

1 TRANSCRIPT OF
2 MEETING
3 of
4 STATE LANDS COMMISSION

5 LOS ANGELES, CALIFORNIA
6 JUNE 25, 1959
7 9:00 A.M.

8 PARTICIPANTS:

9 THE COMMISSION:

10 Messrs. Bert W. Levit, Director of Finance, Chairman
11 Glenn M. Anderson, Lieutenant Governor
12 Alan Cranston, Controller

13 Fred Zweiback, Executive Assistant to
14 Lieutenant Governor Anderson

15 STATE LANDS DIVISION

16 Messrs. F. J. Hortig, Executive Officer
17 Kenneth C. Smith, Public Lands Officer

18 OFFICE OF THE ATTORNEY GENERAL

19 Dan Kaufmann, Esq., Deputy Attorney General

20 APPEARANCES:

21 (All on behalf of Long Beach)

22 Joseph Ball, Esq.,
23 Special Counsel, City of Long Beach

24 Walhfred Jacobson, Esq.
25 City Attorney, Long Beach

26 Hon. Raymond C. Kealer
Mayor, City of Long Beach

Reporter:
Louise H. Lillico
Division of Administrative Procedure

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I N D E X
(In accordance with Calendar Summary)

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1 MR. LEVIT: The meeting of the Lands Commission will
2 please come to order. The Lieutenant Governor is expected
3 and may be here a little later and for that reason I am going
4 to, at least for the first half hour or so, take some liber-
5 ties with the arrangement of the matters on the calendar,
6 hoping that Governor Anderson will be here. In the meantime,
7 his executive assistant, Mr. Zweiback, will sit on the Com-
8 mission in his place.

9 The first item is the confirmation of the minutes of
10 the meeting of May 28th. The minutes have been distributed.
11 Are there any corrections or additions?

12 MR. HORTIG: No staff corrections, sir.

13 MR. LEVIT: If not, they will stand approved as sub-
14 mitted. I am going to pass to item 2, with the permission
15 of the Commission, involving the grants of permits, easements
16 and rights-of-way to public agencies without fee, pursuant to
17 statute. Do you want to run through Oh, here comes
18 Governor Anderson now, so I'll welcome the Governor and with
19 the permission of the Commission, then, we will go back to
20 the order of business on the calendar.

21 The first item is a special order of business involv-
22 ing the Long Beach tide and submerged lands and relates to
23 the matter of boundary determination. You will recall that
24 at the last meeting of the Commission, Long Beach suggested
25 that the matter of the boundary determination be put over
26 for thirty days and this was done by the Commission. I think

1 we should have a report now from Mr. Hortig and/or the repre-
2 sentatives of the Attorney General with respect to what has
3 developed in the meantime.

4 MR. HORTIG: Mr. Chairman and members of the Commis-
5 sion, pursuant to the directive of the Commission to which
6 you have already referred, there have been four conference
7 meetings held with representatives of the City of Long Beach,
8 representatives of the State Lands Division and the State
9 Lands Commission counsel, and the representatives of the
10 office of the Attorney General. As to the salient features
11 of those conferences, I believe it would be most appropriate
12 and expeditious for the Commission to hear a report or sum-
13 mary on those from the representative of the office of the
14 Attorney General. Mr. Kaufmann, will you present the report?

15 MR. KAUFMANN: Following the Commission's meeting in
16 May, we had telephone calls from the City Attorney's office
17 in Long Beach and on June first we had an attorneys' meeting
18 between representatives of the City Attorney's office and Mr.
19 Friedman and Mr. Shavelson and myself, and Mr. Murphy of the
20 State Lands Commission; and we at that time presented the
21 bases of our claims to the City Attorney's office and tried to
22 answer any questions they would have.

23 Then we had a second meeting on the following Monday,
24 June 8th. At this meeting the same parties were present and
25 Mr. Kreft of the State Lands Commission, and also administra-
26 tive officials of the City of Long Beach were present. At

1 that time Mr. Ball and his associate were present. Mr. Ball
 2 has been retained as special counsel by the City, so we were
 3 advised, and again we explained the bases of our claims; and
 4 then on June 19th in Sacramento a third meeting was held in
 5 Sacramento. At that time Mr. Shavelson and I were not present
 6 and we were advised that the matter was discussed again and
 7 at that time the representatives of the City indicated that
 8 they needed more time because of complexities of the problems.

9 Yesterday afternoon we had a fourth meeting, again an
 10 attorneys' meeting, at which were present the same representa-
 11 tives on behalf of the State and representatives from the City
 12 Attorney's office, including the City Attorney, Mr. Jacobson,
 13 and Mr. Ball and his associate; and at that time we explained
 14 the bases of our claims and tried to answer any questions so
 15 that it would be clear to the City just what the State was
 16 asking for and why.

17 I believe this is a summation of the four meetings so
 18 far. I don't think there is any question that the representa-
 19 tives of the City, the City attorney, and the administrative
 20 officials of the City are in good faith and are seriously
 21 interested in this matter. They have cooperated with us in
 22 that they have furnished us with financial statements on the
 23 various wells on which the State may have claim and at that
 24 time they indicated to us that the complexities of the problem
 25 indicate more study; and that is where the matter is at the
 26 present time.

1 MR. LEVIT: Does anyone wish to address the Commission
2 on this subject? Mr. Ball.

3 MR. BALL: Well, the resume given by Mr. Hortig and
4 the Attorney General is correct. We have had these meetings
5 and I have been present at two or three of them; and the prob-
6 lem is such -- they say it's a complex problem -- I don't
7 know whether you know the problem or not. In the past three
8 weeks since our office has been retained as special counsel
9 for the City, one member of our office has worked with the
10 City Attorney's office steadily in trying to just review the
11 file. There are, I think, six separate suits that were filed
12 in 1958, '9; there were trials; we have had consultations
13 with engineers; there are all kinds of contradictory facts to
14 consider and to evaluate.

