MEMBERS PRESENT

Kenneth Cory, Chairperson, State Controller
Susanne Morgan, representing Mary Ann Graves, Director of Finance, Commissioner
David Ackerman, representing Mike Curb, Lieutenant Governor, Commissioner

STAFF PRESENT

William Northrop, Executive Officer
R. S. Golden
James Trout
Gary Horn
Robert Hight
Diane Jones, Secretary
Mr. Thompson

ALSO PRESENT

N. Gregory Taylor
Sue Wylie, Deputy Attorney General
Jan Stevens, Deputy Attorney General
<table>
<thead>
<tr>
<th>Indexesa</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceedings</td>
<td>1</td>
</tr>
<tr>
<td>Approval of Minutes</td>
<td>1</td>
</tr>
<tr>
<td>Executive Officer Report</td>
<td>1</td>
</tr>
<tr>
<td>Solar Pond Project</td>
<td>1</td>
</tr>
<tr>
<td>Severance Tax</td>
<td>2</td>
</tr>
<tr>
<td>Staff Report on State Coastal Commission</td>
<td>4</td>
</tr>
<tr>
<td>Consent Calendar, Items Cl through Cl5, excluding Cl5-8</td>
<td>7</td>
</tr>
<tr>
<td>Cl5-8</td>
<td>7</td>
</tr>
<tr>
<td>Agenda Item 16</td>
<td>8</td>
</tr>
<tr>
<td>Agenda Item 17</td>
<td>18</td>
</tr>
<tr>
<td>Agenda Item 18</td>
<td>19</td>
</tr>
<tr>
<td>Agenda Item 19</td>
<td>22</td>
</tr>
<tr>
<td>Agenda Item 20</td>
<td>51</td>
</tr>
<tr>
<td>Agenda Item 21</td>
<td>52</td>
</tr>
<tr>
<td>Agenda Item 22 (off calendar)</td>
<td></td>
</tr>
<tr>
<td>Agenda Item 23</td>
<td>53</td>
</tr>
<tr>
<td>Agenda Item 24</td>
<td>53</td>
</tr>
<tr>
<td>Agenda Item 25</td>
<td>53</td>
</tr>
<tr>
<td>Agenda Item 26</td>
<td>57</td>
</tr>
<tr>
<td>Agenda Item 27</td>
<td>57</td>
</tr>
<tr>
<td>Agenda Item 28</td>
<td>57</td>
</tr>
<tr>
<td>Agenda Item 29</td>
<td>57</td>
</tr>
<tr>
<td>Agenda Item 30</td>
<td>58</td>
</tr>
</tbody>
</table>

---

*a Note: The table represents an index of contents, not the actual content of the document.*
## Index (continued)

<table>
<thead>
<tr>
<th>Agenda Item</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>58</td>
</tr>
<tr>
<td>32</td>
<td>67</td>
</tr>
<tr>
<td>33</td>
<td>67</td>
</tr>
<tr>
<td>34</td>
<td>67</td>
</tr>
<tr>
<td>35</td>
<td>68</td>
</tr>
<tr>
<td>36</td>
<td>77</td>
</tr>
<tr>
<td>37</td>
<td>80</td>
</tr>
<tr>
<td>38</td>
<td>97</td>
</tr>
<tr>
<td>39</td>
<td>98</td>
</tr>
<tr>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>41</td>
<td>100</td>
</tr>
<tr>
<td>42</td>
<td>101</td>
</tr>
</tbody>
</table>

### Legislative Bills

- Agenda Item 39 -- Closed Executive Session: 100

### Adjournment

- Adjournment: 100

### Certificate of Reporter

---00---
PROCEEDINGS

CHAIRPERSON CORY: Call the meeting to order.
Are there any questions or additions to the
minutes of the meetings of March 5th and March 18th?
Without objection, they will be adopted as
presented.

Executive Officer, do you have a report?

EXECUTIVE OFFICER NORTHROP: Yes, Mr. Chairman,
two items. One is the Solar Pond Project --

CHAIRPERSON CORY: Move with some alacrity
because we have two legislators waiting for the first
item on the calendar, and I'd like to get through --
three. Wow, somebody came in without me knowing it. Okay.
We'd like to get to that and we'd like to get through the
formalities rather quickly if we can.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman and
Members, the first item is the Solar Pond Project. Pursuant
to the Commission's November 1980 request, one million
dollars was included in the Governor's proposed budget,
1981-82, from the Energy and Resources Fund for a
demonstration solar pond power plant at Owens Lake. At the
same time, the Commission sought an additional one million
dollars for the project from the Federal Government. Since
then, three significant events have occurred. The first one
The feasibility study has found Owens Lake to be a highly attractive site for the project, and has estimated its cost at $2.7 million. Following the Los Angeles Department of Water and Power’s commitment to fund $750,000 of the project and Inyo County’s agreement to provide an access road and visitor overlook to it, the request for the State’s contribution was amended to $2 million, eliminating the need for federal funds. We have been informed by the Department of Finance that because of cancelled ERF projects, this new request has been accommodated.

The second item, Mr. Chairman and Members, is the Severance Tax. The Assembly Revenue and Taxation Committee held a hearing last week on AB 19 and ACA 1. This bill and constitutional amendment would substitute a severance tax for the advalorem tax on oil and gas mining rights. The Revenue and Tax Committee is planning to form
task force to gather data and State Lands has been asked to participate. So with your permission, we will proceed on that next task force.

CHAIRPERSON CORY: Questions from Commissioners?

MR. ACKERMAN: Was the additional million dollars from General Fund?

EXECUTIVE OFFICER NORTHROP: No. From the ERF Fund, which is a spin-off of the tidelands revenue.

CHAIRPERSON CORY: Like a nerf ball.

MR. ACKERMAN: Energy Resources Fund?

EXECUTIVE OFFICER NORTHROP: Energy Resources Fund, right.

CHAIRPERSON CORY: Any other questions from Commissioners?

MS. MORGAN: What's the timing on that project?

EXECUTIVE OFFICER NORTHROP: We plan on going -- Dan, are you here? The timing on the project?

MR. GORFAIN: Completion in 1982 or '83. It's a quick project.

EXECUTIVE OFFICER NORTHROP: We'll get it done way ahead of any other projects.

CHAIRPERSON CORY: It should be operational before anyone else can come on line, and that can be used to extrapolate forward the next increment.
MS. MORGAN: I think we have quite a selling job to do in the Legislature on this project.

CHAIRPERSON CORY: We aren't doing a very good job by making them wait for the item they want.

EXECUTIVE OFFICER NORTHROP: That completes my report, Mr. Chairman.

CHAIRPERSON CORY: Okay. Staff report on the Coastal Commission, Dick.

MR. GOLDEN: Yes, Mr. Chairman. As your representative on the State Coastal agencies, I have a very brief report here.

Mr. Chairman, I'll go through it rapidly.

On the Coastal Commission on June 30, 1981, the Regional Commissions are to be abolished and the State Commission with a revised membership will take over the workload. Numerous bills are in the Legislature to modify policies of the Coastal Act. The State Commission is seeking to arrive at a unified position with the League of California Cities.

Scheduled for major revision are the housing policy and procedural matters related to processing local coastal programs. Under consideration are changes which would remove Coastal Commission original permitting jurisdiction over public trust lands and place it in local government. This proposal may present major problems for
State Lands. If enacted into law, we would be required to segregate patented tidelands from ungranted tide and submerged lands which would still remain under their original Coastal Commission permitting jurisdiction. The splintering of jurisdiction can also make it much more difficult to review projects which might adversely offset public trust interests such as reviewing projects to ensure they don't encroach upon State-owned sovereign lands.

Now, turning to San Francisco Bay Conservation and Development Commission, there are several items of concern to BCDC that are likewise of concern to State Lands. First of these are projects arising from Anza Liquidation Trust in the bay front area of Burlingame. BCDC has a hundred-foot shoreline band jurisdiction which calls for maximum feasible public access. When State Lands entered into a boundary line agreement with Anza in 1969, one condition was the creation of a lagoon opening to the bay. By virtue of this action, BCDC gained shoreline jurisdiction around the lagoon. Up until now as projects sites are sold by Anza to private developers, access requirements are measured against the particular project. Now BCDC is changing the approach and they are now considering the whole project of Anza's as a project and demanding a master plan. However, most of Anza's lands are already sold leaving a high percentage of state leased lands to be incorporated
into the project. Thus our parcels will probably end up as those dedicated to public access while Anza's parcels will carry the development and obtain the revenue benefits. We are working to prevent an unfair treatment of our lands in this instance.

Extended public hearings have been held on use designations of lands at Hamilton Air Force Base, if and when they are conveyed out of federal ownership. As you know, we have a suit pending to quiet title to State claimed lands which were taken by the Air Base when it was being expanded. Marin County has been embroiled in extensive controversy relative to uses. The Bay Plan designated the area as airport priority use, which is at odds with Marin County's wishes. BCDC took action last week to retain the airport priority use designation, but to modify it to provide for general aviation use only, no commercial. It was the judgment of the Commission that such use could provide relief of the air space over Oakland and San Francisco so that additional bay fill would be obviated.

That closes my report.

CHAIRPERSON CORY: Questions from Commissioners. They aren't going to use it for practice strips for 747's in Marin?

MR. GOLDEN: No.

(Laughter.)
CHAIRPERSON CORY: Okay.

The next items that we have are the Consent Calendar items. I would like Item C15 Number 8 -- the staff should not use customary when you're using numerical designations in outline form to use a letter for the subsequent subsections rather than numbers. But I would like that one deleted. Mr. Breuner and I have had some business dealings in the past, so I will absent myself and let you people take that up later.

For those people in the audience, if there are any questions, if you do not agree with the proposed staff recommendations of any of the agenda items that have the prefix C before the number, please indicate now what that item is so we can remove it from the Consent Calendar.

If there are no objections, all of those items will be taken up in one motion without any further debate. Any other items to be removed? Without objection then, the Consent Calendar will be approved. Those are items C1 through 15, excluding C15-8.

MS. MORGAN: I'd like to move approval of C15-8.

CHAIRPERSON CORY: You get to chair it and do the whole thing.

MR. ACKERMAN: I'd like to know who Mr. Breuner is.

MS. MORGAN: He's a local --

CHAIRPERSON CORY: He's a legislative --
-- yes. I was here when we bought him. That was the
transaction.

MS. MORGAN: The approval is consistent with all
the other actions. It's an existing pier and not a new
pier.

Okay. That item is approved.

CHAIRPERSON CORY: Item 16.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, for
the record, C22 is off calendar.

CHAIRPERSON CORY: C22?

EXECUTIVE OFFICER NORTHROP: 22 is off calendar.

CHAIRPERSON CORY: You're going to get those
letters in there, aren't you?

Item 22 has been taken off calendar.

The next item on the agenda is Item 16, the City
of Long Beach, landlord, Hyatt Long Beach Corporation,
tenant.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
Mr. Gary Horn has worked on this project for staff. I'd like
to have him make a presentation to the Commission.

MR. HORN: Mr. Chairman, Members of the
Commission, the item before you today is a request of the
Commission to make some findings on a lease between the City
of Long Beach and Long Beach Hyatt Corporation. The findings
are required under 6702(b) of the Public Resources Code.
Briefly, the findings are that this lease comport with the granting statutes of the lands to the City of Long Beach. The second finding is that the City of Long Beach has established a trust fund for these monies, and the monies will only be expended for statewide public purposes consistent with the trust. The third finding, and the most important finding, is that the lease is in the best interest of the state.

The staff has been working with the City of Long Beach for more than a year now on this particular project. Recognizing that it is a complex project, the staff retained the consulting firm of Peat, Marwick, Mitchell who has reviewed the lease, who has reviewed the financial projections of a number of other consulting firms that were retained by Hyatt and by the City, and Peat has concluded that the lease is reasonable. It comports with existing industry standards for these types of transactions. Peat, Marwick has also concluded that the financial projections, the room occupancy rates, occupancy factors are all reasonably attainable by the City and by Hyatt and they, therefore, see no reason why the hotel project cannot be a success.

Partially relying on the Peat report, staff has made its own investigations into the transactions. It's looked into the leasing rate. It's looked into the uniqueness
of the lease back arrangement in this particular transaction
and we find that the City, while it has negotiated a unique
transaction, nevertheless has entered into one that should
make the Tideland Trust Fund for the City of Long Beach a
considerable revenue over the life of the lease. Therefore,
the staff is recommending that the Commission makes the
finding under 6702(b) relative to this particular trans-
action.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I have
27 letters in support of the project which we responded to
and one letter in objection.

CHAIRPERSON CORY: I did not receive a copy of
the letter of objection. What is the objection?

MS. MORGAN: Neither did I.

EXECUTIVE OFFICER NORTHROP: I'll read the
letter into the record on the objection.

