

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 4202
SACRAMENTO, CALIFORNIA

ORIGINAL

TUESDAY, SEPTEMBER 29, 1981

10:00 A.M.

EVELYN J. DUGGAN
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 208
SACRAMENTO, CALIFORNIA 95823
TELEPHONE (916) 383-3601

COMMISSIONERS

- 1
- 2 Kenneth Cory, State Controller, Chairman
- 3 David Ackerman, Representing Mike Curb, Lt. Governor
- 4 Susanne Morgan, Representing Mary Ann Graves,
- 5 Director of Finance
- 6

STAFF PRESENT

- 7
- 8 William Northrop, Executive Officer
- 9 James Trout
- 10 Robert Hight
- 11 Don Everitts
- 12 Greg Taylor
- 13 W. M. Thompson
- 14 Diane Jones
- 15 Jane Smith
- 16 Bud Uzes
- 17 Mike Valentine
- 18

WITNESSES

- 19
- 20 Ted A. MacDonell, City Manager, City of Vallejo
- 21 E. Clement Shute, Jr., Attorney at Law, Save
- 22 San Francisco Bay Association
- 23
- 24
- 25

I N D E X

	<u>Page</u>
1 Proceedings	1
2 Call to Order	1
3 Approval of Minutes	1
4 Executive Officer's Report	1
5 Consent Calendar	4
6 Minus C23(1) & (4)	
7 C23(4)	5
8 C23(1)	5
9 Item 28	5
10 Item 29	6
11 Item 30	7
12 Item 31	7
13 Item 32	8
14 Item 33	8
15 Item 34	8
16 Item 35	9
17 Item 36	12
18 Item 37	14
19 Item 38	14
20 Item 39	14
21 Item 40	20
22 Item 41	23
23 Item 42	24

1	Item 43	24
2	Item 44	24
3	Item 45	25
4	Adjournment	26
5	Certificate of Shorthand Reporter	27
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

PETERS SHORTHAND REPORTING CORPORATION

770 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-1601

P R O C E E D I N G S

---oOo---

CHAIRMAN CORY: I call the meeting to order.

Any corrections or revisions in the minutes of August 20th?

Without objection, the minutes will be confirmed as presented.

Report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Thank you, Mr. Chairman, Members.

The first item is a Letter of Permission for the City of Pacifica. This Letter of Permission was granted to the City of Pacifica in advance of a routine report to replace riprap along Beach Boulevard in Pacifica. The work is needed to prevent erosion of Beach Boulevard from winter storms.

Normal processing of a permit would not allow the project to be completed in a timely manner. The City has agreed to apply for a permit, and the staff assures me that the City has clearances from other jurisdictions, and there are no environmental concerns over the project.

So, with these items in mind, we are asking your permission to go ahead and issue the permit and bring the permission back in a routine fashion.

CHAIRMAN CORY: Questions of Commissioners?

PETERS SHORTHAND REPORTING CORPORATION

1700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95829
TELEPHONE (916) 383-3601

1 Go ahead.

2 EXECUTIVE OFFICER NORTHROP: Thank you.

3 The second item, Mr. Chairman, Members, is a
4 Letter of Permission from Pacific Telephone and Telegraph
5 Company.

6 On September 22nd, 1981, Letters of Permission
7 were granted to the Pacific Telephone and Telegraph Company
8 to enter upon submerged lands in the San Joaquin River at
9 Mossdale Bridge in San Joaquin County, and the Mokelumne
10 River at Benson Ferry Bridge in Sacramento and San Joaquin
11 Counties for a period of 60 days to construct, operate,
12 and maintain an optical fiber system.

13 This is a supplemental system that converts the
14 human voice to an electronic pulse and converts that pulse
15 into light waves which carries messages along glass fibers
16 within the cable.

