the legal questions, there are auditing and accounting-practice questions, as well as confirmation of the engineering review made by staff, that will require the services of independent consultants in order to identify valid established accounting practices and as a basis for determination by the Attorney General's Office as to the legal qualifications of some of the subelements.

The Executive Officer stated that, inasmuch as the State Lands Division never has had any staff employed particularly for the Queen Mary project, it was necessary, if the onboard staff is to proceed to bring this matter to a culmination in a timely manner, that authorization should be given to proceed forthwith with the appropriate consulting service contracts in the field of marine construction engineering and engineering and auditing-accounting practices. In addition such consultant review would assist the Attorney General in determining whether there is a possible cause of legal action by the State. Proceeding on such cause of action then would be a matter of policy determination by the Commission.

A preliminary estimate of the initial cost of the consultant services was indicated by the Executive Officer as being from \$25,000 to \$50,000.

Deputy Attorney General Warren J. Abbott was in agreement with the Executive Officer's opinion that consulting services were needed, as there is not enough data available to answer the questions that have been raised, and indicated that the Attorney General's Office would work closely with the Division staff and supply answers to the questions as rapidly as possible.

It was the consensus of the Commission that advice of consultants was definitely needed before proceeding further, and the staff therefore was directed to put out the necessary requests for consultant services so that it can be determined what the total cost would be for the consultant services required, and to report back to the Commission as soon as possible.