It's from Lester M. Denevan. And it says:

"Scheduled for public hearing before
the State Lands Commission on April 7, is
a proposed convention hotel of 542 rooms
in Long Beach. Because of the importance
of the project, and because of legal and
environmental questions raised in regard
to the hotel and the adjoining Rainbow
Lagoon," -- that was a long time ago --
"I'd like to request that the public hearing be held in Long Beach, so that interested persons in the community can attend the meeting and express their concerns.

"Some of these concerns are expressed in my letters to you of November 5 and 12, 1979. January 14, 1980. Also, see my letter to you of November 19, 1979.

"Some sixty-three drafts have been prepared of the lease between the City of Long Beach and the Hyatt Corporation, now that all the fine details of the contract have been worked out, will there really be any purpose in having a public hearing on April 7 in order to receive public input into the project? Would it not have been more fair to the public to have had a preliminary conceptual review by the State Lands Commission of the Convention Hotel many months ago?

"Very truly yours, Lester M. Denevan."

In response to this, Mr. Chairman, the final package was received in our office less than 30 days ago. Matter of fact, I think exactly 30 days ago today. So that
proposal would not have been possible.

CHAIRPERSON CORY: The City did approve the thing, didn't they, at a public --

MR. DEVER: The City has held at least three public hearings. There have been hearings before the Coastal Commission. At all of these hearings Mr. Denevan has appeared and made these same statements.

CHAIRPERSON CORY: I just wanted the record here to show that there had been ample local opportunity for objections to be voiced. There does appear to be substantial support within the community for the project. There are a number of dignitaries here. Ollie,
do you wish to address --

SENATOR SPERAW: I'm certainly very much in support of this lease.

Mr. Chairman, Members, my first experience with the Long Beach tidelands was some 34 years ago with my first Junior Chamber of Commerce project in Long Beach. At that time we recognized the need for hotel facilities, and at that time we didn't really have the convention facilities.

This body approved the convention, performing arts and trade show facility some time ago and it is now in existence in Long Beach. Certainly a hotel at that time, the need for one was known and that the City did agree at
that time that they would work diligently to bring before you such a facility. They're here today for that purpose.

I might point out that one of the features of their proposal is some very favorable financing in light of today's money market. If, for some reason, this were not approved today, I would say the financial aspect of it would throw it off, I don't know, just how many years, until such another favorable financial package could be put together again.

So for the full utilization of the present center, we need the hotel, and that is the concern both of the state and my district and of this City that that facility does have all the supporting facilities that are required. The attraction I'm certain that this hotel will provide will bring others into the area and continue to build the hotel complexes that are needed to support major conventions. I urge your approval.

CHAIRPERSON CORY: David.

ASSEMBLYMAN ELDER: Mr. Chairman, Members of the Commission, I would echo the statements of Senator Speraw, in regards to this particular project.

This rounds out and completes the development of our convention complex in Long Beach. It is something that has been pursued by the City for many decades.

The 10 years that I worked for the City in the Budget Office
and with the Harbor Department of the City of Long Beach, this is one of the high priorities of City management and we are now seeing the culmination of literally what must be hundreds of years of staff time on this endeavor.

It is a unique financing package, but the financial markets are such that one has to be a little more creative than has heretofore been required. I think that pledging the room tax as security has helped us attain this particular rate of interest which is extremely good in today's money market.

So I just would echo Senator Speraw's remarks and indicate to you that a substantial vast majority of my constituents are in support of this particular project and urge the Commission to move this project along to its construction phase.

CHAIRPERSON CORY: Is there anybody else that wishes to speak?

MR. BROWN: Mr. Chairman, Members, Dennis Brown. I would just like to again echo what Senator Speraw and Assemblyman Elder have said. I think they've said it all for the City. I think it's a package that will benefit everybody. I would just like to add my strong support for this proposal.

Thank you.

CHAIRPERSON CORY: Okay. Anybody else in the
Questions from Commissioners.

MS. MORGAN: I wanted to call attention to the effect of the grant reversion section of the staff recommendations. It's on page 29.

MR. ACKERMAN: Same page I've got.

MS. MORGAN: Particularly paragraph 4 where the staff recommends that if we make all the findings, the Commission does this under the express position that in the event of grant reversion, requirements of the State to make rental or other payments shall be subject to annual review and appropriation by the Legislature.

I think that's an important point and I want to make sure that all the parties to this lease are aware of that. I have had some concerns about the effect of grant reversion should that occur at any time during this 50 or 75-year lease, and I do not want the State to be tied up, the taxpayers of the state to be tied up. I think that this provision that the staff has inserted is a necessary one.

Thank you.

CHAIRPERSON CORY: Is that a surprise to anyone?

MR. DEVER: Certainly not as the City is concerned. We concur in the recommendations and the provisions that are expressly in those.
MR. ACKERMAN: Let me ask one question then. I don't really know who I should direct it to. What if the grant did revert and the Legislature refused to make an appropriation?

EXECUTIVE OFFICER NORTHROP: I think I'd have to refer that to the Attorney General.

MR. TAYLOR: Under the provisions, the Hyatt could reenter the sublease which had formerly been held by the City and operate it. They would probably --

MR. ACKERMAN: Operated as a sole entity?

MR. TAYLOR: Operated as an entity.

There may be other damage contentions, but essentially under the law, it would be our opinion that would be the limit of their rights. There would be probably a lawsuit.

CHAIRPERSON CORY: They could assume to the City's contractual rights, but in assuming that they would still be under the trust obligation; is that correct?

MR. TAYLOR: Yes. They would be under the purposes of the lease which is a proper trust purpose.

So the purpose of the lease --

CHAIRPERSON CORY: So the State's interest is protected?

MR. TAYLOR: Yes, it is.

CHAIRPERSON CORY: If the City couldn't cut it, Hyatt could become the City?
MR. TAYLOR: It would reenter the City's position in the sublease and operate it per those purposes.

CHAIRPERSON CORY: But it would not expand their rights over and above what the City has. So the state is still protected in terms of the purposes.

MR. TAYLOR: That's correct.

MR. ACKERMAN: The State is never under any obligation to become the operator of the hotel facility?

MR. TAYLOR: If the State revoked the grant and chose to take the property, the hotel property back as a part of that, it would step into the shoes of the City in operating the sublease and would also step into the shoes as a lessor of the master situation. It's a lease, lease back arrangement. The City leases to Hyatt. Hyatt subleases back to the City as a public facility. So the State would be substituted at both the top and the bottom of the arrangement.

MR. ACKERMAN: That would be under the worst of circumstances, though.

MR. TAYLOR: That's correct.

CHAIRPERSON CORY: And we still would have the option of an outside contractor to actually operate the hotel which is the position the City is in. But if you're assuming the worst of all possible worlds and Hyatt would not want to do that, we'd be on the streets trying to find
somebody operate a hotel I presume or Bill Northrop and Bob Hight would learn how to make beds.

(Laughter.)

CHAIRPERSON CORY: Any further questions? Any questions from anyone in the audience?

Ready for a motion.

MR. ACKERMAN: So moved.

MS. MORGAN: Second.

CHAIRPERSON CORY: Moved and seconded that Item 16 be approved as presented.

Without objection, such will be the order.

Item 17 is the Capital Improvement Project which is providing proposed expenditures for the Capital outlays for the project are authorized 138. Are there any questions on this item? Anybody in the audience on this item?

Without objection, Item 17 is approved as presented.

I'd like to thank the dignitaries very much for being here.

MR. ACKERMAN: I just have one comment. I think I owe a big debt of gratitude to the staff of the Lands Commission, the City and Hyatt International for putting together a very good project and an excellent staff report.

CHAIRPERSON CORY: Thank you very much.
MR. DEVER: Mr. Chairman, before we leave, we'd like to thank the staff and also the Attorney General's Office for their help on this project.

CHAIRPERSON CORY: For a change, huh?

(Laughter.)

CHAIRPERSON CORY: Thank you very much.

MR. ACKERMAN: Write that down.

CHAIRPERSON CORY: We're going to deviate from the agenda.

Item 18, the Operational Audit. This is accepting the report of the outside auditors. The staff is going to go through that and come back with some proposed action for us. So at this point we are just to accept the audit; is that correct?

MR. TROUT: Yes, Mr. Chairman. The project managers for the audit firm Deloitte, Haskins and Sells are in the audience. The conclusions are found on page 9 of the Haskins-Sells report which has been furnished to each of the Commissioners.

MS. MORGAN: I want to interrupt for a moment, please.

I'm a little irritated by the process for this report. I understand that although the staff has had an opportunity to review the draft report, the final report was the first chance that the Commissioners had to look at
any of this. I received it yesterday. It may have been
available on Friday. I'm not sure. But I really would
prefer to put aside any discussion of the content of the
report until the Commissioners have had a chance to review
it.

I'd like a chance to review it, and I'd like
my auditors to review it too.

CHAIRPERSON CORY: Is there any reason why we
have to do anything with it at this point?

MR. ACKERMAN: I don't think we were intending
to. At least my intention was, Susanne, as yours, is it's
a pretty complicated report and my direction at least in
discussing with the staff yesterday was to ask the staff
to review the report, review the recommendations, and then
come back with suggested proposals back to the Commission
to implement various recommendations made within the report.
I think that's probably going to take at least 30 to 60
days probably for the staff to complete that function.

EXECUTIVE OFFICER NORTHROP: That's where we
were coming from.

MS. MORGAN: Okay.

EXECUTIVE OFFICER NORTHROP: It's the report
in which the staff -- it's complete and we're laying it
on the desk now to take a look at.

CHAIRPERSON CORY: The question I guess is are
you expecting any action from the Commission?

MR. TROUT: The only action we expected from the Commission was the receipt of the report which would allow us to pay the contractor who has completed the work that was contracted for.

CHAIRPERSON CORY: If we don't publicly accept this, we don't have to pay for it?

(Laughter.)

CHAIRPERSON CORY: There's a budget crisis.

(Laughter.)

CHAIRPERSON CORY: That's the cheapest way out. We got the first draft. What the heck.

(Laughter.)

MR. TROUT: Staff would be more comfortable paying the bill.

CHAIRPERSON CORY: Oh, you're going to pay the bills. Any objection to paying the bill?

MS. MORGAN: Did they do the job? How do we know? Do we pay by the pound?

(Laughter.)

CHAIRPERSON CORY: I would think that we have ways of getting Haskins and Sells to conform any deficiencies that are there. It will take them a little bit of time to get it through the shop. And so if you have any, in the next 10 days, or two weeks, discrepancies that you notice in
there, let me know and I will not sign my name to the warrant.

MS. MORGAN: That's fine.

I would like to know if they're available to respond to any questions or comments we may have after we've had a chance to read this.

MR. TROUT: There are representatives of Haskins and Sells here. They were expecting to just quickly summarize the report today. My understanding is they would be available later to go over specifics.

CHAIRPERSON CORY: Representative of Haskins and Sells, are you available even though you get paid to explain what's in this report after we've had a chance to digest it?

MR. STEVENS: We would be happy to meet with you.

CHAIRPERSON CORY: Okay.

MS. MORGAN: Thank you.

CHAIRPERSON CORY: I think that's good enough. We'll get you paid.

MS. MORGAN: I move we accept the report.

CHAIRPERSON CORY: The report is accepted without objection.

Item 19.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 19 is a response to legislation of last year, a
Mr. Lance Kiley will explain the settlement that was arrived at with the City of Vallejo and State Lands.

MR. KILEY: Mr. Chairman, Members, can you all see the cartoon here okay?

CHAIRPERSON CORY: Okay.

MR. KILEY: Chapter 895 of statutes of 1980 contains findings made by the Legislature and directed the State Lands Commission to carry forth a land exchange with the City of Vallejo which would result in removing the trust from those lands generally encompassed within the area in yellow and the area in blue here and to exchange the trust from there to land of equal or greater value. The City of Vallejo some time after the legislation proposed to exchange the trust over to the Lake Chabot Golf Course, which is a couple of miles over the top of the hill here and which is outlined in red on the far side of the picture here. Staff studied the proposal and has made a finding of equal or greater value. It has also determined that this exchange would clear up a multitude of title problems which exist over this yellow area especially because there were numerous tideland surveys in this area causing a very complex situation. We were never too sure what Vallejo had been granted and what we still owned and what they owned in fee. In analyzing the thing and making the equal value exchange, we determined that the entire thing looked like a good deal
and staff, therefore, recommends approval of the exchange in the form that's been outlined and we've reached agreement in principle with the city of Vallejo on the terms of the agreement.

CHAIRPERSON CORY: If there's some question as to property that has not been granted, what portion of the golf course is the State receiving not as granted lands?

MR. KILEY: Mr. Chairman, anything that the State had in this area outlined in yellow-blue was granted to the City. In the golf course the State would actually be acquiring a title of better degree than what it has here because these areas down here would be subject to some litigation to clear up title. In the golf course we're going to be accepting a relatively clear title.