15 Now, the first problem the City of Long Beach has is
16 to determine what its rights are and the only way it can do
17 that is to have its City Attorney advise its Council what the
18 facts are and what the legal problems are; and at the present
19 time neither the City Attorney nor I can express any opinion
20 whatever and we can't to this Commission.

21 This is a matter that's taken probably a year and a
22 half to study on behalf of the State and we have been on it
23 three weeks, and we just can't express an opinion and we have
24 said that to the Attorney General's office and the State Lands
25 Commission.

26 Last week we stated that it was probably to the interest

1 of the State as well as the City that no immediate action be
 2 taken until we can go into this matter. As to evidencing our
 3 good faith by taking some position, we can't take one now and
 4 I doubt very much whether the City Council can take a position
 5 on behalf of Long Beach.

6 I think we can avoid a law suit. I don't know whether
 7 we can or not -- I say frankly I don't know whether we can or
 8 not. I see many instances and places and facts where we
 9 differ from the Attorney General's office, yet we may be able
 10 to accommodate ourselves to them. Yesterday, for the first
 11 time, I understood the position of the Attorney General. I
 12 got an entirely different idea of the facts. I can't change
 13 my mind that fast.

14 I think it is to the interest of the State and City
 15 to take no action at this time. I think neither of us dares
 16 to cross the line. If that is the attitude of the Commission
 17 and we are in sympathy, I think it is best that we wait until
 18 we can come to an honest conclusion. I can see nothing but
 19 disaster if we don't. We are within two to four weeks of
 20 unitization. The managers are meeting regularly in Fault
 21 Blocks IV and V and we have already solved VI. We think the
 22 unitization of the field is of more importance to the State of
 23 California and the City of Long Beach than this law suit. If
 24 we were going to whip subsidence, I think both of us could
 25 forget a law suit, which involves proportionately so little
 26 compared to the amounts involved from unitization and

6
1 repressurization of the sands. That's about our situation.
2 We don't come up here and walk up here and beg you for any
3 favors. We are asking you to take the position that you are
4 a partner with us down at Long Beach.

5 There has been a slight difference of opinion as to
6 whether or not you control forty-seven oil wells or we do.
7 That difference of opinion can be settled in the future as
8 well as today, because there is no money being dissipated.
9 Every penny is going to the bonded indebtedness fund. It is
10 going to reduce the indebtedness of the City of Long Beach.
11 That's about where we stand.

12 MR. LEVIT: Does any member of the Commission wish to
13 ask Mr. Ball any questions or pursue the matter?

14 GOV. ANDERSON: Could you have an answer to this if
15 you were given another thirty-day continuance?

16 MR. BALL: That's a question that was asked me in
17 Sacramento and was asked Mr. Jacobson. I say this -- we
18 would be in a better position in thirty days than we are today
19 but I certainly wouldn't want to guarantee that I would come
20 to a definite opinion within thirty days. I'd say we would
21 be in a better position to talk about it. We are talking
22 about a pretty important policy here. We not only have to be
23 aware of the facts ourselves but we have to go to the City
24 Council and make the City Council aware of these facts and
25 what the problems of law are, because they are our clients
26 and have to make the ultimate decision on policy.

1 MR. LEVIT: It seems to me, Mr. Ball, that there is
2 somewhat a shift of position on the part of Long Beach today
3 with respect to what it was at the last meeting.

4 MR. BALL: There may be but remember I am expressing
5 my position as special counsel, Mr. Chairman, and in my posi-
6 tion as special counsel I am not bound by anyone except my
7 own opinion and as special counsel I have been asked to advise
8 Long Beach, and I cannot advise them today.

9 MR. LEVIT: What I am trying to say is -- at the last
10 meeting the Commission was given to understand that Long Beach
11 was very anxious not to have this law suit hanging in midair,
12 so to speak, and that if thirty days' extension were granted
13 there was a good chance the whole thing could be put out of
14 the way, or at least enough progress could be made so that we
15 could see where we were getting or not getting. It seems to
16 me we have retrogressed in the last thirty days rather than
17 otherwise, because whereas at the last meeting Long Beach
18 thought something could be accomplished in thirty days now
19 your opinion is that nothing can be accomplished.

20 MR. BALL: Perhaps I better amend that. It is not
21 quite as hopeless as you put it. I am sure when the Mayor
22 appeared before the Commission last month he was in good faith
23 when he said we could do something. He is just as anxious not
24 to have a law suit as you. As I say, both of us have too
25 much to lose. Long Beach would like to get this out of the
26 way because the threat of the law suit is prejudicing our

1 chances to unitize the field and it was pretty well expressed
 2 last week by Mr. Friedman when I said I couldn't give an
 3 opinion in thirty days and Mr. Jacobson said he couldn't give
 4 an opinion in thirty days, Mr. Friedman said he wanted us to
 5 give an opinion as soon as possible because he felt the threat
 6 of a law suit was prejudicing the unitization.

7 We are not asking for anything. In talking to our
 8 partners in the Harbor down there, we are talking over a
 9 problem of policy here. I don't want you to think we are sug-
 10 gesting that we delay our argument for six months or a year.
 11 I just want a reasonable length of time in which to find out
 12 what the facts are. That's all.

13 MR. LEVIT: What is the situation with respect to the
 14 repressurization progress? You said that you thought you
 15 were within two to four weeks of agreement.

16 MR. BALL: That's right, unless this threatened law
 17 suit prevents it. I don't know whether you are aware of the
 18 request of one of the operators for a clause in there which
 19 would be the same as a guaranteed title. We are not sure that
 20 will be pressed at this time, but it was suggested -- the
 21 clause was written up and Long Beach was requested to assent
 22 to it -- which, of course, we could not assent to.

23 MR. LEVIT: One other thought occurs to me. It does
 24 seem to me that it's feasible, if this matter is put over as
 25 you suggest, that whatever rights the State has or may have
 26 be preserved in the interim so that we don't get into a

1 situation where by reason of continual delay the State is
 2 simply putting the matter off because of one request after
 3 another. I am particularly impressed with this in view of
 4 the difference in the situation that exists now as compared
 5 with our last meeting.