17 Time frame for installing the cable across
18 sovereign lands is extremely critical because of the
19 State Reclamation Board --

20 CHAIRMAN CORY: Why do we need to do that?

21 EXECUTIVE OFFICER NORTHROP: I don't know why
22 we need to do that.

23 CHAIRMAN CORY: Go ahead.

24 EXECUTIVE OFFICER NORTHROP: Anyway, they are
25 asking a permission to install this cable at waterway

1 crossings before November 1st. The project is limited to
2 attaching a cable to one side of an existing bridge at each
3 crossing site.

4 Pacific Telephone has agreed to indemnify the
5 State against any loss. It is anticipated that applications
6 for the two crossing sites will be formally considered by
7 the Commission on the October agenda. The projects are
8 categorically exempt under the California Environmental
9 Quality Act and subsequent amendments thereto.

10 Staff would like your permission to proceed with
11 these permits.

12 CHAIRMAN CORY: You have the okay from the
13 Commission, right?

14 I hesitate to admonish you, but for a right-
15 winger like you to be totally involved in this permissive
16 society, that all you have is a furtherance of the
17 permissive society that's causing us so much difficulty,
18 I think you ought to recheck your philosophical commitments
19 to the structure.

20 EXECUTIVE OFFICER NORTHROP: Thank you for your
21 kind remarks.

22 CHAIRMAN CORY: Do we have a report from the
23 Coastal Commission?

24 EXECUTIVE OFFICER NORTHROP: No Coastal
25 Commission report, Mr. Chairman.

1 CHAIRMAN CORY: Okay, the next items on the
2 agenda are the Consent Calendar items. They are prefixed,
3 for those people in the audience, with the letter C, and
4 we will take all of them up in a group unless someone in
5 the audience has objections to the proposed staff
6 recommendations.

7 Is there anybody in the audience that has any
8 problems with any of the Consent Calendar items?

9 I'd like to delete one item from there, C23,
10 Number 1, which is a recreational pier permit for W.
11 Grafton Worthington, III, in which I would like to not
12 participate in the decision.

13 COMMISSIONER ACKERMAN: I have a similar request
14 for Number 4.

15 CHAIRMAN CORY: Okay.

16 COMMISSIONER ACKERMAN: For Bill Treadway.

17 CHAIRMAN CORY: We'll take Treadway out, so
18 we're removing from Item C23 -- by the way, staff, it is
19 customary, following the number, to have a sub-relationship
20 to use a letter rather than another number. Just thought
21 I'd point out that small discrepancy.

22 We're taking out C23(1) and (4), and if the
23 staff had been on its toes, it would be (a) and (d).

24 Okay, without objection, then, the Consent
25 Calendar, with those exceptions, the revised Consent

1 Calendar, with those exceptions, will be approved as
2 presented.

3 Now, for Item C23(4), the Bill Treadway.

4 COMMISSIONER MORGAN: Move approval of that
5 item.

6 CHAIRMAN CORY: Susanne moves, I second.

7 Without objection, the two of us will approve,
8 with the abstention from Mr. Ackerman. Mr. Treadway is
9 approved.

10 You're in charge. Take care of C23(1) or (a).

11 COMMISSIONER MORGAN: On Item C23(1) or (a),
12 any questions?

13 COMMISSIONER ACKERMAN: I move.

14 COMMISSIONER MORGAN: I'll second. Those in
15 favor, ayes, with the Chairman abstaining.

16 CHAIRMAN CORY: Mr. Worthington has, on
17 occasion, been a contributor of mine.

18 Okay. Item 28, concurrence in the approval of
19 an emergency contract between the State and the City of
20 Sacramento for the Riverlines Warehouse, which had a fire
21 and needs to be torn down.

22 Any questions in the audience on this? Any
23 questions from the Commissioners?

24 COMMISSIONER MORGAN: Yes.

25 Why shouldn't we put the limit at \$26,000

1 instead of \$35,000?

2 MR. TROUT: Ms. Morgan, the bid that the
3 City of Sacramento got was \$26,000, but it also is subject
4 to possible change orders as they run across things they
5 don't expect. We don't expect it to go over \$26,000, but
6 if it goes a few dollars over, we would appreciate the flexibility
7 to go up to this amount, or we'd like to go something above
8 \$26,000.