It's not subject to all these conflicting claims through the tidelands claimants.

CHAIRPERSON CORY: Okay. That's the basic outline of the program.

MR. KILEY: That's basically the outline, yes.

EXECUTIVE OFFICER NORTHRUP: Thank you.

CHAIRPERSON CORY: Is there anyone in the audience on this item?

Come forward and identify yourself, please.

MR. MacDONELL: Mr. Chairman, my name is Ted MacDonell, City Manager of the City of Vallejo. I'm here.
to urge you to adopt the recommendation of staff.

For the last year and a half or so we've been working with your staff very diligently and have arrived at what we feel is an equitable solution to this problem. Staff has been very good in coming up with alternates and suggestions whenever we run into a roadblock.

We are now at a point when we are about to sell about a 35 to $50 million bond issue to proceed with the development of these parcels and in this particular financial market, as you heard earlier, it's extremely critical that we be able to move ahead expeditiously.

I have with me -- I don't think they're expected to speak -- but representatives of the developers, Mr. Kimmel of Kimmel Construction Company, Mr. Graves, who has some properties, Mr. Hoffman is not with us. We have the Mayor and the former Vice-Mayor of the City of Vallejo that could answer any specific questions.

I would urge you to adopt the staff's recommendation and thank you very much for your consideration.

CHAIRPERSON CORY: Is there any opposition in the audience to this item?

MR. SHUTE: Yes, Mr. Chairman.

CHAIRPERSON CORY: Before we get to you, is the Mayor here?

MR. MACDONELL: Yes, sir.
CHAIRPERSON CORY: Would he come forward, please.

MR. MacDONELL: I drove him up. I know he's here.

CHAIRPERSON CORY: Is Mr. Curtola?

MR. MacDONELL: Curtola, yes, sir.

MS. MORGAN: Maybe I could ask a question. What sort of bonds are you selling?

MR. MacDONELL: We're going to sell mortgage revenue bonds. We're one of the last agencies in the state or the United States that has authority to sell mortgage revenue bonds under the old pre-Ullman Act.

Evidently he's stepped out, Mr. Chairman.

CHAIRPERSON CORY: If you want to get approval of this item, I suggest you find him, because there's unresolved business between the Mayor and the State Lands.

MR. MacDONELL: I think I know what you're speaking of. I could speak to that point if you'd like.

CHAIRPERSON CORY: I would like to hear it directly from him as to what is at issue or not at issue.

MR. MacDONELL: Okay. I'll check it out.

CHAIRPERSON CORY: If you want to wait for the opposition, you've got time. Do you want to make your statement, sir?

MR. SHUTE: Mr. Chairman and Members of the Commission, my name is Clement Shute and I'm representing
the Mare Island Ferry Company and Mr. Victor Raahauge, the
President of the Company.

This is a small family business that operates
a ferry across from Vallejo to the Mare Island Shipyard and
has been in business in this family since 1922 and has
operated in some form or other since 1854. The company
uses the parking lot which is within the area that the
trust would be terminated and transferred.

The City is currently posted that parking lot
for closure on June 1, and we feel very strongly that's
very likely to put the ferry company out of business because
people that would use the ferry will have no proximity for
parking or vehicles. We think that in this regard the
company has received rather callous treatment from the city
and we're also concerned about the legality of this trust
transfer.

The lands involved where the trust would be
terminated abut navigable waters. They abut trust areas
and they certainly, the parking lot and the ferry operation,
are being used in conjunction with trust purposes.

The statute that was passed assumes that the
public will receive equal or greater value for trust
purposes elsewhere. What is proposed is a transfer to an
inland golf course which is several miles up this way and,
as far as I can tell, if there's any water around, it must
be in connection with one of the holes on the golf course, not a navigable waterway of the state.

I think the Mansell case which is the primary case under California law dealing with exchanges of this nature, the exchanged lands received by the State in that case the court was careful to point out abutted navigable waters and were to be used in furtherance of trust programs. In this case, you might as well approve a trust transfer to some desert land east of the Sierra Nevada. There's no relationship with any traditional or actual trust use. We think the approval of this would be bad policy, bad precedent. Others might attempt to do the same kind of thing, or serve the public no benefit in relation to trust uses and we don't believe it is legal under the Mansell case. We request that you reject the agreement.

CHAIRPERSON CORY: Does your client have some contractual relationship or right to use the parking lot?

MR. SHUTE: It's a very long and complicated history. Basically there was a major settlement between the City and the company in 1966 where the company was given the use of this parking lot. The company's position is that it has retained interest in that lot, although there's no lease. But we believe there's an estoppel that was understood at that time that the lot would be available or approximate facilities that would serve the same purpose. The City
contends that the company has no interest. That may have
to be resolved in another forum. But the company does
content that it has rights to that lot.

MR. ACKERMAN: Where is the parking lot supposed
to be relocated? Could you point that out on the map?

MR. SHUTE: Victor, could you show us where
the lot is? Mr. Raahauge can show you where he's located
and where the lot is.

MR. RAHAUGE: This is our operation here.
The parking lot is directly east of the waterfront road.
You can see the outline. We have not discussed any alternate
parking.

MR. SHUTE: The City proposes to close this lot, and there is no current active proposal under consideration
for proximate parking in the area. If employees that
work in the shipyard don't have proximity to the ferry
operation, they probably won't use it and the company will
probably go out of business. That's our concern.

CHAIRPERSON CORY: So the people that park there
pay parking fees?

MR. SHUTE: As of this moment, it's been made
available by the City as a free lot for all day parking.

This is a situation also where the Mare Island
Naval Shipyard expects to be building more ships in the
near future under the expanded national defense budget and.
it seems rather a shame that this business serving a strong public purpose would suffer from the closure of this lot under these circumstances.

CHAIRPERSON CORY: Questions?

MS. MORGAN: I would assume that this matter has been discussed with the City.

MR. SHUTE: We are having discussions with the City on all these other grounds, but I think we have a duty to point out to you that the transfer of the trust interest to an inland area is we think not lawful.

CHAIRPERSON CORY: Would you care to comment on, as I understand it, there's a specific statute that says that that has been passed saying that this is not necessary for ---

MR. SHUTE: Trust purposes?

CHAIRPERSON CORY: Yes.

MR. SHUTE: I believe that's correct. But I think that you are empowered to approve the situation where the public receives equal or greater value in return. That is your function. What we're questioning here is the legality of where the trust interest will be proposed to be transferred. We recognize that if the City wants to go forward with this project eventually there has to be some accommodation of the company's concerns.

CHAIRPERSON CORY: The Attorney General, do you
have any comments or recommendations on the trust purpose?

MR. TAYLOR: Mr. Chairman, we have not been involved in the negotiations of this matter. However, we have been consulted as to our views with regard to it. Not having thoroughly examined it, I would say, one, that the Legislature has passed the statute making the finding that has been required and that it's within the province of this Commission to act upon that. However, there are certain unique aspects of this project which, if reviewed by a court, would come under severe scrutiny.

There is a certain amount of deference to the findings of the Legislature and the administrative bodies to whom responsibility is delegated. However, in the case of public trust lands, the courts have scrutinized that legislative delegation and -- first of all, the finding of the Legislature and the exercise of that delegated responsibility very closely, and, in some instances have not sustained it. I think that this would be a case where prima facie you have the authority to do it. How it would withstand the questioning court would make a very interesting case. Generally you go in with presumptions on your side. I don't know how thoroughly it would be presented, but that would be where it would end up.

CHAIRPERSON CORY: But is our finding here, is our question one of equal value or is our question one
of looking to the validity of the statute and/or the constitutionality of the statute?

MR. TAYLOR: I'd have to refresh my recollection by looking at the statute for a moment.

CHAIRPERSON CORY: Take the moment, because I'd like to know what it is we're supposed to be doing. It just seems to me, as you're looking at it, if we have found equal value, that's an arithmetic function. That's relatively easy to do. If we are limited by the existence of the statute as to what our options are, then I've got one set of standards to apply to the transaction. But if you are --

MR. SHUTE: Mr. Chairman, if I might just interject, I don't want to get into a cross debate with counsel here. I think that there's an underlying assumption that what you do would be on a legal premise, and we're questioning the legality as a matter of trust law of transferring a trust interest to this inland location.

CHAIRPERSON CORY: This is a complicated thing because of a recent constitutional amendment saying that a state agency cannot question the constitutionality of a legislative act. I don't know where we are. That's why I'm making the point.

MR. TAYLOR: Essentially the answer to your question is that the Legislature has made the findings with
regard to the property and those questions would have to be, if litigation were to be, if there were litigation, would be reviewed by the court in the normal manner that they review those kind of findings with some greater degree of scrutiny since public trust lands are involved. The finding for this Commission is the equal or greater value question.

MS. MORGAN: Well, what's the basis for making that finding? What criteria do you use? It sounds to me like the counsel is implying that we should just move up the river a little ways to find property. That that's the only thing that's acceptable. Why is it acceptable in your eyes to go inland?

MR. KILEY: It's acceptable in that the law is not explicitly clear on the subject. Marks vs. Whitney came out sometime after Mansell and delineated recreational use as a trust use specifically. Furthermore, the golf course use was a specified trust use in the 1963 amendment to the grant statute here. So to us, as staff, where specifically the golf course was situated didn't seem to make that material difference if golf courses are in fact encompassed within the trust use, and as recreation under Marks vs. Whitney they seemed to be.

MS. MORGAN: Have we made exchanges previously?

MR. TAYLOR: Yes.

MS. MORGAN: Have we exchanged for what we
considered to be equal value shoreline for inland property?

MR. TAYLOR: No, we have not.

MR. SUTTE: Again, Mr. Chairman, if you'll entertain a brief remark. I was co-counsel with Mr. Taylor, as he'll verify, in Marks vs. Whitney representing the State, and I think it's the farthest thing from the court's mind in elaborating on trust uses in contemporary times that that would extend to golf courses inland. It had nothing to do with any of the issues in the case.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, may I remind you --

CHAIRPERSON CORY: I was thinking that if there's one court case rattling around somewhere on religious freedom for people who worship while playing golf, if that prevails, we may have a separation of church and state problem.

(Laughter.)

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, may I remind the Attorney General of the settlement in Seal Beach in which we did take a parcel away from the water.

CHAIRPERSON CORY: What, the airport?

EXECUTIVE OFFICER NORTHROP: Airport Club.

MR. TAYLOR: That's true, there is that.

CHAIRPERSON CORY: We got a poker palace out of that one.
MS. MORGAN: My impression was that we really
did not distinguish between shoreline or inland property.

MR. TAYLOR: I think that generally it has been
tried to get the property as close to the water as possible.
What's happened in this transaction is that in order to make
to make the equal or greater value, it was necessary to go
to this parcel of property. Generally exchange parcels have
been on the water or adjacent to it. I think the Airport
Club one is within the proximity of Alameda's Bay. It
is not immediately abutting the water. It is some distance.
It's a little ways inland, maybe a quarter of a mile inland.
It is adjacent to the San Gabriel River and a fishing loca-
tion. There is a fishing --

CHAIRPERSON CORY: San Gabriel River, come on.
I grow up there.

(Laughter.)

MR. TAYLOR: The San Gabriel River at this point
has been dredged for circulation to the Haynes Steam Plant
and there are fish running there and the Wildlife Conservation
Board has made an appropriation for trash can and public
parking and people do fish from adjacent from this parcel
of property for fish and they catch them, believe it or not.

CHAIRPERSON CORY: Okay.

MR. LAMOREE: Excuse me, Mr. Chairman, if I might.
I'm Charles Lamoree, the assistant to the attorney from
Vallejo, and I'd like to put in just a couple of cents
with respect to the legalities of this.

CHAIRPERSON CORY: Sure.

MR. LAMOREE: I don't think this is the appro-
priate forum, however, for the legal issues, necessarily,
but I would simply point out two things.

First, the issue I believe with respect to the
parking lot and the litigation that will occur I'm certain
between the City of Vallejo and Mr. Raahauge I do not believe
to be germane to the issue before the Commission here today.
The second thing is that the Legislature has provided for
lands of equal or greater value without distinction with
respect to trust lands or tidelands of equal or greater
value. So I think that it is appropriate in this case that
a parcel of land, although it not be adjacent to a navigable
stream, but it is adjacent to a recreational lake where
fishing is viable, is appropriate in this particular
circumstance.

CHAIRPERSON CORY: Is it permitted?

MR. LAMOREE: Yes, it is permitted.

Finally, I think one thing was alluded to by your
staff -- and I felt the staff did a good job on this -- is
the fact that in addition to the findings with respect to this
transaction by the Legislature, is the fact that the confusion
of titles in this particular area, as well as the boundaries
which are also in confusion, will be solved by this particular
transfer and I believe it is appropriate. But I just felt
that the Commission should make this distinction that
Mr. Raahauge's issue I do not believe is at all related to
this matter. Thank you.