6 As it was presented to us at the last meeting, we were
 7 told that the principal reason for haste in getting this thing
 8 determined was in order to clear the way for the repressuriza-
 9 tion agreements. Now, apparently there is a complete or almost
 10 a complete separation as between the two

11 MR. BALL: No, we still feel the same way.

12 MR. LEVIT: I know, but you say now -- all you are
 13 saying now is that you don't want a suit filed regardless of
 14 whether you reach an agreement or not; if a suit is not filed,
 15 even without agreement you will be able to complete the re-
 16 pressurization agreements. Once the repressurization agree-
 17 ments are completed, the entire picture between Long Beach and
 18 the State changes as it was presented to us at the last meet-
 19 ing, because there is no connection whatsoever and no particu-
 20 lar hurry. You say you are not asking for six months or a
 21 year, but it may very well be six months or a year because
 22 there is no hurry any more -- which is all right, I am not
 23 suggesting this is wrong, but I do think that if we are to delay
 24 enforcement of the State's rights which we have been instructed
 25 to pursue by the Legislature, that the very least that should
 26 be done is to have some sort of a stipulation so that this

1 delay will not prejudice the State's rights, so they can be
2 determined nunc pro tunc, if I can use a lawyer's way of
3 expressing this thing.

4 I know, by having had some preliminary talks with the
5 Attorney General prior to this meeting, that they also have
6 this point in mind and I am wondering if we shouldn't have
7 some early determination of that. How does Long Beach feel
8 about that?

9 MR. BALL: Well, that was suggested yesterday and Mr.
10 Jacobson talked about it this morning. That's a matter, of
11 course, of policy -- on which neither Mr. Jacobson or I can
12 make a determination; but I believe if we had in writing
13 exactly what you request then he and I could express ourselves
14 better. Is that correct? (turning to Mr. Jacobson) We
15 can't in general -- in other words, we feel that we cannot in
16 any way prejudice any defense Long Beach has at this time.

17 MR. LEVIT: No one is suggesting that, Mr. Ball. I
18 am inclined to agree with you. We can't talk in generalities.
19 The Attorney General should prepare a stipulation and submit
20 it to you, and we can find out very readily whether that will
21 be agreeable to you.

22 MR. BALL: Then we would submit that as a matter of
23 policy, because we have no control over that as counsel.

24 MR. LEVIT: There is no reason why final determination
25 on that point can't be reached before the next meeting?

26 MR. BALL: Oh, I am certain a decision on that can be

1 reached before the next meeting.

2 MR. LEVIT: What is the pleasure of the Commission
3 with regard to this?

4 GOV. ANDERSON: I see nothing wrong with giving them
5 another thirty-day extension if at that time we can be reason-
6 ably sure that we can come to it at that particular meeting;
7 but if it is going to drag on and on, I would just as soon
8 decide it today. I would like some assurance that we can
9 decide it next month.

10 MR. LEVIT: As I understand Mr. Ball, he is not in a
11 position to give us such assurance. He says it will take
12 longer than thirty days before he can tell the City of Long
13 Beach what he thinks its position should be. Is that right,
14 Mr. Ball?

15 MR. BALL: We feel like the Attorney General's office
16 does. Mr. Friedman was insistent that we come to an early
17 decision and I can see his reason, because he feels it is
18 prejudicing our progress in unitizing the field -- and I think
19 it is.

20 MR. LEVIT: I wouldn't like to leave that stand un-
21 contradicted. We were given to understand that it was Long
22 Beach -- both the Mayor and the City Council through the
23 Mayor made the presentation, or representation, to the Com-
24 mission at its last meeting that it was vital to get this
25 thing out of the way right away.

26 MR. BALL: I think they still feel the same way.

1 MR. LEVIT: But the way you said it, you left the
2 impression it was the Attorney General that was pushing the
3 thing and Long Beach was indifferent.

4 MR. BALL: No, I think the City Council of Long Beach
5 feel the same as they did last meeting and when I suggested
6 to Mr. Friedman at the meeting in Sacramento last week that
7 it would be impossible for me to set a deadline, say "In
8 thirty days I can give you an opinion," he then stressed the
9 importance of an opinion -- and I am inclined to agree.

10 MR. LEVIT: In the light of Governor Anderson's com-
11 ment what would be your position as to the action the Com-
12 mission should take at this time, if any?

13 MR. BALL: I would say this -- I would request the
14 Commission to put it over until the next meeting, but I
15 don't want to take the position now before the Commission
16 that by the next meeting Mr. Jacobson and I will have already
17 reported to the Council and have this already wrapped up,
18 because I can't do that.

19 MR. LEVIT: Actually there isn't anything more but I
20 would say at this time that outside of this stipulation that
21 we talked about a moment ago there isn't anything more that
22 the Attorney General or the Commission can do. The next move
23 is up to Long Beach because I understand the Attorney General
24 has spent the intervening time explaining the basis of the
25 position that the Attorney General feels is legally sound so
26 far as the State is concerned. So you have got our position

1 now. There is nothing else for us to do until you can come
2 back with something definitive from your side, then see if
3 the two views can be brought together.

4 MR. BALL: That's right.

5 MR. LEVIT: So perhaps if we put this over for thirty
6 days, we should have at least some further expression from
7 you as to "Where do we go from here?"

8 MR. BALL: That's right. I think we will be in a
9 better position to express our opinion at that time than we
10 are today, but if you would see the file of material a man
11 has to digest you wouldn't be surprised -- you couldn't put
12 it on this table -- just piles of material. In addition to
13 that, remember we are lawyers and we have to understand the
14 language of engineers. We have to get an education along
15 with our study. It's quite a job to analyze the problem.

16 I'd say this: Yesterday afternoon I learned quite a
17 bit from the afternoon I spent with the Deputies Attorney
18 General and they explained their theory and interpreted their
19 theory with their maps. I think we have made quite a bit of
20 progress in the last thirty days.