9 If you want to make it \$28,000, that would be
10 fine rather than \$35,000.

11 COMMISSIONER MORGAN: Is the City participating
12 in the change order costs?

13 MR. TROUT: Yes, they're paying about one-third
14 of the cost.

15 COMMISSIONER MORGAN: Would it hurt if we limited
16 you? I'd like to keep pressure on the City to continue
17 their financial participation in this.

18 MR. TROUT: If you give us a little leeway,
19 28, I think would be fine.

20 COMMISSIONER MORGAN: Okay.

21 CHAIRMAN CORY: All right.

22 COMMISSIONER MORGAN: I move approval of \$28,000.

23 CHAIRMAN CORY: Without objection, Item 28 is
24 approved with the revised figure of \$28,000. That'll be the
25 order.

1 Item 29, approval for 30-year commercial lease.
2 This is the Rodgers Point Marina in San Joaquin River,
3 Antioch and Contra Costa County.

4 This is totally volumetric?

5 EXECUTIVE OFFICER NORTHROP: This is a minimum,
6 but only minimum volumetrics come into play, and we think
7 volumetrics will come into play.

8 CHAIRMAN CORY: Anybody in the audience on this
9 item? Commissioners?

10 Item 29 is approved as presented.

11 Item 30, which is a 15-year lease, Walthall
12 Slough near Manteca.

13 Any questions from anybody in the audience?
14 Questions from Commissioners?

15 Without objection, Item 30 is approved as
16 presented.

17 Item 31, Exxon Pipeline Right-of-Way Assignment
18 from one company to another company within the same family.
19 Here we are with a kind of double-cross. It's amazing, you
20 go all the way through the computers and come up with that,
21 and they say computers don't think.

22 Without objection, Item 31 is approved as presented.

23 Item 32, the City of Hayward Land Bank. We have
24 an amendment language which should be on the side sheet
25 which defines an access.

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 That was corrected with the City of Hayward,
2 is that correct?

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

5 You have in front of you an amendment to the
6 calendar item. It's Item Number 4, reading:

7 "Condition approval of the Land
8 Bank Agreement on a grant by the City
9 of Hayward to the State of California
10 a 40-foot wide non-exclusive public
11 access easement to the land bank parcel
12 from Breakwater Avenue across adjacent
13 City-owned property."

14 CHAIRMAN CORY: Anybody in the audience on this
15 item? Questions from Commissioners?

16 Without objection, Item 32 is approved as
17 presented.

18 Item 33, approval of a Compromise Title Settlement
19 Agreement settling a title dispute of 5.16 acres on San Pablo
20 Bay, with 15 percent interest in the Hayward Land Bank.

21 Anyone in the audience on this item?
22 Questions from the Commissioners?

23 Without objection, Item 33 is approved as
24 presented.

25 Item 34, HFS Associates, in partnership for a

1 Title Settlement Agreement comprising a dispute on 74.871
2 acres in Mariner's Lagoon, Foster City, San Mateo County.

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

5 Without objection, Item 34 is approved as
6 presented.

7 Item 35, staff report on timber bidding processes.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
9 is in response to a request from the Commissioners on the
10 considerations that staff had given to bidding processes,
11 and Mr. Grimes will briefly go over our study on this and
12 the report to the Commission.

13 MR. GRIMES: Mr. Chairman, Commissioners.

14 Back in June, the Commission awarded a timber
15 sale of some State saw timber and asked at that time that
16 the staff look into the sealed versus oral bids type of
17 operation, as well as the small business set aside.

18 Staff has done that, and Calendar Item 35 is
19 the product.

20 Briefly, we relied on the Government Office
21 of Accounting report regarding sealed versus oral bidding,
22 and they concluded that, generally speaking, sealed bids
23 tend to get a higher return than oral bids, and tend to
24 dilute the ability to collude amongst companies.