CHAIRPERSON CORY: Would you like to comment
on the specific question that seems to be raised that
Mr. Raahauge is engaged in water-borne commerce navigation?

MR. LAMOREE: No question about it.

CHAIRPERSON CORY: And that the parking lot is
used to facilitate that. Is there any question as to that
being the case?

MR. LAMOREE: Well, I think the people that use
his ferry certainly park there. But the original, at least
from our view -- and, again, we're going to be getting into
the merits of the case that ultimately will be decided.

CHAIRPERSON CORY: I don't mean the merits of
that. My problem is what appears to be a legislative
statute that says black is white, that it is no longer
necessary for that trust purpose. That's the dilemma that
I have in my mind.

MR. LAMOREE: But I think the only way to resolve
that is to understand the history of the fact that the park-
ing lot that they're talking about was an interim parking
lot. Originally where the parking lot exists there's
supposed to be a state freeway and that the original paving of it, and, as far as we're concerned, there is no right that Mr. Raahauge has with respect to it. It was to be for a short period of time. There never was to be a question that it was to be an ancillary use to the navigable process that Mr. Raahauge engages in.

So I think that what he's doing, my own view — again, this is getting, I think, far afield — is to bootstrap his own claim for recondemnation of the property we've already condemned and acquired 15 years ago by attempting to interject in this particular process. I think that they are distinct.

I simply leave my comments at that.

CHAIRPERSON CORY: Questions from the Commissioners?

MS. MORGAN: Well, the condemnation previously was for a freeway?

MR. LAMOREE: The condemnation was an entire redevelopment project which would include a freeway, commerce, or, excuse me, commercial structures. The City Hall which has been built, the library and so forth. This entire area formerly known as Lord Georgia Street which had a variety of reputations, depending on who you talked to, was completely redeveloped. Part and parcel of that was to be the freeway. Then Caltrans decided they would not build the freeway. An amendment of the Redevelopment Plan went
through which provided for residential and at no time was
there ever a determination made that the parking lot that
Mr. Raahague claims as his own was to ever be there as a
permit matter, but simply interim use pending first the
development of the freeway and now the commercial and
residential development.

MR. ACKERMAN: One question. When we first
were debating the land exchange, didn't we originally take
a look at some bay front property and we could not make the
determination of equal or greater value, so we had to look
elsewhere?

MR. KILEY: Yes, we did. We considered a parcel
on the north side of Mare Island that was across the straits
from the parcel here in question and determined that there was
no way that an equal or greater value could be met. As a
matter of fact, I think we considered a couple of parcels
over there.

MR. ACKERMAN: My knowledge was that if those
parcels weren't able to be exchanged, that really there were
no other suitable waterfront parcels that could meet that
test.

MR. KILEY: That was Vallejo's contention.

CHAIRPERSON CORY: That transaction wouldn't
solve the opposing gentleman's problem anyway.

MR. LAMOREE: No.
CHAIRPERSON CORY: If we swap for something on the other side of Mare Island, unless somebody wanted to take a ferry from one point on Mare Island to another point, that wouldn't do your client much good.

MR. SHUTE: Except in the sense of time, your Honor. I think we need some time to work this out with the City and that parking lot doesn't have to be closed if this is an illegal opinion.

MR. LAMOREE: I think the other thing is, assuming there was no change at all still wouldn't change his problem since there are a tremendous variety of uses that can be utilized in this particular area. You can put up an asphalt plant. You can put up commercial development. It all could be built over the parking lot. So I don't see that as being germane.

CHAIRPERSON CORY: Depending upon whether or not it's encumbered with the trust.

MR. LAMOREE: Well, the trust provisions with respect to these parcels down here encompass a wide variety of possible uses. We would think residential would be included, but there are others that think they're not. But certainly there are a variety of commercial utilizations which could be utilized which could be placed on the parking lot.

CHAIRPERSON CORY: I just wanted to clean that
up so there's not, sometime in the future, somebody thought
I was acquiescing in that decision. I understand where you're
coming from.

Okay. Is the Mayor back?
Mayor Curtola?

MAYOR CURTOLA: Yes. I'm Terry Curtola, Mayor
of the City of Vallejo.

CHAIRPERSON CORY: I've read with interest
some of your activities in the newspaper, and I'd like an
explanation --

MAYOR CURTOLA: All right, Mr. Cory.

CHAIRPERSON CORY: -- on your attitude towards
State Lands.

MAYOR CURTOLA: All right, sir.

I found out about that yesterday. I do know when
it was in the paper after we came back from a meeting
with your staff and you're talking, if I understand correctly
your concern is --

CHAIRPERSON CORY: The Vallejo Independent Press,
Friday, March 20th, '81, fourth column, "I don't know if
you've ever dealt with the State Lands. I'd rather deal with my
5-year-old child."

MAYOR CURTOLA: Yes. Let me just go back, and
the quote is very accurate. There was a little bit more.
The meeting did go on at our Council meeting for about
45 minutes before that. The discussion was brought up by
one of our Council members. This was after we had met with
your staff and come back and had been working on the lease
change with the Vallejo Golf Club Board of Directors. Then
our Council was acting on amending the lease agreement with
them so they would succeed to the trust if it was placed
on their golf club.

At that time, this one Council member had said
she did not feel that the trust belonged that far away from
the water and I said that isn't what we are discussing and
I said, "Our problem has been on land value." She said,
"Well, I understand that the State Lands does not agree to
that." I said, "We spent three hours with the staff the
day before, if I'm not mistaken, having our big discussion
was on trying to explain what is land of equal or greater
value and was it the City's interest in the property or was
it the value of the property. And I said exactly that it
was easier to explain our position to my 5-year-old son than
it was to State Lands. I think about three or four days
later I talked to your staff when they had called and we
still had a difference. It was, and I think between the City
of Vallejo staff and myself and the Vice-Mayor that were up
at that meeting and your staff. It was deep discussion on
how the value of the land was going to be determined. Was it
out interest in it because of the lease we had or was it the
value of the property? To this day, and I've said this even
to your staff on the phone, that I think my 5-year-old son
did understand it from the way I was presenting it to him.

CHAIRPERSON CORY: Take your time and tell me
what your position is on this and the difficulty you're
having with our staff.

MAYOR CURTOLA: You have to go back, Mr. Cory.
This goes back to our first meeting, the first time I had
met with your staff. The question at that time, which, if
I'm not mistaken, has been resolved, was when we looked at
the part of the bill that says land of equal or greater value,
and they were subtracting the years of the lease we had with
the Vallejo Golf Club's. My argument was that the land is
worth "X" amount of dollars regardless of the lease, whatever
the land is worth. Now, we still have a difference, or we did
have a difference of opinion.

CHAIRPERSON CORY: If you were buying land and
somebody had a 99-year lease on it, you would pay as much
for that land as you would pay for land without the lease?

MAYOR CURTOLA: Excuse me, sir. What I was saying
was, I'm in business at home. If my property is worth
a million dollars and you would like to buy it, and if the
Bank of America, which is using a true fact, owns $700,000
of my business from a loan or lease per se, you are still
going to pay me the million dollars and I'm going to have to
give the Bank of America $700,000. So I am saying that the
value of my land was a million dollars. I am not an attorney.
I'm not in real estate. Everyone I talked to, I would say, as I
said to your staff after, and I probably spoke to eight different
real estate people and seven of them agreed with me and one
of them agreed with your staff. So there is that question.

CHAIRPERSON CORY: But the issue is that there's
a lease on this property that's being acquired and it's a
question of whether or not the value of that lease is
deducted. When the transaction is completed, are you paying
off the lease so that the lease is no longer there and you've
bought him out in your analogy of the bank that you're
paying off the bank if I buy your property for a million?

MAYOR CURTOLA: No. We have the value -- using
the same analogy -- the value of the land is, let's say,
a million and a half dollars on the golf course. If the
value of the land that they're talking about on the trust,
that 40 acres is a million and a half dollars on the figures --
you have them there in front of you -- and if the Senate bill
states that you can exchange the trust for lands of equal
or greater value, then in my simple mind you could take a
trust for a million and a half dollars worth of land here and
put it on a piece of property over here that's worth a million
and a half dollars. Not whose interest is in it. The City
owns that land.
MAYOR CURTOLA: Well, as part of our discussion, the possibility was that we could go drop the lease for the Vallejo Golf Club and then put the trust on it.

CHAIRPERSON CORY: I'm just trying to understand.

MAYOR CURTOLA: Maybe that's why, Mr. Cory, I've said to your staff --

CHAIRPERSON CORY: That your 5-year-old son understands all this.

MAYOR CURTOLA: He understood that. Maybe it was the way I explained it. That was right after --

CHAIRPERSON CORY: I'm not sure he's perceiving property rights if he's accepting your analogy, but go ahead.

MAYOR CURTOLA: Maybe I don't either, Mr. Cory. But I'm just saying that was my statement at that time.

A few days later your staff had called me and we went over everything, and as I heard our City attorneys state, your staff has been excellent working with that. At that time when I had one Council member discussing that they didn't understand this, that was my statement. Maybe it's out of
frustration, but my 5-year-old son I think would have understood it, but maybe I made him understand the way I perceived it.

CHAIRPERSON CORY: One of the things that I keep track of is I am concerned about overreaching of government and what bothers me, and I dealt with that one, is do you recall ever meeting a George Gianulis? I may be mispronouncing it, G-i-a-n-u-l-i-s.

MAYOR CURTOLA: I know who he is, Mr. Cory.

CHAIRPERSON CORY: Were you involved in some other difugalty of White Slough and the Lands Commission?

MAYOR CURTOLA: No, sir. The first time I met on that was about three weeks ago with all the properties out there. If you're referring to when Senator Nielson had a meeting in the City Council Chamber and he had all the property owners of the White Slough area and all the State agencies and Federal agencies involved there. He asked me to attend the meeting.

CHAIRPERSON CORY: What I'm troubled about --

MAYOR CURTOLA: Mr. Cory, I know what you're saying, and let me be real honest with you. Yes, I've been an elected official now for 13 years and I've served on some State agencies, the NTC, et cetera. I guess from my end and maybe I have a bad habit, I work within the system. Sometimes I do get extremely frustrated I think as you or any
elected official does. Now you're referring to a statement that I think was made, quote, by the newspaper that I said about State Lands. I don't think I did. I think the actual quote was towards BCDC. The answer was when all these people were screaming at Senator Nielson and Assemblyman Sebastian and myself about why aren't we doing anything, I said that sometimes the elected officials cannot make the decision that a lot of agencies do. I think that's very true. As I told your staff, and we've had good relations with BCDC. I don't feel that I'm obligated not to criticize. I do, I get very frustrated at times because my job has been -- I served 8 years on the City Council and retired from it figuring I had done my civic duty and I still believe my City wasn't moving in the direction it should be, and ran again. I guess I get impatient. I would like things to happen for the betterment of my City. When you run into roadblocks, and you think you've done everything you can to resolve them and you still have another roadblock, I get very frustrated. I did that with my own LAFCO Board yesterday morning. Same type of statement. I serve on that one, so I am criticizing myself.

CHAIRPERSON CORY: What concerns me is trying to make sure you understand your obligation as a public official vis-a-vis the public trust on those properties.

MAYOR CURTOLA: Yes, I do.
CHAIRPERSON CORY: And I want to make sure that you clearly understand that I am required to do things I don't agree with as a member of this Board. They pay me forty-two five a year. I took an oath and I got to do the job. Some if you like and some of it you don't. But the Courts have clearly laid out, somewhat clearly laid out in some court cases some limits as to what we can and can't do. Frustrations are something we all suffer. But one of the things that bothers me if the staff has done some things incorrectly, I get on them and that's what the system is all about and that's fine.

What I am concerned about in the particular case that really sort of bothers me why it stuck, and it was not your name, was the fact that an employee of BCDC was involved in, in essence, a physical altercation with a land owner which I think is beyond working within the system.

MAYOR CURTOLA: Mr. Cory, in fact I refused to meet with that man up until a week ago on behalf of the other property owners.

CHAIRPERSON CORY: Those kinds of things I think we have to make the record clear and you have to clearly understand that the court says that there are limitations on what we can do. That there are public trusts and we must obey the public trust.