21 MR. CRANSTON: The extension was granted thirty days
22 ago at our last meeting, after strong representation by Long
23 Beach that they would do their best to bring it to a conclu-
24 sion at this meeting, and now you can't come to a conclusion --
25 all you have done so far is to go into the information.

26 MR. BALL: The City Attorney's office worked pretty

1 hard. (Sotto voce discussion between Mr. Ball and Mr.
2 Jacobson).

3 MR. BALL (continuing): Mr. Jacobson just reminded me
4 that we haven't submitted to the Attorney General all the
5 information that they have requested. We submitted some
6 engineering data yesterday. We haven't submitted all the
7 accounting data.

8 MR. CRANSTON: The principal reason for haste from
9 the State's point of view is that until action is started we
10 are losing rights from day to day as the statute of limita-
11 tions moves along with us, unless we file a suit or have a
12 stipulation as has been discussed.

13 If that stipulation can be worked out and presented
14 and accepted by us as something that is done thirty days
15 from now at our next meeting, if it accomplishes two things --
16 (1) preserves the potential rights of the State, in case our
17 view prevails for any part of this area, from the date of
18 the last meeting (I think it should be from the date of the
19 last meeting); and, secondly, it must be worked out that the
20 proceeds are not encumbered from now on -- on that basis,
21 I would be willing to go along for the thirty-day extension.
22 If that kind of stipulation is worked out in thirty days,
23 if the City needs more time there is no reason for haste and
24 we can reach a negotiation without suit. I would be prepared
25 to go ahead for thirty days if we can get a stipulation on
26 that basis.

1 MR. BALL: Mr. Jacobson and I worked on that this
 2 morning. As to the second one, as to whether or not the funds
 3 are being encumbered, Long Beach has a bonded indebtedness of
 4 about thirty million dollars and it is being applied on the
 5 bonded indebtedness. So the money is not being dissipated.

6 MR. CRANSTON: It is not being dissipated from your
 7 point of view, but what about the State's point of view?

8 MR. BALL: If Long Beach reduces its bonded indebted-
 9 ness, it would be that much better able to pay any judgment
 10 against them. That was my position yesterday when the sug-
 11 gestion was made.

12 MR. LEVIT: I think that would depend -- our position
 13 on that would depend largely on the advice we received from
 14 the Attorney General, as to whether the stipulation that is
 15 worked out is one that does fully protect the State's rights.
 16 Well, Governor, do you wish to add anything?

17 GOV. ANDERSON: No. I'd make the motion that we
 18 grant them the thirty-day extension, with the understanding
 19 that the requests of Mr. Cranston be put in there, in the
 20 motion.

21 MR. LEVIT: It seems to me in view of our discussion
 22 the motion could be to continue the matter thirty days.

23 GOV. ANDERSON (to Mr. Cranston): You'd feel better
 24 if we had the statute of limitations go back to the last
 25 meeting?

26 MR. CRANSTON: I think that would be implicit -- that

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we do have to have a stipulation from the Attorney General of that precise nature.

MR. LEVIT: I think they understand what we are thinking about and that the Attorney General and Mr. Ball's office and the City Attorney's office are advised of our position.

MR. CRANSTON: I second the motion for a thirty-day extension, with the understanding that it is based on the record we have just established in the light of our discussions on this.

MR. LEVIT: Are you ready for the question? All in favor say "Aye." (Unanimously carried) Extension is granted for thirty days.

(Balance of calendar continued on next page)

1 MR. LEVIT: If it is agreeable to the Commission, I
2 would like for the convenience of the people from Long Beach
3 that are here to dispose of the other Long Beach matters
4 that are on the calendar. This brings us to item 5 on page
5 4, which involves approval of the City of Long Beach projects.
6 Do you want to run down those, Mr. Hortig?

7 MR. HORTIG: Yes sir. If the Commission will note,
8 the project items enumerated on pages 28 through 45 of the
9 calendar are all of a type, in that they represent projects
10 in which the City may ultimately be entitled to a share of
11 the subsidence expense expended to be deducted from the
12 amounts of money to be returned to the State pursuant to
13 Chapter 29. These projects all are intended to run through
14 the major portion or beyond the next fiscal year. The
15 majority of the projects are already in effect and have run
16 during the preceding year and in order that there may be com-
17 pliance with Chapter 29, which requires that the City have
18 advance approval before the expenditure of any funds on a
19 project involving subsidence alleviation, these projects are
20 being referred to the Commission at this time en bloc for
21 advance approval for the fiscal year 1959-'60.

22 All projects are subject to the standard conditions
23 which the Commission has previously established, that the
24 amounts allowed to the City of Long Beach ultimately as
25 subsidence costs as the State's share will be subject to
26 engineering review and after the project is completed in fact.

1 Therefore, it is recommended that the projects appear-
2 ing on pages 28 through 45 be granted the same approval by
3 the Commission, as an advance authorization for the fiscal
4 year 1959-'60.

5 MR. CRANSTON: I so move.

6 GOV. ANDERSON: Second.

7 MR. LEVIT: We have a motion to approve the projects
8 (a) through (m) of item 5. Is there any discussion in con-
9 nection with this motion? (No response) If not, the motion
10 is adopted by unanimous consent of the Commission.

11 Now, that brings us to the supplemental item on the
12 calendar, which is, I suppose, item 13.

13 MR. HORTIG: Page 57.....

14 MR. LEVIT: Page 57, yes.

15 MR. HORTIG: ... of your calendar, gentlemen.

16 MR. LEVIT: This is a request which was submitted in
17 April by Long Beach to approve expenditure of the City's
18 share of tideland revenues for maintenance and operation of
19 tideland beaches. The amount of proposed expenditure was
20 \$542,000-plus. This is supposed to be the estimated cost of
21 maintaining beaches in Long Beach during the year '58-'59.