25 The main reason, apparently, for that is that

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 in an oral bid you know what your competition is. In a
2 sealed bid, you don't. And you bid to get the timber.

3 On the small business set aside, the Federal
4 Government then went to the sealed bid operation, but it
5 was found that it works a hardship on small timber operators
6 within a location where all of the timber was owned by
7 the Federal Government. So, they adopted the small business
8 set aside, whereby a certain amount, determined amount of
9 timber is set aside for bids only by small operators, people
10 with less than 500 employees. This keeps them from having
11 to bid against such people as Weyerhaeuser and Louisiana
12 Pacific, which they can't bid against because their
13 utilization standards aren't as great, they don't get as
14 much out of a tree as Weyerhaeuser does.

15 In the small business set aside, there tends to be
16 a less of a return on the timber, mainly because some of it
17 is left in the woods or burned up in the burner.

18 So in summary, the sealed bids tend to produce
19 a greater return on timber, and the small business set aside
20 tends to reduce the return.

21 The legal staff has advised us that there's no
22 law requiring the State to enter into small business set
23 asides, as the Federal Government has. So, the staff
24 recommends that, to maximize the revenues from the State
25 School Lands that go to the support of schools, that you

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 continue with the sealed bid operation and not go to a
2 small business set aside operation.

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Members,
4 I think it's well to point out that the bulk of parcels we
5 have to offer are, in themselves, very small and attract
6 little interest from the larger timber operators because
7 of the size. So, I think we are already accomplishing the
8 fact of giving the small timber harvester a chance.

9 COMMISSIONER ACKERMAN: Has Weyerhaeuser or
10 Georgia Pacific ever successfully bid on any of these small
11 parcels?

12 MR. GRIMES: Yes, in fact, if I'm not mistaken,
13 the June thing was Louisiana Pacific who was a successful
14 bidder, but they used a small logger to do the job.

15 COMMISSIONER ACKERMAN: Subcontracted?

16 MR. GRIMES: Yes.

17 CHAIRMAN CORY: What percentage would you say
18 are independents as opposed to major timber companies;
19 50-50 now?

20 MR. GRIMES: In Washington, Oregon?

21 CHAIRMAN CORY: No, ourselves.

22 MR. GRIMES: Ours, here?

23 CHAIRMAN CORY: Yes.

24 MR. GRIMES: All of the bids that I've been
25 involved in, which have not been too many in the last several

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 years, have gone to small operators.

2 CHAIRMAN CORY: With the exception of the one
3 in June?

4 MR. GRIMES: Yes, that was logged by a small
5 operator, however, and just delivered to LP's mill, which
6 they paid the most money for the timber.

7 CHAIRMAN CORY: Okay.

8 COMMISSIONER MORGAN: It's a very good report.
9 Thank you.

10 MR. GRIMES: Thank you.

11 CHAIRMAN CORY: Item 36, City of Long Beach
12 requests a least with ARCO.

13 This was on a terminal location?

14 EXECUTIVE OFFICER NORTHROP: Right, this is a
15 terminal. This is the former Spruce Goose site.

16 CHAIRMAN CORY: Okay.

17 Christine Shams, you wish to appear on this item?
18 Are you happy with the proposed staff recommendation?

19 MS. SHAMS: We're very happy with the proposed
20 staff recommendation.

21 CHAIRMAN CORY: What about the Commissioners,
22 any questions?

23 COMMISSIONER MORGAN: This is construction of a
24 pier; is that correct?

25 CHAIRMAN CORY: No.

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 EXECUTIVE OFFICER NORTHROP: It's the construction
2 of an oil tanker terminal in the Long Beach Harbor. And
3 the City of Long Beach -- the Long Beach Harbor Department,
4 because it's on grant lands, must come to us to make sure
5 it's in conformance of the granting standards, statutes,
6 and the proceeds are to be used on a statewide -- in trust
7 areas.