I think we've got a serious constitutional
question that is likely to be litigated in this particular transaction. You know, the Legislature cannot do everything it wants. I was in the Legislature. There are limitations. Some of those limitations I don't like. I happen to have lost property that I thought I had paid for. I know I had paid for. I thought I owned, that I didn't own to this band of people enforcing the law. It disturbs me. But I have to ask you the tough questions when I see statements like this in the paper and we're, in essence, entering into a trade with you as Mayor and the City representative. If you don't understand that obligation, then maybe we shouldn't make the trade until you do understand. If you understand that obligation, I think we can go ahead and proceed with the understanding that I want the record clear. I think there's probably equal value in the value from what the staff has said in the report. We can make that trade. Whether or not that's commensurate with the public trust, I don't know. Somebody else should make that determination. I don't think this is the proper forum. I think that's what the Attorney General advised me. But I do not want to allow, because there was a couple of things in the newspapers that bothered me that we didn't have a chance to clear up that dialogue. I understand your position and hopefully you understand mine.

MAYOR CURTOLA: I do, Mr. Cory. I feel, at least
I feel -- maybe it's my Italian blood, I don't know. I'm very careful of what I say, because I believe in the trust that I have from the constituents. I may answer, I did not say, and I think your staff knows that, I did not say that they were doing anything wrong. I fully agree with what law they have to work under. My 5-year-old son's statement that I said was trying to explain how to figure land value. As I'm saying that to you, I can see people around, some shaking their head yes, some shaking no.

CHAIRPERSON CORY: My problem is if you have a real complaint with the staff, you've got a right to state your views and you should. But I think all of us in public life have to be careful when we send these guys out of here, and they aren't paid all that well, the State employees. When I see a BCDC employee or a State Lands Commission employee taking a lot of abuse, I have to defend them. I kick them when I think they're wrong. I just wanted to get that clarified that we were dealing with people that understood what the trust was, that we got a tough job to do, sometimes I disagree with what the courts have told me I got, but I've got to do it.

MAYOR CURTOLA: The Mr. Gianulis thing, a hundred percent. If you see a picture in the paper of Mr. Gianulis and I and Senator Nielson, it was Senator Nielson and I that the photographer was taking. The other gentleman walked up.
CHAIRPERSON CORY: I understand those problems. Any further questions from Commissioners? Okay. Thank you. Sorry, but it was necessary to clarify that. MAYOR CURTOLA: I understood. CHAIRPERSON CORY: Anybody else in the audience on this item? MS. MORGAN: Well, it sounds like it's an order that's consistent with the legislation and should be approved at this point. CHAIRPERSON CORY: It seems to me that the equal value is there. MR. ACKERMAN: No question about that. CHAIRPERSON CORY: But I don't want to find any more than that. I think if we do that, then whatever issues people can resolve in whatever forum as long as the record is clear here that we are finding it of equal financial value and the two properties to be exchanged can go ahead. Without objection, such will be the order. Item 19 is suspended with. Item 20, City of Redondo Beach, conditional approval to spend trust revenues for building a parking lot. Is there anybody in the audience on this item? MS. MORGAN: I have a question. Will this parking facility include bicycle parking?
EXECUTIVE OFFICER NORTHRUP: We don't know the design.

CHAIRPERSON CORY: Anybody here from the City of Redondo?

MR. PARSONS: Chairman Cory, Members of the Commission, Richard Parsons, Harbor Director for the City of Redondo Beach.

I'm sorry, I didn't hear the question.

CHAIRPERSON CORY: Does the facility that you're providing have parking for bicycles,

MR. PARSONS: There's a plaza level that we're talking about on the top of it. It's just that, a plaza. The bike path, the Santa Monica Bay bike path goes right across the top of it. So there would be bike racks on that upper level.

MS. MORGAN: That's fine.

CHAIRPERSON CORY: Any questions from Commissioners?

Without objection, Item 20 will be approved as presented.

Item 21, consideration of five-year Utilization Report for Granted Lands. They've done some nice things.

EXECUTIVE OFFICER NORTHRUP: They've done some nice things.

CHAIRPERSON CORY: City of San Mateo. Is there
anybody here in the audience on this item?

Without objection --

MS. MORGAN: That's fine.

CHAIRPERSON CORY: -- Item 21 is taken care of.

Item 22, authorization for Execution of Memorandum --

EXECUTIVE OFFICER NORTHRUP: Off calendar.

CHAIRPERSON CORY: Off calendar. Whoops, pardon me.

Item 23, BLM, we're giving them a road in Lassen County for $13,050. Is there anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 23 is approved as presented.

Item 24, Novato Center, Incorporated. This is extending a time limit to extract 500,000 cubic yards of fill material at 15 cents and requiring construction of a salt marsh restoration facility on a 200-acre parcel.

Anybody in the audience on this item? Questions from the Commissioners?

Without objection, Item 24 is approved as presented.

Item 25, authorize the granting of the deferment of drilling requirements on State Oil and Gas lease in Belmont Offshore Field, Orange County.
EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, there have been several wells drilled on this location. The lessee would like some time for work over program and a production testing program before they proceed with the development program and the staff feels that this kind of a development delay probably is in order so they can best utilize the field.

CHAIRPERSON CORY: You're becoming incredibly bureaucratic.

EXECUTIVE OFFICER NORTHRUP: I know.

CHAIRPERSON CORY: This is the one they ain't got no oil coming out, but not enough.

EXECUTIVE OFFICER NORTHRUP: They got some oil, but not enough, and they want to reevaluate the program.

CHAIRPERSON CORY: The length of time that we're putting this off is?

EXECUTIVE OFFICER NORTHRUP: One year, Mr. Chairman.

CHAIRPERSON CORY: Does it take a year to do that evaluation?

EXECUTIVE OFFICER NORTHRUP: We are going to review it quarterly in the next year as to the progress of what they've done.

CHAIRPERSON CORY: And if we aren't making progress?
EXECUTIVE OFFICER NORTHROP: If we're not satisfied, we'll come back to the Commission and we'll say they're not doing diligently developing the lease.

CHAIRPERSON CORY: And we have the option of terminating if there's lack of diligence?

EXECUTIVE OFFICER NORTHROP: That's correct, Mr. Chairman.

CHAIRPERSON CORY: Okay. The lawyers are comfortable with that?

MR. HIGHT: Yes, Mr. Chairman.

CHAIRPERSON CORY: You know what you're nodding to, Greg?

MR. TAYLOR: (Shaking head.)

MS. MORGAN: Boy will you be surprised.

CHAIRPERSON CORY: You just agreed to outside counsel.

(Laughter.)

CHAIRPERSON CORY: In the Exxon deferral, they're talking about quarterly reviews on diligence. If we unilaterally decide they have not been diligent, we have that option of terminating?

MR. TAYLOR: They're agreeing to it and this was worked out and Hager did pass on it. My nodding was it was an oil item that was reviewed by our office and we're satisfied. Although I couldn't address specifically
what you were asking about. We have no problems with the oil items on the calendar.

CHAIRPERSON CORY: That is nonresponsive, Mr. Taylor. The question is --

(Laughter.)

MS. MORGAN: Do we pay these guys?

(Laughter.)

CHAIRPERSON CORY: The question is if at the end of three months, Exxon still wants to have a year to make a decision and we think they haven't fulfilled an obligation of diligence in that three months period of time, can we pull the plug or are we just buying a lawsuit to pull the plug at that point?

MR. TAYLOR: No. I think that they're agreeing to it as a condition of the relinquishment of this --

MR. TROUT: Mr. Chairman, on page 156 the recommendation is the Commission reserves the right to terminate this deferment of drilling requirements upon 60 days' written notice.

MR. TAYLOR: That's part of the deal with them.

So there's mutuality on that.

CHAIRPERSON CORY: Any further questions on 25? Anybody in the audience on 25? Without objection, Item 25 approved as presented. Item 26, approval to hold a public hearing to consider plans for subsidence and pollution control for proposed lease on Joice Island, gas --
EXECUTIVE OFFICER NORTHROP: That's correct.

CHAIRPERSON CORY: Anybody in the audience on this item? Questions from Commissioners?

Without objection, Item 26 approved as presented.

Item 27, award of oil and gas lease for the Gray Lodge to Seaward Resources, Inc., the high bidder.

31.25 percent of net profit.

Is there anybody in the audience on this item?

Questions from Commissioners?

Without objection, Item 27 is approved as presented.

Item 28, granting the Executive Officer to issue a request for proposals to award a contract for the EIR on platforms or development in Point Conception.

EXECUTIVE OFFICER NORTHROP: Refugio, Conception and Cuarta Offshore.

CHAIRPERSON CORY: Questions from anybody in the audience? Questions from Commissioners?

Without objection, --

MR. ACKERMAN: Does this go through the public hearing process?

EXECUTIVE OFFICER NORTHROP: Yes, it will.

CHAIRPERSON CORY: Item 28, approved as presented.

Item 29, approval for the Executive Officer and
this is in the Elwood area for an EIN.

Anybody in the audience on this? Questions from Commissioners?

Without objection, item approved as presented.

Item 30, Home Improvement Association. This is a prospecting permit for gold and silver in Riverside County.

Anybody in the audience on this item?

Questions from Commissioners?

If the prospecting is positive, we are required to grant the lease. The revenues from the lease are already prescribed by statute.

EXECUTIVE OFFICER NORTHROP: I believe that's correct. We get 10 percent of the revenue.

CHAIRPERSON CORY: Gross?

EXECUTIVE OFFICER NORTHROP: Yes.

CHAIRPERSON CORY: Without objection, Item 30 is approved as presented.

Item 31, Western Pacific Construction Materials Company.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on Item 31 there were three bidders and we are awarding it to the low bidder. Mr. Trout would like to give the rationale on that.

CHAIRPERSON CORY: Let's start with the explanation of why under Western Pacific Construction Materials (high
MR. TROUT: You understood incompetence you said last month. I can't answer that.

Western Pacific is the one that we're recommending that the award be to. The State went out for bids on this and we received three bids. The high bidder was Tidewater, Sand and Gravel. After the opening of the bid, Tidewater withdrew their bid stating, the only reason they gave was it was a corporate management decision. The second highest bidder was Olin Jones Sand and Gravel. Olin Jones already has two leases with the State Lands Commission and it is the opinion of the staff that Olin Jones is pretty much at the limit of their financial capacity. Therefore, we do not feel that we can recommend them to the Commission as a qualified bidder which leaves us with the third bid, Western Pacific Construction.

CHAIRPERSON CORY: And the stockholder is your wife or what?

(Laughter.)

MR. TROUT: Don't I wish. I'm one of those guys that only fills out the one little block. I don't have any other forms to fill out on conflict of interest.

CHAIRPERSON CORY: That was a facetious comment, but we're down to the last bidder.

MR. TROUT: We're down to the last bidder.
CHAIRPERSON CORY: What was the difference between the high, the middle and the low?

MR. TROUT: Perhaps Mr. Everitts would come up. My understanding is that the high bidder was a bid factor of two which is 20 percent. It's a factor times 10 percent. So that it would be 20 percent of gross oil lease and that the middle was about 1.4 or 14 percent than the lower bidder, but the one who remains, at 1.05 or 10.5 percent.

We would make once change in the calendar item. We would like to withdraw recommendation four without prejudice. Recommendation four is a recommendation that the earnest money deposit of the high bidder not be returned. Their agent has requested opportunity to discuss that option with the staff. We propose to bring it back to the Commission for consideration on April 29th.

CHAIRPERSON CORY: Fine kettle of fish you've gotten us into, Ollie.

MR. TROUT: A representative from the high bidder is here, Mr. Hortig, who made the request. The staff feels the request is reasonable. That we should have this opportunity to --

CHAIRPERSON CORY: I think that's probably fine on that issue, although I think I would be hard pressed to find if somebody who enters into a bid, why they don't conclude it, particularly when we're talking about three
bidders and the people withdrawing. It seems to me its an open invitation to start sandbagging bids and putting in three or four phonies and pulling down till you've got one under you.

MR. TROUT: Staff doesn't recommend that you decide to return the money. We just ask that you withhold the finding.

CHAIRPERSON CORY: his equity arguments as best you can, that's fine to give the time for that. But I'm really troubled about having lost the high bidder and not going ahead with the second bidder and that we've got two leases with this bidder already. Is the second bidder here represented?

EXECUTIVE OFFICER NORTHRUP: Is anyone here from --

MR. TROUT: Not that I'm aware of.

CHAIRPERSON CORY: With all due respect to the staff, who are you to determine that this guy in his business wisdom is willing to run the risk and says he can pay 14 percent, I mean, what evidence do you have that he isn't able to pay the 14 percent and we ought to throw him out?

MR. TROUT: I would have to defer to our auditors who made the analysis along with Don Everitts' staff. I don't know whether there's a representative here.
CHAIRPERSON CORY: Is he behind on his other payments?

MR. EVERITTS: The basic analysis was that they did give us their books to look at and their liabilities far exceeded their assets and their potential income for the year wasn't sufficient to pay off their liabilities based on the mining plan they gave us. So it was a general conclusion that they didn't have enough money to make it on our project.

CHAIRPERSON CORY: What about the other two leases we have. I mean, it seems to me --

MR. ACKERMAN: Those are in danger, too.