22 The matter was submitted to the Attorney General for
23 legal opinion and, as you are all aware I am sure, the Attorney
24 General did under date of June the 17th render his opinion
25 on this subject, in which he held quite definitely and
26 specifically that such expenditures were within the trust

1 purposes and were proper. This (I am assuming that the
2 Commission accepts the opinion) leaves for determination the
3 amounts of expenditures which are appropriate; and aside from
4 any other factors, I assume it would involve some staff
5 review in connection with the fact that these moneys are
6 expended on tideland beaches and not on upland beaches, be-
7 cause the Attorney General specifically points out that only
8 the former and not the latter expenditures would be proper.

9 Mr. Hortig, would you care to state what action, if
10 any, the Commission should take now in regard to this matter?

11 MR. HORTIG: There is no action by the Commission
12 recommended today, Mr. Chairman. This matter was brought to
13 the attention of the Commission as to its status as a result
14 of a request from numerous sources, so that everyone would
15 be aware that the Commission was aware of the existence both
16 of the Attorney General's opinion and the fact, as recited in
17 the calendar item, that staff reviews are in process to
18 determine proper proportions of the area on which funds may
19 be authorized by the Commission; and on completion of those
20 reviews, which are being conducted cooperatively by the City
21 of Long Beach and the staff of the Commission, there will be
22 a recommendation.

23 MR. LEVIT: Is there any discussion with respect to
24 this item? Mr. Ball.

25 MR. BALL: Long Beach would request, if possible, the
26 Commission should take some action today on the matter of the

1 principle involved in the Attorney General's opinion; and as
2 a practical matter it is important to us because this is
3 budget time and we wondered whether or not the Commission
4 could authorize, subject to audit, an expenditure at this
5 time from tideland funds. That would establish the principle
6 which we would like to have established by Commission order.
7 At the same time, it would not handicap the staff because,
8 as in subsidence expenditures, they audit the expenditures of
9 the City and if there is too much it is repaid; if it is too
10 little it is withdrawn.

11 MR. LEVIT: Wouldn't it be sufficient for your pur-
12 poses, Mr. Ball, if the Commission would adopt that it is
13 the consensus of the Commission that the Attorney General's
14 opinion on the matter of the propriety of these expenditures
15 be approved by the Commission and we will await a further
16 report as to details?

17 MR. BALL: Well, that would satisfy one of our requests
18 but we would also like to consider this in our budget; other-
19 wise we would have to budget over a half million dollars for
20 beach maintenance.

21 MR. HORTIG: If I may add at this point, Mr. Ball's
22 point is advance approval under Chapter 29 or else the City
23 cannot recoup these funds.

24 MR. LEVIT: Will you outline the form of resolution
25 the Commission would adopt?

26 MR. HORTIG: If the Commission would desire, it would

1 appear to be appropriate to authorize expenditures not to
 2 exceed the amount initially applied for, the amounts actually
 3 to be granted to the City of Long Beach to be determined by
 4 the Commission upon an engineering review and final audit
 5 subsequent to the time when the beach maintenance work on
 6 authorized beaches is actually completed, in other words at
 7 the end of the next fiscal year.

8 MR. LEVIT: Is that what you have in mind?

9 MR. BALL: That would be satisfactory.

10 MR. JACOBSON: Fine.

11 MR. CRANSTON: I move we do what the staff suggests.

12 GOV. ANDERSON: Second.

13 MR. LEVIT: The motion is to adopt the resolution as
 14 outlined by Mr. Hortig and you will put that in the proper
 15 form in the Commission's minutes. If there is no objection,
 16 that will be the order by unanimous consent of the Commission.

17 Now, the only other item that I know of that relates
 18 to Long Beach would be item 15, which would be the fixing of
 19 the time and place of the next meeting of the Commission;
 20 and the suggestion of the staff is that this be held on
 21 Thursday, the 30th of July, at 9 a.m. in Sacramento. Is
 22 there objection to so fixing the next meeting of the Com-
 23 mission?

24 MR. HORTIG: The date is in accordance with the
 25 general schedule heretofore established by the Commission.
 26 The only subject under question is the location of the

1 meeting. Now, there is a precedent or policy that previous
 2 Commissions have, because of the wide geographic range of
 3 interest, alternated meetings outside of legislative session
 4 between Sacramento and Los Angeles. Meeting today in Los
 5 Angeles, under that schedule it would appear appropriate,
 6 unless there were extenuating circumstances, to have the
 7 next meeting in Sacramento.

8 GOV. ANDERSON: Wouldn't it be better on the Long
 9 Beach situation to have the meetings down here until that is
 10 cleared up?

11 MR. LEVIT: Well, it's perfectly all right with me.
 12 I don't anticipate anything too definitive to happen at the
 13 next meeting.

14 GOV. ANDERSON: I would prefer the next meeting down
 15 here.

16 MR. LEVIT: How do you feel about it (to Mr. Cranston)?

17 MR. CRANSTON: It is more convenient for me in
 18 Sacramento, but I am agreeable.

19 GOV. ANDERSON: All right -- you decide.

20 MR. LEVIT: In view of the Governor's request, the
 21 next meeting will be in Los Angeles on the same date --
 22 July 30th, nine a. m.

23 MAYOR KEALER: For the record, I am Raymond Kealer,
 24 Mayor of Long Beach. I want to sincerely express our appre-
 25 ciation for the cooperation we are getting from the Honorable
 26 Chairman and members of the Commission on this matter that is

1 so vital to us. We are working in good faith. We will
2 work diligently. We will do our best to come up with some-
3 thing that can be worked out. We want you to know we are not
4 dragging our feet whatsoever.

5 In closing, I am just expressing on behalf of the
6 City our appreciation for your cooperation.

7 MR. JACOBSON: Mr. Chairman, may we be excused now?
8 I believe that constitutes our attendance.

9 MR. LEVIT: Yes.

10 MR. JACOBSON: Thank you very much.

11 MR. LEVIT: We will return to item 2 on the agenda,
12 which involves permits, easements and rights-of-way to
13 public agencies without fee. Mr. Hortig?