8 COMMISSIONER MORGAN: And the EIR is in order?

9 EXECUTIVE OFFICER NORTHROP: The EIR is in process,
10 right; that is correct.

11 MR. TAYLOR: ARCO wants the assurance that it
12 will not have its lease revoked if the State were to revoke
13 the grant to the City. That's the reason for this action.

14 COMMISSIONER ACKERMAN: One question, is there
15 a subsidence issue?

16 EXECUTIVE OFFICER NORTHROP: In relation to the
17 terminal, the terminal will not be contributory, if you're
18 referring to a subsidence problem.

19 CHAIRMAN CORY: We are depending that there is no
20 subsidence, right?

21 EXECUTIVE OFFICER NORTHROP: We're certainly of
22 the opinion that the production of oil does not cause
23 subsidence.

24 CHAIRMAN CORY: This is the same item that will
25 take oil out of the ground and place it on top, or keep it

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 200
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 under the ground.

2 EXECUTIVE OFFICER NORTHROP: We're pouring money
3 down there.

4 I don't have any problem.

5 CHAIRMAN CORY: Without objection, Item 36 is
6 approved as presented.

7 Item 37.

8 EXECUTIVE OFFICER NORTHROP: Item 37 is off
9 calendar.

10 CHAIRMAN CORY: Okay. Item 38, authorization to
11 contract an MIR in Ventura County, Santa Barbara Channel.

12 Anybody in the audience? Any questions from
13 the Commissioners?

14 Without objection, Item 38 is approved as presented.

15 Item 39, final report.

16 EXECUTIVE OFFICER NORTHROP: Mr. Thompson and
17 his assistant are going to go over that for us.

18 MR. THOMPSON: This is the final closing. This
19 is the final closing of the 1980-81 Planning Project, and
20 the second modification of the '81-82 budget.

21 During the 1980-81 fiscal year, we produced
22 22.8 million barrels from the Long Beach unit. And the
23 average oil production rate is shown by that thin red line
24 there. The solid red line's the actual production. The
25 thin red line through the '80-81 year is the actual for the

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 393-3601

1 year.

2 I'll probably want to point up that upper
3 left curve, what's happening to our oil price. The oil
4 price during that particular year was \$25.94. It increased
5 a little bit at the start of the year, but since then, it's
6 gone down. And even the last month, we've had a drop of
7 about 11 cents a barrel, which translates to reduced
8 revenue for the balance of the fiscal year we're now in of
9 \$2 million. We've had the same situation statewide, price
10 cuts there.

11 What you see in the upper left curve is the actual
12 cost of oil price in dollars per barrel, and the broken
13 red line you see there is one that we've planned and budgeted
14 for in the coming fiscal year.

15 But, the revenue projections we're using are the
16 broken green lines. If, as we've submitted, oil prices
17 would be constant through the balance of the fiscal year
18 we're in now, and actually they are dropping slightly. If
19 we continue to get price cuts, we may have to revise our
20 revenue estimates within the present time within our realm
21 of accuracy.

22 CHAIRMAN CORY: There was a report recently,
23 yesterday I think in the papers, and he's saying that there's
24 going to be a 7 cents per gallon price increase in gasoline
25 in the next two to three months.

PETERS SHORTHAND REPORTING CORPORATION

7706 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Given the softening of crude oil prices, has
2 anybody ascertained why refined prices are going to go up?

3 EXECUTIVE OFFICER NORTHROP: I couldn't imagine
4 why refining prices, if they reflect the price of raw
5 material, would go up.

6 CHAIRMAN CORY: Since they don't, they may.

7 EXECUTIVE OFFICER NORTHROP: That's right.

8 MR. THOMPSON: Unless they're using up inventory
9 bought at lower prices, and now their inventories are down
10 and they have to start buying crude at higher prices.

11 CHAIRMAN CORY: Somebody might want to pursue
12 that discrepancy. It seems odd to me, but go ahead with
13 your report.