MR. EVERITTS: Right.

MR. ACKERMAN: What's the downside to the State financially if we went ahead with the second bidder and after a nominal period of time we found that he was in extreme financial trouble? Financially what's the downside to the State?

MR. HIGHT: Mr. Ackerman, the minimum is $15,000 a year. So unless they took more than the minimum, the downside would be a maximum of $15,000 in the hole.

MR. ACKERMAN: Assuming they didn't pay us a thing.

MR. HIGHT: Right.

MR. TAYLOR: There is one other problem. That is
that you have entered into a contractual agreement with this person and there might be a period in which no one could operate the lease because of litigation over whether or not they had defaulted.

EXECUTIVE OFFICER NORTHROP: We saw that last Commission meeting in the Newport Beach-Armstrong controversy.

MR. ACKERMAN: Would there be a likelihood if we awarded to the second bidder and he defaulted, he also would be in a position of defaulting on his other two contracts with the Commission?

MR. EVERTTS: Possibility. Don't know if it's likely.

CHAIRPERSON CORY: What are the pluses and minuses of rebidding? Are these the only three people that are likely to want --

MR. EVERITTS: If you're asking for a guess, I would guess we might get two bids. If one already cancelled or revoked, I don't think he'd bid again probably for the same reason he wanted to revoke.

MR. ACKERMAN: Unless he wanted to bid a little lower.

CHAIRPERSON CORY: So we'd have two bids and we'd be sitting there with one of them the staff would still say is not a qualified bidder.

MS. MORGAN: Was it a requirement of the bid that the operator's liability be less than his income?
MR. EVERTTS: The bid is supposed to be awarded to the highest qualified bidder, and the definition of "qualified" is he can pay his bills.

MS. MORGAN: Was that specified?

EXECUTIVE OFFICER NORTHROP: Staff feels that's the definition of "qualified". We owe the Commission the obligation to investigate the background of the bidders and report to you what we feel is the legitimacy of the bid. Because the bid may well be, may well be a marketable item. So to bid it where you can't afford it with the idea of resale, which well may be contemplated and could be contemplated.

MS. MORGAN: But technically speaking if you have an unqualified bidder, then we have no bid at all.

EXECUTIVE OFFICER NORTHROP: We don't have an unqualified bidder. We have before you Western Pacific Construction which we consider a qualified bidder.

CHAIRPERSON CORY: Was the second bidder notified that you were rejecting him as a qualified?

MR. EVERTTS: I don't know if he was notified in writing. He certainly was notified on the telephone. We've had daily conversation with the people since he is a lessee.

CHAIRPERSON CORY: And he chose not to show up and argue the point?
MR. EVERITTS: That's correct.

MS. MORGAN: Did he know we were having this meeting?

MR. EVERITTS: We're not sure.

MR. ACKERMAN: I know we're only talking about $15,000 here, but if the whole thing were rebid, would it likely result in a higher royalty to the State because now we're forced to go the absolutely lowest bidder?

CHAIRPERSON CORY: It looks to me like you're down to zero. I mean, if I were Western Pacific Construction and I was sitting in this room, I think I'd bid five percent next time.

MR. EVERITTS: At least we have a 10 percent minimum by law.

CHAIRPERSON CORY: I don't know.

MS. MORGAN: How long is this bid good for?

MR. TROUT: Five years with a five-year option.

MS. MORGAN: What period of time do we have before we have to accept a bid or reject it?

MR. EVERITTS: I don't know.

MS. MORGAN: Is it a 30-day period? You don't know.

MR. TAYLOR: I'm not aware of a time limit.

MR. HIGHT: I don't believe there's a time limit on this one. It would have to be a reasonable time.
MR. TAYLOR: You certainly couldn't have conditions change and hold a man to his bid. So there would be a duty of diligence. But I don't think that we have ever set specific ones.

MS. MORGAN: I think the Commission is, at least the feeling I get, the Commission is uncomfortable with rejecting the bidder unless the bidder has been notified and has had an opportunity to appeal. By awarding to the third bidder, we basically limit his right to appeal.

MR. EVERITTS: I know that the middle bidder has been notified. I don't know --

MS. MORGAN: Of the meeting and his right to appeal?

MR. EVERITTS: I don't know that.

MR. ACKERMAN: Put it over for 30 days.

CHAIRPERSON CORY: We'll put this item over to the next meeting. If he's in that bad of shape, I'm probably going to agree with you. But I'm just puzzled that we're getting to the third bidder on something is what is disturbing me.

MS. MORGAN: I think that if he thought in his business sense he was not prepared to handle the bid, then he wouldn't have bid either.

EXECUTIVE OFFICER NORTHROP: I'm not so sure if a reasonable bid might be considered to be a saleable piece
of merchandise.

CHAIRPERSON CORY: Saleable. Somebody should be in bidding. I don't know.

EXECUTIVE OFFICER NORTHROP: Somebody did bid higher.

CHAIRPERSON CORY: Okay. We will put Item 31 over.

Do you have the information on Item 32 for us?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

attached to the calendar item is the newest sales price for geothermal steam. Our number last year was about 4.6 million. This year we exceed 7.2 million dollars.

MS. MORGAN: This is informational.

CHAIRPERSON CORY: Any questions from Commissioners?

Item 33, authorize to offer for sale by competitive bid, Tract 2. How many barrels is that?

EXECUTIVE OFFICER NORTHROP: Two-hundred and sixty barrels a day, Mr. Chairman.

CHAIRPERSON CORY: Two-hundred sixty barrels a day. Anybody in the audience on this item? Any questions from Commissioners?

Without objection, Item 33 is approved as presented.

Item 34, Sell-Off Parcel "A", approval of
specifications and forms for notices inviting bids on Parcel "A".

Anybody in the audience on this item?

Questions from Commissioners?

Without objection, item approved as presented.

Item 35, Shotputter.

EXECUTIVE OFFICER NORTHROP: Mr. Thompson.

MR. ACKERMAN: Susanne's favorite item.

MR. THOMPSON: Favorite item.

EXECUTIVE OFFICER NORTHROP: Get whipped about the head and shoulders again.

MS. MORGAN: At least now they're saying it cost a lot of money. This is the one where we pour money into the ground and nothing comes back.

CHAIRPERSON CORY: Right.

MR. ACKERMAN: We've now paid for the slug.

(Laughter.)

CHAIRPERSON CORY: You engineer types really ought to do something about pre-flush polymer and slug.

You ought to package these things a little better if you want all this money. Go ahead.

MR. THOMPSON: We need a little more Madison Avenue approach here do we or something?

CHAIRPERSON CORY: Pre-flush polymer. Go ahead,
MR. THOMPSON: As you can see from the plot that I gave you here, why the oil rate is flattening out. That's shown in red. The project has performed as we predicted from the lab test. The water-oil ratio, that's the amount of water produced in relationship to the oil that's dropped and flattened now. That's shown in green. The water rate from the project has dropped. Again, we're back to the question of economics. To date we have to date spent about nine and a half million dollars on the project and the Federal Government contributed about three and a half million dollars. So we started off with six million dollars. As we alerted you before, the chances of economic pay-out on this project are between zero and none, but we are gathering information.

CHAIRPERSON CORY: I thought they were a little higher than that when we went into it Moose.

MR. THOMPSON: Promises, promises, promises.

EXECUTIVE OFFICER NORTHROP: Cost them $27 a barrel.

MR. THOMPSON: That's, as we said before, why the break even rate at the present time is about a hundred and sixty barrels a day and we're doing about two hundred and fifty or sixty. So we are actually getting back. There will be a reduction in cost about October when we stop.
injecting this polymer water and put in conventional water. The problem is now the oil rate is beginning to flatten out and the water-oil ratio begins to have suggestion of turning up. So this may be the time we'll be able to predict the life of this and see what it is.

CHAIRPERSON CORY: What happened to the one little blip in the oil rate mid-80?

MR. THOMPSON: That was probably when a well was down. We've had trouble keeping our wells on production here. So you have a little drop time in there and you can also see that the water rate in the blue dropped drastically there. So this looks like a rather high cut well that went off production at that time.

So, again, we'll continue to report this quarterly and see how the projects are doing.

MS. MORGAN: Why are we doing this?

CHAIRPERSON CORY: We're losing money but making it up on the volume.

MS. MORGAN: This is a research project?

MR. THOMPSON: Actually we have increased the ultimate oil recovery here by about eight percent of the tank oil in place. Again, this is a risk you take here because if we have, say, six billion barrels of oil in place in the Wilmington Oil Field, we talked getting 8 to 10 percent additionaly oil. We're talking about a factor that's so
large that even though you think that you're in a loss
position here for several million dollars, the potential
gain would be in the billions. So again this is a test
evaluation. If the country really ever gets to the point
where we have to be self-dependent within our own borders
we'll be doing projects like this.

MS. MORGAN: How much longer are we going to
be doing this? What we've proved is that we can do it, but
it's very expensive.

MR. THOMPSON: Yes.

MS. MORGAN: And you don't get a lot back.

How much more do we have to prove?

MR. THOMPSON: This project will go on to its
final end because now we're going to switch very soon in
October to conventional water. We will then float the
project out to the economic limit just like we do with
any other well.

EXECUTIVE OFFICER NORTHRUP: We have staunched
the flow of blood, now we're going to start reaping the
profits we can.

CHAIRPERSON CORY: You invest some money up
front by putting the gunk down under the ground, I think
Moose and Northrop just took the money and went South with
it.

MS. MORGAN: No. No.
CHAIRPERSON CORY: And there's no real money gone anywhere. Have you ever heard of, would you have the nerve to sell anybody pre-flushed polymer and a flood for six million?

EXECUTIVE OFFICER NORTHROP: We conned the DOE into it.

CHAIRPERSON CORY: We put the money in early and then that supposedly breaks loose additional oil so that for months ahead or weeks ahead they'll be additional oil coming.

EXECUTIVE OFFICER NORTHROP: The background of it is this. We were allowed, when the price of crude oil was controlled, we were allowed a de-controlled price on the oil that was produced. Secondly, DOE participated for half or -- what was the maximum?

MR. THOMPSON: Three and a half million.

EXECUTIVE OFFICER NORTHROP: Three and a half million of which none of that gets paid back and part of the price release of the crude that we enjoyed in 1979 and '80 prior to the de-control was in that area. So we had some payment back. By the looks of this and Moose and his staff are only judging that the war is over because the last little glitch in green is starting to go up. But I point out, there was a glitch in green in 1980 in mid-year, and it went back down again. So I think it's a project we...
had to look at as to what it costs for secondary recovery
because otherwise the world is going to be, we have a very
large operation, and if we have to depend totally on the water
flood and can't find another way to do it because, we're
in trouble because we have a large reservoir that we're
going to abandon if we don't.

MR. THOMPSON: This is a pilot project. There
are additional costs on any pilot project, additional
research and overhead and just complying with the DOE
requirements and there's quite a paper flow.

CHAIRPERSON CORY: When you did the economics
on whether or not we made or lost on this thing, did you
factor in the released oil increment?

MR. THOMPSON: Yes. Because all the oil comes
from the project goes through us. The government doesn't
get any of it.

CHAIRPERSON CORY: But that is factored in as
one of the benefits of the project?

MR. THOMPSON: Yes.

CHAIRPERSON CORY: Which used to be a benefit
and is no longer a benefit because everything is de-controlled.

MR. THOMPSON: Again, the problem with this thing
is it bootstraps itself back into a hydrocarbon usage again
and as the cost of hydrocarbon goes up, then you have to
cost the product that you put back in to recover. That's
the one thing that is handicapping this type of an approach.
But until you really get it into a field application to see
if there are other things besides that particular bootstrap
that bothers you, you really don't have all the answers.

EXECUTIVE OFFICER NORTHROP: It may be, given
this is a very limited field, we found a field with a
fault block gave us a fairly tight area to work in that
wouldn't wander around the rest of the oil field. It may
be when we analyze this at the end of the project, we may
see a large area in which we could use it which would give
us more revenue.

MS. MORGAN: When was the end of the project?
EXECUTIVE OFFICER NORTHROP: When that green
line is up to the zero cut line, to the 100 percent water
line, that's the end of the project.

MS. MORGAN: That will never happen because
you know you can --

EXECUTIVE OFFICER NORTHROP: Well, no.

MR. THOMPSON: We will reach an economic limit.

EXECUTIVE OFFICER NORTHROP: It's an economic
limit to it do it.

CHAIRPERSON CORY: When the cost of pulling the
fluid out of the hole --

EXECUTIVE OFFICER NORTHROP: Exceeds the return.

CHAIRPERSON CORY: -- exceeds what we get.
MR. THOMPSON: That's no different than any other well we have that's tidal property.

MS. MORGAN: But it does that already.

