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MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

OFFICE BUILDING NINE
744 P STREET
ROOM 102
SACRAMENTO, CALIFORNIA

WEDNESDAY, FEBRUARY 6, 1991
10:00 A. M.

Nadine J. Parks
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION

1336 BRADSHAW ROAD SUITE 240
SACRAMENTO, CALIFORNIA 95827
TELEPHONE (916) 482-2340

MEMBERS PRESENT

1
2 Leo T. McCarthy, Lieutenant Governor, Chairman

3 Jim Tucker, representing Gray Davis, State
4 Controller, Commissioner

5 LaFenus Stancell, representing Thomas W. Hayes,
6 Director of Finance, Commissioner

7
8 Staff Present:

9 Charles Warren, Executive Officer
10 James F. Trout, Assistant Executive Officer
11 Robert C. Hight, Chief, Legal Division

12 Also Present:

13 Mike Crow, Deputy Attorney General
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P R O C E E D I N G S

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3 CHAIRMAN MC CARTHY: Good morning, ladies and
4 gentlemen. Welcome to the meeting of the State Lands
5 Commission.

6 To my right is Commissioner Tucker, and to my
7 left is Commissioner Stancell. My name is Leo McCarthy.

8 The minutes of the last meeting, without
9 objection, are approved.

10 Consent Items 15 -- Consent Item 15, and Items 21
11 and 24 are pulled from the calendar. Any others pulled
12 from the calendar?

13 EXECUTIVE OFFICER WARREN: No, Mr. Chairman.

14 CHAIRMAN MC CARTHY: All right. Why don't we
15 proceed on the calendar, please. Oh, without objection,
16 the consent calendar is approved.

17 All right. Let's proceed to the regular calendar.

18 EXECUTIVE OFFICER WARREN: The first regular
19 calendar item, Mr. Chairman --

20 CHAIRMAN MC CARTHY: 19.

21 EXECUTIVE OFFICER WARREN: -- and Commissioners,
22 is Item No. 19, which will be presented by Mr. Lance Kiley,
23 who is the Chief of our Land Management Division.

24 MR. KILEY: This item, Mr. Chairman and
25 Commissioners, is an update of our lease terms and

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1 a renewal of the lease, second renewal of the lease for
2 the Mobil Oil Corporation, a piece of tide and submerged
3 lands in the Rincon Field in Santa Barbara Channel for
4 a period for drilling through the parcel into an adjacent
5 parcel.

6 The new lease would require a systems safety
7 review and an emergency response plan to be drafted.

8 CHAIRMAN MC CARTHY: Any questions from the
9 Commissioners? If not, the recommendation is approved.

10 Item No. 20.

11 EXECUTIVE OFFICER WARREN: Mr. Kiley will also
12 present this item, Mr. Chairman.

13 MR. KILEY: Item 20 is a general lease right-of-
14 way use to Union Oil Company of California for a parcel
15 of tide and submerged land in Old River in Contra Costa
16 And San Joaquin Counties.

17 There was some concern about some damage to
18 riparian vegetation as a result of this. The project
19 proponent has agreed to provide mitigation by replanting
20 at a two-to-one ratio to compensate for that.

21 CHAIRMAN MC CARTHY: Mr. Pete Schnieders,
22 would you like to testify on this one, Mr. Schnieders?

23 MR. SCHNIEDERS: I'll only answer questions if there
24 are any.

25 CHAIRMAN MC CARTHY: All right. Any questions by

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1 Commissioners?

2 Any questions by any member of the audience here?

3 If not, the recommendation is approved. 21.

4 EXECUTIVE OFFICER WARREN: That has been pulled,
5 Mr. Chairman.

6 CHAIRMAN MC CARTHY: That has been pulled. 22.

7 EXECUTIVE OFFICER WARREN: The next item will be
8 22. Mr. Kiley will also present that.

9 MR. KILEY: This is an item authorizing the
10 School Land staff to offer for sale, but not to
11 consummate the sale, of 15 parcels throughout the State.
12 I am told that there is one parcel in Santa Barbara
13 County that should not be on here. I'm a little unclear
14 as to which parcel that is at the moment. So, I would
15 suggest that those two parcels, both in Santa Barbara
16 County, be pulled until I can clarify that.

17 CHAIRMAN MC CARTHY: Any problem with that?
18 All right. That will be done.

19 Do they have a problem if we don't act on the one
20 that we do not intend to pull? Does that cause any
21 difficulty down there?

22 MR. KILEY: I don't believe it will cause any
23 difficulty. It would be a one-month day, and I don't think
24 that's significant in this case.

25 CHAIRMAN MC CARTHY: All right. Any questions on

1 what remains in the item?

2 All right. If not, approved as recommended.

3 23.

4 EXECUTIVE OFFICER WARREN: 23, Mr. Chairman, will
5 be presented by Mr. Robert Hight.

6 MR. HIGHT: Mr. Chairman, this is the
7 authorization to settle a rental problem with Riverbank
8 Holding Company.

9 Basically, the rental in issue is an overpayment
10 of some \$6,000 based upon an erroneous billing for the
11 years '87 through '90. And we're proposing that we
12 accept a credit for those amounts for the next year.

13 CHAIRMAN MC CARTHY: Any questions by the
14 Commissioners? Members of the audience?

15 The recommendation is approved. 25.

16 EXECUTIVE OFFICER WARREN: 25, Mr. Chairman, will
17 be presented by Mr. Jim Trout.

18 ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman,
19 as part of the 1973 boundary settlement at Huntington
20 Beach, which involved the Bolsa Chica area, the State
21 received an option to acquire real property in the amount
22 of 230 acres if the State did a couple of things.