14 The green line is the projection before the ARCO
15 decrease, or does it reflect the ARCO decrease?

16 MR. THOMPSON: That's what we use for our revenue,
17 for revenue for the year. We're showing that to show you what
18 is happening.

19 The broken red line is what is in the planned
20 budget for the present year. To show you when that was made,
21 back in, say, February of 1980, for this year, that our
22 knowledge, we thought it would go up.

23 COMMISSIONER ACKERMAN: What's the difference
24 in dollars represented by the break between those two lines?

25 MR. THOMPSON: In the neighborhood of 20-25

1 million dollars a year.

2 COMMISSIONER ACKERMAN: That's income to the
3 state?

4 MR. THOMPSON: Right, we've already done that in
5 our revised revenue estimates.

6 EXECUTIVE OFFICER NORTHRUP: The reason our
7 revenue estimate was revised downward, we anticipated
8 hanging on the broken red line. And now, we've revised it
9 with the green, and we may have to revise it again. It was
10 just pointed out to me that our Self Elwood Posting (ph.)
11 went down \$2 a barrel on ARCO's new posting, which would
12 mean a reduction in Elwood alone of 3.7 million.

13 CHAIRMAN CORY: What was hanging on the broken
14 red line?

15 EXECUTIVE OFFICER NORTHRUP: We were.

16 CHAIRMAN CORY: Was that your phrase?

17 EXECUTIVE OFFICER NORTHRUP: We hung our projection
18 on the broken red line.

19 CHAIRMAN CORY: Is that anything like the Yellow
20 Brick Road?

21 (Laughter.)

22 EXECUTIVE OFFICER NORTHRUP: Something like that.
23 Probably we've got a Tin Man, or something, in the way.

24 MR. THOMPSON: Something a little more on the
25 positive side, we actually drilled 51 wells, and redrilled

1 18 wells during the year. And the lower right curve is the
2 payout of those.

3 You'll see the right-hand curve there, you see in
4 the two curves, that's the revenue curve. The left-hand
5 curve is the expenditure curve for the drilling costs.
6 See, that curve goes up, and at the end of the fiscal year
7 went flat after we spent \$37 million in the fiscal year.
8 We paid out that particular drilling cost after we were
9 two months into the fiscal year. So, our drilling program
10 is paying out.

11 The upper right-hand curve is the oil production
12 curve. The reason it went down about three percent in the
13 oil rate curve is because we had some bad months there at
14 the start of the year. We've now come up, and hopefully
15 we'll get this all coming up, and that trend should be flat.

16 CHAIRMAN CORY: We should get that up in time to
17 get to the height of the glut, right?

18 MR. THOMPSON: I think we're in the glut. But,
19 since the contract says they must take the oil, why, the glut
20 doesn't mean that much to us.

21 COMMISSIONER MORGAN: That says that at the end
22 of the fiscal year our expenditures -- I mean our revenues
23 have to equal our expenditures?

24 MR. THOMPSON: Two months afterwards. In other
25 words, this is a fiscal year basis, and we're merely showing

1 that we spent \$37 million for the drilling activity within
2 the year. That's why the line goes flat.

3 And then our revenue curve from the oil produced
4 from those well, the right-hand curve, showing the cost over
5 that and the payoff.

6 COMMISSIONER MORGAN: These are new wells that
7 we drilled, right?

8 MR. THOMPSON: Yes. These wells will generate
9 additional revenue coming in.

10 Then, we have a second modification of the 1981-82
11 planning budget. We're going to dismantle three drilling
12 structures out there, and that'll take \$300,000 in one
13 transfer. Those moneys from new well drilling down to
14 abandonment costs. And the overall picture will really be
15 a wash, because we're going to salvage one sub-base out of
16 the drilling structures to put on Highland Point. Otherwise,
17 we'd have to buy new structures for about \$300,000.