14 MR. HORTIG: The authorizations recommended in the
15 calendar items appearing on pages 1 through 5 are, as the
16 Chairman stated, for easements, permits, rights-ofway without
17 fee to public agencies -- which, pursuant to statute, may be
18 issued at no fee and the purpose of issuance actually primarily
19 is that the State may have an adequate record of the type and
20 extent of occupancy of State-owned lands. It is recommended,
21 therefore, that these authorizations as outlined on calendar
22 pages 1 through 5 be granted as recommended.

23 GOV. ANDERSON: So move.

24 MR. CRANSTON: Second.

25 MR. LEVIT: The five items under number 2 will be
26 approved by unanimous consent of the Commission.

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Item 3 -- permits, easements, leases, and so forth issued pursuant to statute and the general rental policies established by the Commission.

MR. HORTIG: In this series, Mr. Chairman, appearing on calendar pages 6 through 19, there are only two unique situations -- not non-standard, but unique in that they don't occur with the frequency of the other easements and rights-of-way that appear on the calendar. First, referring to the item on page 6, is a proposal for issuance of a mineral extraction lease pursuant to established rules, regulations and statutes to the high and only bidder, Pacific Gas and Electric Company, who offered a royalty bid of three cents per cubic yard for all fill material extracted from State tide and submerged lands, which bid was equal to the minimum advertised bid.

Similarly, on page 14, Moe Sand Company offer a minimum royalty of four cents a cubic yard for sand to be extracted from shoal areas in San Francisco Bay.

The second situation which is not of frequent recurrence is outlined on pages 11 and 12, wherein it is recommended that a waiver of operating requirements be granted on two mineral extraction leases because of the low grade of ore and the low prices on chrome ore. It is the desire of the lessee to suspend operations at this time and it is hoped that operation may become feasible when the market is more favorable. It is desired to suspend operations, paying the

1 annual rental.

2 The balance of the easements and permits outlined in
3 pages 6 through 17 relate to standard right-of-way easements
4 and prospecting permits and are completely in accord with
5 standard forms, rules, regulations, and statutory require-
6 ments.

7 The item appearing on pages 18 and 19 relates to pro-
8 posed modification or clarification of language which appears
9 in a pooling agreement to which certain State lands in Sacra-
10 mento County under arms of the Sacramento River are subject,
11 the problem having arisen thatⁱⁿ/the language as it is now
12 being interpreted at this late date (in the agreement which
13 was entered into in June 1958) there has arisen a presumption
14 of possibly paying royalty for gas or forcing production even
15 at a time when there is no market, and the purchases in the
16 area are made by the only purchaser of wholesale gas based
17 upon demand when there are periods of demand; and the purpose
18 of the amendment is merely to clarify the language and remove
19 the necessity for operation, so that royalty will still be
20 payable at any and all times when gas is actually extracted
21 from the land.

22 GOV. ANDERSON: What area is this in?

23 MR. HORTIG: This is in Sacramento County on the lower
24 Sacramento River, east of the Rio Vista gas field.

25 GOV. ANDERSON: How far is it?

26 MR. HORTIG: Physically, within five miles and involves

1 the Mokelumne River and tributary sloughs between that river
2 and the Sacramento River. In other words, the State lands
3 are water-bound lands. They were included originally in a
4 lease issued according to public bidding. They were included
5 in a unit agreement which has the main feature as to the gas
6 removed from the State lands that the minimum royalties which
7 would have been payable under the State lease are still
8 applicable to the unit agreement. So for royalty purposes,
9 this operation for the benefit of the State will still be
10 continued, just as though the lands were still under a
11 separate lease, except the efficiency of the wells is enhanced
12 and the marketing is facilitated.

13 MR. LEVIT: Any discussion regarding any of these items?
14 (No response) If not, a motion that they be approved will be
15 in order.

16 GOV. ANDERSON: So move.

17 MR. CRANSTON: Second.

18 MR. LEVIT: Permits (a) through (1) in item 3 will be
19 approved by unanimous consent of the Commission.

20 Item 4 -- sales of vacant State school lands.

21 MR. HORTIG: The items appearing on calendar pages 20
22 through 27 all reflect high bids equal to or in excess of
23 the appraised value and the minimum value required in the
24 bidding. The complete funds have been deposited for the
25 acquisition of these lands and it is recommended that the Com-
26 mission authorize the sales in accordance with the recommendation

1 as outlined on calendar pages 20 through 27.

2 I wish to call the attention of the Commission specif-
3 ically to pages 24 and 25, which represent the consummation
4 of the sales pursuant to bid for which the Commission here-
5 tofore granted deferments to Mr. Shaw.

6 MR. SMITH: There will be one more item on the July
7 calendar.

8 MR. HORTIG: The last of the bids.

9 MR. LEVIT: What is the pleasure of the Commission?

10 GOV. ANDERSON: I move.

11 MR. CRANSTON: Second the motion.

12 MR. LEVIT: The sales in items (a) through (g) of
13 number 4 will be approved by unanimous consent of the Commis-
14 sion.

15 Number 6 (we have already taken up number 5) is author-
16 ization for the Executive Officer to write to the Secretaries
17 of Defense, Army and Navy, to request that regulations per-
18 taining to operations in the proposed restricted area between
19 Point Sal and Point Conception, Santa Barbara County, be
20 withheld until the interested State agencies can establish
21 grounds for a mutually satisfactory operating program with
22 Federal agencies, and authorization to so inform the Depart-
23 ment of Fish and Game and Small Craft Harbors Division.

24 As I understand it, you did previously, Mr. Hortig,
25 advise the Federal government of the interest of the State in
26 the proposed regulations?

1 MR. HORTIG: The State Lands Commission, pursuant to
 2 your directive, advised the Corps of Engineers, U. S. Army,
 3 who proposed to adopt restrictive regulations relating to
 4 certain State lands. The other State agencies, specifically
 5 Fish and Game and Small Craft Harbors Division, also ob-
 6 jected on the pre-emption of State rights over the particular
 7 lands.