EXECUTIVE OFFICER NORTHROP: Pardon me? No.

CHAIRPERSON CORY: You take a big wad of cash and put it in a hole in one fell swoop over a few months period of time and then you sit back to see what happens. Is that not in essence what we did?

MR. THOMPSON: Yes.

CHAIRPERSON CORY: As we sit back now it's been a noble experiment. I'd like to talk about that a little later. But they don't think it's really going to prove to do something we should do throughout the field.

MS. MORGAN: So we're not putting any more money into this?

CHAIRPERSON CORY: No.

MS. MORGAN: I don't think that's true.

EXECUTIVE OFFICER NORTHROP: The project wasn't designed to put more money into.

MR. THOMPSON: The big cost of this project is the material you put under the ground to increase the recovery. The rest of it is just --

MS. MORGAN: And you've already done that?

MR. THOMPSON: Yes.

MS. MORGAN: Yes.
CHAIRPERSON CORY: That's spent, gone, goodbye. Who wrote this item? Is this your penmanship?
MR. THOMPSON: No.
CHAIRPERSON CORY: Would you like to tell us who midwifed it?
MR. THOMPSON: One of my staff engineers.
CHAIRPERSON CORY: "A pilot project of this type is intended to provide technical information, and not necessarily be an economic success."
I didn't find that line when we approved the project.
(Laughter.)
CHAIRPERSON CORY: I just want you to know that. Then there's, "This is confirmed to date...."
MR. THOMPSON: It's always the difference between whether you're buying or selling.
CHAIRPERSON CORY: I understand.
"...well repair and other expenses have been higher than were expected, and only by February, 1981, was the cumulative value of the additional oil recovery equal to the cost of the micellar slug along. The project will be, though, a valuable benchmark for planning and evaluating the future applications of the process -- that was the intent behind the DOE's participation."
Not explaining what our intent was. But it's
a worthwhile -- I'm not down on it. It might have worked
and we might have made a zillion dollars. So we took a risk
and didn't come out all that well.

Okay. We've been informed. Is that all we're
supposed to do on this one?

EXECUTIVE OFFICER NORTHROP: Yes. Quarterly
information.

CHAIRPERSON CORY: And I thought it was a worth-
while experiment. Not because of the scientific information,
because we had a chance of winning.

MS. MORGAN: Was that 1978 that you thought it
was worthwhile?

CHAIRPERSON CORY: Yes.

We've been informed on that. Now we've got some
legal questions.

Santa Monica State Beach Boundary Agreement.

Somebody going to explain that as to what we're doing?

MR. HIGHT: Yes, Mr. Chairman.

In Number 36 --

CHAIRPERSON CORY: That's the swimming pool?

MR. HIGHT: That's the swimming pool and this
is the proposed lease for 10 years at a nominal rent and
option to renew for 15 years at fair market value, and at
the end of that the swimming pool will be removed. This is
not the Johnathan Club.
MS. MORGAN: Is this a private party?

MR. HIGHT: Yes.

CHAIRPERSON CORY: This is a single parcel?

MR. HIGHT: Right.

CHAIRPERSON CORY: Okay. Any questions?

MS. MORGAN: It's a settlement.

MR. ACKERMAN: On both this item and Number 37 it mentions an initial 10-year or in this one I guess 10-year period --

EXECUTIVE OFFICER NORTHROP: I believe it is.

MR. ACKERMAN: -- and a nominal annual rental rate. How is that nominal annual rental rate determined?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Sue Wylie in the Attorney General's Office has been working in that area a great deal, and I think she can address that. How did you come up with the nominal 10 percent rent?

MS. WYLIE: Well, the nominal rent is determined from the State Lands regulations under the general permit. It goes on the basis of square footage.

MR. ACKERMAN: And the calendar Item 36 then, what would be the rent for that particular parcel?

MS. WYLIE: For this particular parcel it would be $40 a year.

MS. ACKERMAN: That's nominal.
CHAIRPERSON CORY: That's nominal unless you're paying it.

MR. ACKERMAN: Forty dollars a year?

CHAIRPERSON CORY: Then it's tribute.

MR. ACKERMAN: And that's based on the square footage?

MS. WYLIE: It's based on the square footage, but at the end of that 10-year period, it would then go on a straight fair rental value for the amount of property that's used.

MR. ACKERMAN: Would that be based on an assessment that was done by L.A. County Assessor?

CHAIRPERSON CORY: Competitive bidding, of course.

MS. WYLIE: It would be done according to State Lands regulations in existence at that time or depending on which entity or agency might be administering the lease at that time.

MR. ACKERMAN: So, in other words, at the expiration time of the initial lease, everything comes back for some type of renegotiation as to what the annual rental cost would be?

MS. WYLIE: At the end of the 10 years there would be a renegotiation and a fair rental value would be established and assessed on the property at that time.

CHAIRPERSON CORY: Questions?
MR. ACKERMAN: I have a question. I assume in this case that this particular property owner is satisfied with the proposed agreement?

MS. WYLIE: Yes. His attorney is present here today.

CHAIRPERSON CORY: Okay. Anybody in the audience that disagrees with the proposed staff solution?

Without objection --

MS. MORGAN: That's fine.

CHAIRPERSON CORY: -- Item 36 is approved as presented.

Item 37. This is non-swimming pool portions and some people have agreed to this and some are still up in the air as to whether they wish to agree. This excludes the quasi-commercial --

MS. WYLIE: This item relates to those property owners who have encroachments which extend 5 to 50 feet waterward of the 1921 mean high tide line. The proposal for these property owners is that they would have the 10-year nominal use of the property and renegotiate the lease at the end of that 10 years for an additional 10 years, after which they would remove their encroachment.

One of the property owners also represented by Mr. Lafaille is agreeing and we are finalizing a settlement on the terms if the Commission so approves. Several other
property owners have indicated that they are willing to settle the litigation on the same terms.

CHAIRPERSON CORY: Okay. Anybody in the audience opposed to the proposed settlements?

Questions from Commissioners?

MR. ACKERMAN: You have a list in the agenda of all the property owners. Some of those do not agree to this proposed settlement at this point in time?

MS. WYLIE: Some of them have not agreed. That's not to say that they would not be in agreement. This was put together rather rapidly and I have contacted the attorneys of most of those people and they're reviewing it. So far they're optimistic that it's a viable settlement.

MR. ACKERMAN: Do we have a comment from the attorney that's present? I'd just like a comment from you. I assume you're representing all of the property owners.

MR. LAFAILLE: No, I'm not. I'm representing two of the property owners.

MR. ACKERMAN: Those two property owners are satisfied with the settlement?

MR. LAFAILLE: Yes.

CHAIRPERSON CORY: And if you would identify yourself for the record.

MR. LAFAILLE: David Lafaille, your Honor. Mr. Commissioner.

MR. ACKERMAN: You've been called your Honor twice today.
(Laughter.)

CHAIRPERSON CORY: Ever told you what my secretary used to call me? Instead of the Honorable Ken Cory, the Almost Honorable Ken Cory.

MR. LAFAILLE: I represent the property owner at 514 and 522 Palisades Beach Road. We have been working very closely with the Attorney General's Office in this settlement. I want to compliment Ms. Wylie on the handling of this matter. Very difficult circumstances with a lot of adamant people and she, with regards to my particular clients, she has accomplished a very rapidly and efficiently this settlement.

We are very happy with the settlement.

MR. ACKERMAN: Is one of those the swimming pool?

MR. LAFAILLE: Yes.

MS. MORGAN: On Item 37, you mentioned that this involves encroachment up to 50 feet.

MS. WYLIE: That's correct. Those are the private encroachments. These do not include the two beach clubs which are larger encroachments.

MS. MORGAN: How many of the private encroachments go beyond 10 feet or how many of them go to 50?

MS. WYLIE: How many go to 50? I believe there are 2 that go to 50 feet. The encroachments here today, the
swimming pool property is 29 feet and the property at 514 is approximately 14 feet.

CHAIRPERSON CORY: Okay.

MS. MORGAN: I thought we previously talked about 10 being the maximum for the private owners, but we didn't?

MS. WYLIE: No.

MR. ACKERMAN: A couple of questions.

CHAIRPERSON CORY: Go.

MR. ACKERMAN: Within the listing of parcels I notice there are several in here that look like they're clubs or other than just private single land owners; is that correct?

MS. WYLIE: There is one called the Palisades Beach Club which is a very small structure, a private home that's made into a club and has approximately 35 members. They have an encroachment that extends out to 50 feet. It's adjacent to the other encroachment which is 50 feet and they have expressed a willingness to participate in a settlement on this basis. While their encroachment extends 50 feet out, they have not precluded the public from utilizing the portion of the sand. They have a string of barbeques and some picnic tables that go out.

MR. ACKERMAN: So the only two land owners in Santa Monica that aren't affected by this settlement are the Johnathan Club and the Beach Club?
MS. WYLIE: And there are some that have less than 5 feet encroachment. Some of them only matter an inch or two. Some of them up to 4 feet.

MR. ACKERMAN: How are you going to settle with those?

MS. WYLIE: We had previously decided and offered to them in years past that we would just allow them to keep their encroachment for the term at a nominal rate without going through the lease renegotiation and so on since it's such a minor distance.

MR. ACKERMAN: Do those have to come before the Commission?

MS. WYLIE: Those would come before the Commission separately.

MR. ACKERMAN: One more. Which property owners have not agreed to the settlement?

Do you know? It's just since they were included in the list, I just assumed that they all had agreed to it. Otherwise they wouldn't have been on the list.

MS. WYLIE: What we attempted to do was we had two represented by Mr. Lafaille who have definitely said that they would accept those terms. What I attempted to do in grouping the others is that that should be then our offer to the others who are similarly situated. To avoid coming back to the Commission for each settlement, I thought
it would be more expeditious to just have the Commission approve us entering into the same settlement on the same terms using the same documents with those who are willing to accept the terms. If they're not, then we'll just proceed with the litigation.

Now, several have indicated that they would be willing, but they have to get approval of their members or they're still talking to their attorneys and so on. I think a majority of them will accept it.

MR. ACKERMAN: So this simply is an authorization for you to present a settlement to them?

MS. WYLIE: And to execute a boundary agreement on the same terms as the 514 property.

MR. ACKERMAN: What happens to the land owners who reject that offer?

MS. WYLIE: Then we just proceed with the litigation.

CHAIRPERSON CORY: This is the camel's nose under the tent or divide and conquer, right? Run up the costs of litigation.

MS. WYLIE: We've always felt that it wouldn't be fair to make one offer to one party because they're all basically similarly situated. So we're trying to treat them equally. If two people come forward and say we're willing to accept those terms, then we've established
the terms and we would go ahead on that basis.

MR. LAFAILLE: And we're the first deserters out of the camp.

(Laughter.)

MS. MORGAN: I just don't remember 50 feet as being the limit that we had agreed to. It seemed to me at a meeting some time ago we had said something else.

MR. TAYLOR: I think the maximum limit that was ever discussed was 50 feet, nothing more than 50 feet. That was the original offer that Parks and State Lands made to the parties a few years ago. But it was 50 feet or the extent of your encroachment, whichever is less. This is consistent with that policy.

MS. MORGAN: And we consider picnic benches to be encroachment?

MS. WYLIE: If they're placed in some sort of permanent position. This is out on a concrete slab in the one property.

I believe our discussions have been 50 feet for the homeowners because that's the furthest encroachment. That's why we've separated out the beach clubs from this and just deal with those encroachments that are with the homeowners because the furthest one is 50 feet.

MR. ACKERMAN: Were the attorneys for the other individual property owners notified of the meeting today?
MS. WYLIE: They were not notified. Most of them --

MR. ACKERMAN: You only notified the attorney of the ones that were willing to settle?

MS. WYLIE: Well, this was, like I say, put together rather rapidly. One of these properties --

MR. ACKERMAN: Why was it put together so rapidly?

MS. WYLIE: This property --

MR. TAYLOR: I'd rather answer that question in Executive Session with you.

MS. ACKERMAN: Given that answer, I'm not so sure I'm prepared to vote on that.

MR. LAFAILLE: I don't want to speak on behalf of the Attorney General. I would give this brief history. We, and I saw "we" advisedly because Ralph Mutter is the attorney for the homeowners' group and I just happened to represent a client who is selling one house and moving next door. That's why I happened to be representing 514 and 522. It's been at my behest that these matters came before the Commission because my client will not close his escrow --

CHAIRPERSON CORY: He wants to get his escrow closed.

MR. LAFAILLE: He wants to get his escrow closed. So it's been at my request and the Attorney General has been
very kind in going forward with this.

MR. ACKERMAN: You're in escrow right now?

MR. LAFAILLE: We are in escrow. We are a month overdue in closing that escrow. So it has been at our behest that the matter had come to the Commission with this degree of haste and Ms. Wylie has been extremely kind to my client, to myself in bringing this to the Commission. It's certainly nothing untoward occurring here in terms of the Attorney General bringing it.