18 CHAIRMAN CORY: Have you budgeted for this new
19 one?

20 MR. THOMPSON: Yes.

21 COMMISSIONER MORGAN: When is your next official
22 revenue estimate?

23 EXECUTIVE OFFICER NORTHROP: We plan on doing one,
24 probably November is when we're looking at now, when we get
25 some kind of idea where we're going. With ARCO's drop, we're

1 going to wait and see whether anyone follows. We're looking
2 for another revenue estimate in November, or at least an
3 updated one.

4 CHAIRMAN CORY: Approval of the final report
5 without objection is granted.

6 Item 40, this is a request to settle the Vallejo
7 litigation. This is a parcel in Guadalcanal Village north
8 in exchange for the golf course property; is that correct?

9 MR. HIGHT: That's correct, Mr. Chairman.

10 CHAIRMAN CORY: All right, we have Mr. Shute
11 and Ted MacDonell who are appearing.

12 Are you happy with where we are, everybody?

13 MR. SHUTE: Yes, Mr. Chairman. I'm Clement
14 Shute, representing the Save the San Francisco Bay
15 Association, which filed the suit, and we endorse and recom-
16 mend this settlement to you for two main reasons.

17 It totally eliminates the Inland Municipal Golf
18 Course, where the trust was transferred before. We objected
19 to that as being improper delegation under the Constitutional
20 Trust Doctrine. And secondly, the parcel where it'll be
21 transferred, Guadalcanal North, is used for trust purposes,
22 abuts a slough, abuts a marsh and a resolution recognizing
23 the usefulness of trust purposes, we feel that's a far better
24 precedent for the Commission.

25 Finally, I'd like to thank your staff for its

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 professional work in being able to resolve this. You'll
2 notice the suit was filed in June, and we were able to
3 resolve it in four months.

4 MR. HIGHT: That's probably a record.

5 COMMISSIONER MORGAN: Who is your client?

6 MR. SHUTE: Save the San Francisco Bay Association
7 is an organization of some 20 years duration with several
8 thousand members. It's probably the private organization
9 most responsible for the creation of the Bay Conservation
10 Development Commission. They are constantly monitoring
11 its activities in and along San Francisco Bay.

12 COMMISSIONER MORGAN: Thank you.

13 COMMISSIONER ACKERMAN: Just one question.

14 When this was originally proposed way back when,
15 the original land settlement, the possibility of a suit was
16 mentioned at that time.

17 Maybe my question should be directed to the City:
18 Why wasn't this alternative parcel raised as a possible
19 exchange at that time, which would have eliminated any suit?
20 If I recall right, we were told that this was the only
21 parcel available in Vallejo, after Senator Nielsen went
22 through with his legislation and everything.

23 EXECUTIVE OFFICER NORTHROP: That's what the
24 City of Vallejo told me, sir. We originally looked at this
25 parcel when we started.

1 COMMISSIONER ACKERMAN: The City didn't want to
2 give it up?

3 EXECUTIVE OFFICER NORTHROP: I really don't know
4 their motive.

5 MR. MacDONELL: I'll speak to that.

6 CHAIRMAN CORY: The question is still unresolved
7 as to who one the battle of Guadalcanal.

8 MR. MacDONELL: Mr. Chairman, Members of the
9 Commission, for the record my name is Ted MacDonell. I'm
10 the City Manager in Vallejo.

11 To answer the specific question, the City was
12 involved in negotiations for the development of that parcel.
13 At the time we didn't feel it was available, and putting
14 trust conditions on it at that time would foul up the
15 negotiations that were in process.

16 They have subsequently fallen through, and we
17 immediately proposed the parcel as an alternative site.

18 COMMISSIONER MORGAN: Do you have any more that
19 might be better?

20 MR. MacDONELL: We have had several other parcels,
21 all of which were rejected by the staff at that time.

22 CHAIRMAN CORY: Do you have a solution everybody
23 seems to be happy with?

24 MR. MacDONELL: The City Council approved the
25 agreement last night. I, too, want to thank your staff for

1 the help in resolving this.