8 The form of notice did not indicate originally that
 9 anyone was going to be given an opportunity to have a hearing
 10 on the appropriateness of the rules and regulations, but as
 11 a result of the numerous objections which were filed both by
 12 the State and interested industrial groups, primarily oil
 13 and gas operators as well as commercial fisheries, as well as
 14 private fishermen, an informal conference was held with the
 15 Corps of Engineers, at which conference it developed that the
 16 representatives of the Navy who had requested these regula-
 17 tions after hearing my presentation on behalf of the problems
 18 of the State Lands Commission said: "Oh, we didn't think of
 19 that."

20 So, immediately thereafter there was a directive that
 21 the entire matter be forwarded to Washington to higher auth-
 22 ority for further consideration and conclusion. Two weeks
 23 ago I was in Washington, D.C. and called on the Corps of
 24 Engineers to determine what they did. They, in fact, had
 25 the material there and were considering it. We were informed
 26 it was under consideration and there were no conclusions and

1 on my return to Los Angeles I read in the Los Angeles Times
 2 a quotation attributed to Rear Admiral Jack Monroe, commander
 3 of the Pacific Missile Range, for whom these lands were being
 4 sought, saying he did not know any opposition to the closing
 5 was still being expressed.

6 So in view of the fact that something has either been
 7 lost in transmission or is not of record, I feel it is im-
 8 perative that the Commission be on record with the top
 9 authority in Washington to get them to do the only thing we
 10 feel is proper to do -- rather than close down the area, to
 11 at least have all the State's and the military's problems
 12 considered before any regulations are promulgated.

13 The proposed regulations, as they were drafted, were
 14 complete authority to close down roughly 120 ^{square miles} ~~acres~~ of tide
 15 and submerged lands to everyone, and close everyone out. We
 16 feel this would not only be a hazardous precedent; but, oddly
 17 enough, in the particular area it encompasses one of the three
 18 petroleum basins in California and the one that has been
 19 probably least explored to date and therefore can be assumed
 20 to be an area of potential necessary exploration in the near
 21 future.

22 Based on inaction by the State and lack of protest,
 23 we have found ourselves faced with Federal regulations for-
 24 bidding any entrance into the area whatsoever and this, we
 25 think, is improper.

26 MR. LEVIT: I am just wondering if we are putting

30
1 this thing on the proper level even now. It might even be
2 advisable for the Governor to address a letter to perhaps
3 the President to call attention to this problem, so there
4 won't be any more getting lost.

5 MR. HORTIG: If I may suggest, Mr. Chairman, since
6 the preparation of the calendar I have received an informa-
7 tion copy from the Department of Fish and Game, from the
8 Director of Fish and Game, in which the Director has addressed
9 the problem to the Governor, with the suggestion that the
10 Secretary of Defense be informed of this. So it would appear
11 possibly desirable for a combination of these factors and if
12 the Commission wishes we could certainly redirect this to
13 the top or have a combination of both.

14 GOV. ANDERSON: I would think our Executive Officer
15 should notify him at the same time.

16 MR. LEVIT: That sounds like a good idea, I think,
17 if there is no objection -- that you write such a letter;
18 that you then forward a copy of it to me, together with a
19 draft of a letter that the Governor might send to President
20 Eisenhower in relation to it.

21 MR. HORTIG: Yes sir.

22 MR. LEVIT: All right. We have taken care of that
23 item.

24 The next item is number 7 -- proposed annexations and
25 this involves determination of values on property?

26 MR. HORTIG: To an extent. In view of earlier

1 annexations within city limits of tide and submerged lands
2 without any consideration as to the ultimate use or the com-
3 plications of ultimate use of such lands, the Legislature
4 in either 1957 or 1958 required that thereafter in any such
5 annexations the annexing authority must secure an evaluation
6 of the tide and submerged lands from the State Lands Commis-
7 sion, together with any objections or protest by the State
8 Lands Commission.

9 In the event of uninhabited tide and submerged lands
10 being annexed, the prior annexation statutes only provided
11 for protest by inhabitants and we have no inhabitants gener-
12 ally on our tide and submerged lands, so usually a substantial
13 proportion of the area proposed to be annexed had no voice in
14 the annexation proceedings.

15 In the three instances outlined in calendar pages 48,
16 49 and 50 for Redwood City and Menlo Park, there are proposed
17 to be annexed tide and submerged lands in San Francisco Bay
18 for which the staff cannot recommend any basis for objection
19 to annexation by the State Lands Commission; and appraisals
20 have been prepared in accordance with statutory requirements
21 and authorization is requested to forward these evaluations
22 to these respective cities in order that they may complete
23 their annexation proceedings.

24 MR. LEVIT: What would be the basis on which the State
25 might object to annexations of this kind?

26 MR. HORTIG: There could be consideration of economic

1 detriment to existing or offered gas leases -- not in San
 2 Francisco Bay, but this is the general reason. There have
 3 been obvious attempts along the Pacific Coast, in areas which
 4 are potentially oil and gas bearing, for some municipalities
 5 to foresee the desirability of including such areas within
 6 their city limits in order to have an additional tax base
 7 and without the obligation to give any service. Ordinarily,
 8 the lessee of the State lands receives no municipal service
 9 but gets a tax bill.

10 In those areas where this is a real threat or it is
 11 in existence, it must be obvious that the future bidder for
 12 State oil and gas leases simply has to condition his bid to
 13 the State by subtracting the amount of municipal taxes he
 14 must pay.

15 MR. LEVIT: Any objections?

16 MR. HORTIG: We have not had heretofore -- we have
 17 not had any question, but we have evaluated all these lands
 18 on the basis of a condition Governor Anderson raised at
 19 another meeting. By this means we are not forcing people on
 20 the uplands to accept without objection. The protests to be
 21 effective are to be based on 51% of the value and in most
 22 instances the value of the State Lands constitutes that.
 23 Therefore, if there were 5% that were objecting, and meri-
 24 toriously so, they might find themselves swallowed up in
 25 annexation by lack of objection by the State Lands Commission.
 26 Fortunately, none have been filed.