I would say this -- and I can't speak on behalf of Mr. Nutter either -- but apparently, it is my understanding that he has reached a tentative agreement and still had to go back to his clients with regard to getting approvals either individually or as a whole. That being so, it would seem to me that this matter coming on to the Commission's calendar was really nothing untoward involved in it.

I would appreciate with regard to my specific client that if the Commission would rule on that today.

MR. ACKERMAN: Is that the Item 36?

MR. LAFAILLE: It's 36 and 37. The swimming pool matter is a matter which is being closed in escrow and the other one is really of no interest whether its done today.

MR. TAYLOR: I'll answer the question. I don't know that it should be made such a big deal of. You don't
have to approve all of the items. However, we have been working with the City Council on this matter which another party to the agreement, the City of Santa Monica. The existing Council has been very familiar with what is going on and had been advised as many times as you have been advised with regard to the status of this matter.

There is an election in Santa Monica on Tuesday as to which some of the Councilmen who are familiar with this matter are not seeking reelection. There may be a change in that. It would seem unfortunate --

(Laughter.)

MR. TAYLOR: It would be unfortunate to lose the benefit of those people. We will have to go back to the new Council or the Council that is reformed subsequently with some other matters and we will certainly bring them up to date on that, but we were trying to give this Council which had considered all of the matters an opportunity to make the same offer to everyone and it was also with the idea of the convenience of this Commission.

CHAIRPERSON CORY: None of the retiring Council members are buying Item 37, are they?

MR. LAFAIJKLE: No.

MR. TAYLOR: But it was also with the idea that this Commission has certainly heard quite a bit about this litigation over a good number of years and it was thought
that if one settlement was made, that same thing should be
offered to everyone formally that wanted to come in as
promptly as they wanted to come in on it. That it
shouldn't be brought back piecemeal where you have people
in a single category.

If you don't want to do it, we can just take
the two that you have before you. But those are the reasons
for it. Santa Monica City Council has considered this
in open session. There isn't any controversy within the
City on the matter. It's just a question that we had a
group of people that were up on it and ready to go and
there are going to be other people where this property is
turning over where you're going to have a transition period.

CHAIRPERSON CORY: What's the wish of the
Commissioners?

MS. MORGAN: Well, --
CHAIRPERSON CORY: You get paid to vote, folks.
Yea or nay, what do you want to do?

MS. MORGAN: I think we probably should move
on Item 36.

MR. ACKERMAN: I think we already have.

MS. MORGAN: And Item 37, if it's not as impor-
tant to this client --

CHAIRPERSON CORY: Is that correct? 36 is the
escrow that you wanted to get closed?
MR. LAFAILLE: Yes, that is correct.

MS. MORGAN: Then we could hold 37, but give

general --

MR. ACKERMAN: I would even be willing to approve
the one parcel in Item 37 which we've already ascertained --

MS. WYLIE: The reason it was set up this way
is just to accommodate the Commission so we didn't have to
come back with each one. I would perfectly agreeable --

CHAIRPERSON CORY: We like this so much.

(Laughter.)

MS. WYLIE: I was mistaken.

It was originally set up as approving 514
and then authorizing the rest. We can drop the rest and
just approve item 514 which is Mr. Lafaille's other client.
because that one is also ready to go.

MS. MORGAN: The problem with doing that, Dave,
is that if there is serious objection from any of the
other clients or clients of the other parties and we
change or recommend a different settlement, then I think --

CHAIRPERSON CORY: We've got that problem in

36 already.

MR. ACKERMAN: We accept the terms of that
settlement. They're already different.

EXECUTIVE OFFICER NORTHRUP: Do I detect, Ms.

Morgan, that our terms that we're settling on are not liberal
enough?

MS. MORGAN: I think you should give it away.

EXECUTIVE OFFICER NORTHROP: I'm trying to figure out, staff is trying to get some direction.

MS. MORGAN: I don't like to run roughshod over people if this is a settlement that they've not had a chance to comment on.

MR. TROUT: This is not true.

MS. WYLIE: This is not true.

CHAIRPERSON CORY: I think what is suggested here is that you've got a loose federation of people who are property owners and that once settlement starts, for whatever reason, to close an escrow or whatever, as they start phasing out that there is a high degree of probability that the time is ripe, if this authorization is granted, that within the next two weeks a lot of these might get settled. There's a certain amount of peer group pressure, not wanting to stand alone. There's a lot of those kind of things that might go on. Settling a lawsuit, that seems to be a worthwhile strategy.

If we want to maximize individual equity opportunities, we may not want to do that. Nobody has to take it and they have the right to litigate. The problem is the costs might go up.

MS. WYLIE: Let me point out one more thing.
The original offer to these homeowners, this is an accommodation to them. It's always been ten years, five years nominal and five years escalating to a fair rental value. In an attempt to be accommodating, we've gone 10 years nominal and an additional 10 years and I have not heard of anyone who's unhappy with this to date.

MR. TAYLOR: I think one other thing that should be said is that while we will go ahead with the litigation of those who will not sign, there's nothing to preclude other people from coming with a proposal which we'll put before the Commission. We certainly, after all the time that we spent down on that beach, are not trying to be high-handed. The purpose of this thing at this time is to try to be accommodating. The terms that are worked out, and this has been discussed at length all over the place, before the City Council, and before the Park people, and now before this Commission.

CHAIRPERSON CORY: I understand where you are.

I think the staff understands.

What do we want to do with Item 37? We approved 36, as I understand. We have 37 before us. Do we want to take up 37 or put it over?

I'm the Chair, I don't have to say anything.

MS. MORGAN: I know.

MR. ACKERMAN: Let me ask one more question.
What's the likelihood you anticipate any major downside from the elections next week in total reversal on what's been accomplished so far, because I think the progress that's been made down there has been substantial and it's all been in the right direction?

MR. TAYLOR: I hope not.

MS. WYLIE: The City Council --

MR. ACKERMAN: I don't want to run roughshod over a new City Council either.

MS. WYLIE: No. The City Council approved these two settlements and also authorized us, authorized their City Manager to enter into other settlements on the same terms. So we don't have to go back to the City Council if people are willing to accept these terms.

MR. TAYLOR: That isn't responsive to the question.

There are two groups in Santa Monica and both groups supported the settlement. Now, which group has more members on the Council at the end of the election, we don't know. But people who represent the views of both of the groups support it and voted for this proposal. So I don't think that this is an issue which is subject to any kind of local partisan dispute at this time. It's more important, I think, to the City, as a group, that the dispute over where the boundary line is be resolved and that they
be able to get on with the planning for the public use of this beach. Based on that, I would not anticipate any change. I think that the only problem will be that there will be a slight delay while you have to give people who have been elected to the Council time to get up to speed on the matter. But it's not been an issue in the election. It's not been an issue between the vying groups in Santa Monica. This matter was supported by the people who are most outspoken in favor of the predominant group in that town now.

MR. LAFAILLE: May I make one comment to the Commission? I think, as a taxpayer, having been involved in this litigation, and this is a particularly nasty piece of work when you go to these meetings. The Commission would be missing a great opportunity to put this to bed by not acting on this at this moment, believe me. I've got a client with a particular interest in getting out and that's why we're getting out. But if the Commission made this available at this time, I'm sure, I'm sure --

MR. ACKERMAN: That's why I asked my question.

Mr. LAFAILLE: You're really missing an excellent opportunity.

MR. ACKERMAN: You're looking at me.

CHAIRPERSON CORY: Somebody make a motion. If not, I would presume that there is not sufficient votes.
MS. MORGAN: I just wanted to make sure that Dave is comfortable. He's the one --

MR. ACKERMAN: I just happened to get interested in it, unfortunately.

(Laughter.)

MR. ACKERMAN: I took a phone call when you two didn't one day.

CHAIRPERSON CORY: Public service is so rewarding. What shall I do? What would you like to do, Mr. Ackerman?

MR. ACKERMAN: I'd be willing to go along with it.

MS. MORGAN: Okay. To authorize the two settlements, the second settlement that's before us and to give authorization to the staff to go ahead and settle on the same terms with any of the other property owners. That's my motion.

CHAIRPERSON CORY: Which is 37 as staff presented; right?

MR. TAYLOR: Yes. 37 as staff has presented.

CHAIRPERSON CORY: Are there any distinctions that you want from the staff recommendation?

MS. MORGAN: No.

MR. ACKERMAN: Second.

CHAIRPERSON CORY: Motion is seconded.

All those in favor signify by saying aye.
(Ayes.)

CHAIRPERSON CORY: Opposed.

Okay. You got it.

Item 38, Shell Oil Company overpaid us they claim.

EXECUTIVE OFFICER NORTHP: Yes.

CHAIRPERSON CORY: Somebody audited this and confirmed it?

EXECUTIVE OFFICER NORTHP: Yes.

Our staff did.

CHAIRPERSON CORY: Who on the staff?

EXECUTIVE OFFICER NORTHP: Mr. Maulorico,

who on your staff?

Mr. Al Maulorico.

CHAIRPERSON CORY: Al I'll trust. You did this one, Al?

MR. MAULORICO: Not personally. Our royalty accounting staff.

CHAIRPERSON CORY: And you're comfortable that they overpaid?

MR. MAULORICO: Yes, we are.

CHAIRPERSON CORY: Should we send a letter to the stockholders?

MR. ACKERMAN: When their total bill is $90,000 and they overpaid by $84,000, that's --

CHAIRPERSON CORY: Nothing significant to the numbers
they deal in.

EXECUTIVE OFFICER NORTHRUP: Their chairman can understand incompetency, too.

CHAIRPERSON CORY: Without objection, refund authorized.

Item 39 -- oh, whoops, we got one other. We got two pieces of legislation that we need to act on before noon. We missed it, folks.

There are two proposed pieces of legislation.

MR. ACKERMAN: There are two bills which I'd like to solicit the Commission's support on. One is an Assembly constitutional amendment and another is AB 695.

Both have been introduced and authored by Assemblyman Herger and deal with public lands. I have copies of those for you.

The constitutional amendment -- I also, I must say, both of them have been reviewed by the staff of the Lands Commission and at least at a staff advisory level some amendments have been suggested to Assemblyman Herger and he has taken the amendments. The bill as before you reflect the amendments suggested by staff.

The first bill is a constitutional amendment. It very simply states that if and when land is granted by the Federal Government to California under the processes now being actively undertaken by the Commission staff, it
would place in the constitution a public land policy of multiple use to apply to the unreserved, unappropriated public lands that may well be granted to the state by Congress. Most importantly this amendment stresses the importance of protecting the public interest in those lands for all Californians in whatever multiple use is decided.

The second measure, Assembly Bill 695 which is even of a simpler nature. What it would require is a statement by an administrator of any of these lands guarantee that it provide maximum public access to all lands that are granted by Congress to the state.

I think both measures are in good form and provide a little bit of debate in the Legislature.

MS. MORGAN: Who's Assemblyman Herger?

MR. ACKERMAN: He replaced Assemblyman Gene Chappie. The reason I'm asking for support today is the bills will be heard this afternoon and I guess it's Land Resources --

MR. MORRISON: Energy and Natural Resources.

MR. ACKERMAN: Assemblyman Herger has requested assistance from Lands Commission staff.

Now that they're amended, I think --

MS. MORGAN: Sounds good. Sounds like a good idea for whoever replaced Mr. Chappie to enter into a good working relationship with the Lands Commission.
(Laughter.)

MR. TROUT: We appreciate that very much.

EXECUTIVE OFFICER NORTHROP: He has different advice now than Chappie had.

CHAIRPERSON CORY: I authored a constitutional amendment which dealt with recordkeeping and making sure the people were protected from excess records and discovered that the Supreme Court recently decided that that guaranteed the people, poor people and a lot of other people the right to an abortion. So I'm wishing Assemblyman Herger well with what the court may do with that one.

(Laughter.)

MR. ACKERMAN: I'd like to entertain a motion in support of these two --

CHAIRPERSON CORY: Without objection, --

MS. MORGAN: I'll move.

MR. ACKERMAN: And allow the staff to assist Mr. Herger in his efforts.

CHAIRPERSON CORY: Without objection, unanimously approved.

We have a one item Executive Session. Hopefully everybody out there is hungry and will clear the room quickly.

(Thereupon this meeting of the State Lands Commission was adjourned at 12:10 p.m.)
CERTIFICATE OF SHORTHAND REPORTER

I, CATHLEEN SLOCUM, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, Cathleen Slocum, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 30 day of April, 1981.

CATHLEEN SLOCUM
Certified Shorthand Reporter
License No. 2822

PETERS SHORTHAND REPORTING CORPORATION
7700 COLLÈGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE: (916) 383-3600