2 COMMISSIONER MORGAN: What about Senator Nielsen?
3 Does he know about this?

4 MR. MacDONELL: Yes, he does and he's very happy
5 with it.

6 CHAIRMAN CORY: I think he has the option on the
7 property.

8 (Laughter.)

9 CHAIRMAN CORY: That's a joke.

10 Without objection, then, the authorization to
11 settle is granted.

12 Item 41.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, there's
14 some revised language on Item 41 which we have. Counsel may
15 want to handle that.

16 MR. HIGHT: Rather than read it, I think we'll
17 just -- it's rather technical, and I think we'll just submit
18 it to the record. It's nonsubstantive.

19 CHAIRMAN CORY: Will we get to see it?

20 COMMISSIONER MORGAN: The sheet says, "Unavailable
21 at the time of printing."

22 It's a legal description of the settlement?

23 MR. HIGHT: Yes, it's a legal description.

24 CHAIRMAN CORY: It was unavailable for printing
25 now, too?

1 (Laughter.)

2 COMMISSIONER MORGAN: I assume that whoever was
3 settling agrees to these handwritten changes?

4 MR. HIGHT: Yes.

5 CHAIRMAN CORY: Somebody doesn't have to initial
6 any portions, no? Okay.

7 Without objection, Item 41 is approved as presented,
8 and this is the official initialed copy.

9 Item 42 is off calendar?

10 EXECUTIVE OFFICER NORTHROP: Item 42 is off
11 calendar.

12 CHAIRMAN CORY: Item 43 authorization of staff
13 counsel and/or AG to institute litigation against Roy
14 Gustavson, covering half an acre, more or less, in Seven
15 Mile Slough, south of Isleton, Sacramento County.

16 Anybody in the audience on this item?
17 Any questions from Commissioners?

18 Without objection, Item 43, authorization, is
19 granted.

20 Item 44, this is to authorize reporting to the
21 State Controller subventions attributable to tide
22 submerged lands to the various communities who get the
23 beach fronts; is that correct?

24 COMMISSIONER MORGAN: Why do we do this?

25 EXECUTIVE OFFICER NORTHROP: Statute requires it.

1 CHAIRMAN CORY: It's the Bob Burke statute, as
2 I recall.

3 EXECUTIVE OFFICER NORTHROP: All properties
4 within a given distance to state oil production share in the
5 revenue. I believe it's within a mile.

6 COMMISSIONER MORGAN: When did it start?

7 CHAIRMAN CORY: It started in Huntington Beach.
8 The Burke legislation, probably around '72, '73, maybe as
9 late as '74.

10 EXECUTIVE OFFICER NORTHROP: It was a beach problem.

11 COMMISSIONER MORGAN: Is it time to review the
12 need for this because there are various changes in local
13 financing?

14 EXECUTIVE OFFICER NORTHROP: It approaches --
15 it's \$392,000. The City of Huntington Beach is the
16 single largest recipient.

17 CHAIRMAN CORY: It's money that's well worth
18 looking at.

19 COMMISSIONER MORGAN: Could we ask the staff
20 to look at this?

21 EXECUTIVE OFFICER NORTHROP: Yes, the staff
22 will certainly look at this and discuss it.

23 CHAIRMAN CORY: Staff ought to get the data if
24 you want to take a stab at it.

25 Without objection, Item 44 is granted.

PETERS SHORTHAND REPORTING CORPORATION

7703 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601

1 Item 45, we're going to go into Executive Session.

2 EXECUTIVE OFFICER NORTHROP: Yes, we've got a
3 couple of items.

4 (Thereupon this hearing before the
5 State Lands Commission was adjourned
6 at approximately 10:45 a.m.)

7 ---o0o---

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 363-3601


CERTIFICATE OF SHORTHAND REPORTER

I, EVELYN J. DUGGAN, a 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, Evelyn J. Duggan, a Shorthand Reporter of the State of California, 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 28th day of October, 1981.


EVELYN J. DUGGAN
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION

7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601