1 MR. LEVIT: Any comments in regard to items (a)
2 through (c) of number 7? (No response) Motion to be
3 approved will be in order.

4 MR. CRANSTON: So move.

5 GOV. ANDERSON: Second.

6 MR. LEVIT: That will be the order by unanimous
7 consent of the Commission.

8 Item 8 is an approval of termination of efforts to
9 collect royalties under a prospecting permit in Stanislaus
10 County amounting to \$1,029.06; also to deny any future permits
11 or leases to the lessee; and for making application to the
12 Board of Control for discharge of accountability. In other
13 words, we are owed roughly a thousand dollars by this lessee
14 and we tried to collect it and haven't been able to do so,
15 so now we are going to blacklist him and stop trying to col-
16 lect it any more?

17 MR. HORTIG: This is the proposal because the lessee
18 is insolvent. If we did succeed, and probably could, in
19 securing a judgment against him, the question is whether we
20 would be tenth or fifteenth in unsatisfied judgments already
21 outstanding (something of that magnitude) and because of the
22 cost to the Commission for the legal services to go through
23 this, it is agreed by the office of the Attorney General it
24 would exceed what we could hope to get out of it, even if the
25 possibilities of recouping weren't as dismal as they are in
26 this particular instance.

1 MR. LEVIT: All right. Are there any questions or
 2 comments with regard to number 8? Number 9 -- we will
 3 pass on to these other items and handle them together. Let
 4 the record show that Governor Anderson is excused and will be
 5 replaced by Mr. Zweiback.

6 Number 9 -- authorization to enter into an agreement
 7 for reproduction service for the '59-'60 fiscal year with
 8 Metropolitan Blueprint Company at a cost of not to exceed
 9 \$5,000.

10 MR. HORTIG: Technically, reproduction services for
 11 the Commission are conducted by a contractor with a contract
 12 issued pursuant to low bid for each fiscal year. Metropolitan
 13 Blueprint was the low bidder, have been for several years, have
 14 rendered satisfactory service to the Commission.

15 The Executive Officer is authorized to approve con-
 16 tracts only up to a limit of \$2,000, therefore this is brought
 17 to the Commission for authorization

18 MR. LEVIT: Any questions on number 9? (No response)

19 Number 10 -- authorization to make a service agreement
 20 or agreements with Keplinger & Wanenmacher and with Herman
 21 Kaveler for consulting services respecting oil and gas leas-
 22 ing for the '59-'60 fiscal year. Dr. Kaveler is from
 23 Oklahoma?

24 MR. HORTIG: Both firms are from Oklahoma, sir, and
 25 were the group selected by the prior Commission to render
 26 technical services to the Commission. There will be no

1 commitment for minimum utilization of these firms under
 2 these contracts. It will be a case of if the Commission
 3 felt the need of their services we could use them and we
 4 would then not have to initiate the proceedings of having a
 5 service contract approved by the Personnel Board, Director
 6 of Finance, etcetera, all of which would take time. When
 7 we need services

8 MR. LEVIT: In other words, you specify a price in
 9 the service agreement?

10 MR. HORTIG: Per day and a maximum amount, and there
 11 will be no guarantee there will be services required. This
 12 will also be helpful to the Department of Finance. They can
 13 borrow

14 MR. LEVIT: Yes, we used Dr. Kaveler in the last session.

15 MR. HORTIG: I am citing that as a circumstance which
 16 may be of advantage over and above simply the Lands Commission
 17 having these people under contract.

18 MR. LEVIT: Any questions on number 10? (No response)

19 Number 11 -- to declare ... pardon me, did you have a
 20 question?

21 MR. ZWEIBACK: Yes, I wonder if we could get the
 22 brochure on these gentlemen, to be sure they are capable
 23 people?

24 MR. HORTIG: We will be very happy to send you copies.

25 MR. LEVIT: Number 11 -- to declare the salary for
 26 the position of Executive Officer open for adjustment as of

1 July 1, 1959, to allow for possible adjustment later on the
2 basis of State Personnel Board adjustments for comparable
3 classes. Why is this resolution necessary? I know what it's
4 about. I understand what you are talking about, but why do
5 we have to adopt any resolution on it?

6 MR. HORTIG: The State salaries for exempt positions
7 in civil service cannot be adjusted retroactively. It is
8 assumed -- it has already been assumed by the Personnel Board
9 that civil services classes should receive increases effective
10 July 1st. If the Commission at a later date, after a
11 review of salaries for exempt positions approved by the
12 Director of Finance should (I hope) look with favor upon an
13 increase for the Executive Officer, this raise or increase
14 could not be effective as of July 1, 1959 unless the Commission
15 takes this action to declare the range open for adjustment
16 as of July 1.

17 MR. LEVIT: Let me take a look at the resolution.

18 MR. HORTIG: This has been standard, I might say, every
19 time the Governor's budget has included funds and the
20 Personnel Board has allocated such funds to civil service
21 classes in the years past.

22 MR. LEVIT: Well, I think it's clear from the presentation
23 of it that the Commission is not taking any position on
24 it at this time and it's merely a technical action so that
25 if and when the Commission does take action it can be made
26 retroactive to July first if the Commission so desires.

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MR. HORTIG: That is correct.

MR. LEVIT: Any questions in connection with number 11?
(No response) A motion to approve items 8, 9, 10 and 11 will be in order.

MR. CRANSTON: I so move.

MR. ZWEIBACK: Second.

MR. LEVIT: That will be the order by unanimous consent of the Commission.

Number 12 is a report on the status of major litigation. Anything on that, Mr. Hortig?

MR. HORTIG: Nothing new, beyond what is listed on calendar page 56, which you gentlemen have already read; and this requires no action by the Commission at this time.

MR. LEVIT: Any comments or questions in regard to this item? (No response) Is there anything further to come before the Commission?

MR. HORTIG: Not from the staff, sir.

MR. LEVIT: If not, the meeting is adjourned.

ADJOURNED 10:20 A.M.