23 One of them is obtain funding for an ocean
24 entrance system within 10 years of the date of that
25 agreement, and construction completion by the end of 14

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1 years.

2 Those time periods were subsequently extended
3 several times, but have all expired. It is the position
4 of the staff that the option has expired by its own
5 terms. However, the current operator of the private
6 property has asked the Commission to approve a notice
7 of termination of option and lease quitclaim deed can be
8 recorded.

9 The new plan for Balsa Chica does not provide
10 a navigable ocean entrance or a marina and, therefore,
11 fulfilling the terms of the '73 agreement would now be
12 impossible.

13 And we recommend approval of the filing of the
14 notice of termination and quitclaim deed.

15 CHAIRMAN MC CARTHY: All parties were noticed
16 on this item?

17 ASSISTANT EXECUTIVE OFFICER TROUT: All parties
18 were noticed, all parties understand, and this is merely
19 a formality, as we said, because we think the terms
20 expired by their own words.

21 This is an abundance of caution.

22 CHAIRMAN MC CARTHY: No one has objected to this
23 action?

24 ASSISTANT EXECUTIVE OFFICER TROUT: No objection.

25 CHAIRMAN MC CARTHY: Questions by members of the

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1 Commission?

2 Members of the audience?

3 Recommendation is approved.

4 26.

5 EXECUTIVE OFFICER WARREN: Item 26, Mr. Chairman
6 and Commissioners, is an informational item concerning
7 the implementation of the Commission's directions to
8 establish a processing fee schedule for applicants to
9 obtain leases and other interest in State property.

10 It has been -- the schedule is set forth in the
11 calendar item. One addition we would like to make on the
12 record is that an hourly fee schedule of categories of
13 services will be prepared, which will be available to
14 applicants, which will show them the hourly basis on
15 which the fee has been determined.

16 CHAIRMAN MC CARTHY: When you say it will be
17 available, may I suggest that we mail to the applicant
18 what that schedule will be for that particular kind of
19 application?

20 EXECUTIVE OFFICER WARREN: Yes. And your suggestion
21 will be accommodated.

22 CHAIRMAN MC CARTHY: Any questions by members of
23 the Commission?

24 COMMISSIONER TUCKER: How do the fees listed
25 under minimum expense deposit column, how do they compare
with what we're charging now?

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1 ASSISTANT EXECUTIVE OFFICER TROUT: On many of
2 these we have not been charging anything. In other
3 words, if the lease provided income, we felt that the
4 processing fees would be recovered as part of the income.
5 But in the meantime, the Commission has lost 28 positions
6 as a result of the budget cuts.

7 And to restore those positions, so we can
8 process these, we've recommended implementation of a
9 processing fee. And that restores a number of those
10 positions to allow for the processing of these leases.

11 The figures were calculated based on the number
12 of hours of the various classes of employees that worked
13 on it on an average transaction times the hourly rate.

14 COMMISSIONER TUCKER: Just going through a few of
15 these, like the commercial lease, you have \$10,000. You
16 say right now we charge nothing.

17 ASSISTANT EXECUTIVE OFFICER TROUT: That's
18 correct. We just charge a minimum processing fee, which
19 I think is \$250.

20 COMMISSIONER TUCKER: Okay. And that's the same
21 with all of these others?

22 ASSISTANT EXECUTIVE OFFICER TROUT: That's
23 correct.

24 COMMISSIONER TUCKER: These are, in effect,
25 totally new charges; is that right?

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1 ASSISTANT EXECUTIVE OFFICER TROUT: That's
2 correct. Except for rent free, other than recreational
3 piers, we did charge many public agencies for processing
4 leases, because they produced no revenue.

5 COMMISSIONER TUCKER: Okay. Are there any
6 examples, say, with a grazing lease, where the charge
7 for processing the lease exceeds the amount of the lease
8 itself?

9 ASSISTANT EXECUTIVE OFFICER TROUT: They're
10 certainly very close to being the same. And Mr. Kiley's
11 staff has been looking at grazing leases, and we have
12 recommended to the Commission in several cases that we
13 simply not process grazing leases under certain
14 conditions.

15 There are some areas where we have some
16 grasslands where it's entirely appropriate and the fee is
17 not out of line.

18 COMMISSIONER TUCKER: Okay. When you say not
19 process, that means you would not allow the person to
20 graze?

21 ASSISTANT EXECUTIVE OFFICER TROUT: That's
22 correct. We just wouldn't -- we wouldn't process a
23 grazing lease.

24 COMMISSIONER TUCKER: And what's the reason for
25 that?

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1 ASSISTANT EXECUTIVE OFFICER TROUT: One, the
2 cost exceeds the value of the lease itself. The lease
3 may only be a ten-year lease at \$150 a year. The processing
4 cost exceeds it.

5 Second, we have some concerns about our ability
6 to charge significant -- let's say fair-market grazing
7 rental rates. Most of our -- the Commission's land is
8 intermixed with SLM land. Under Federal grazing
9 allotments, there is a statutory schedule for Federal
10 grazing fees. And the grazers are unwilling to pay us
11 more than the Federal fee, which right now is like a
12 dollar-eighty an AUM.

13 Private property owners are getting somewhere
14 between \$5.00 and \$8.00 an AUM. They won't pay that to
15 the State. It's north it to them to pay a higher amount,
16 since they're grazing the surrounding Federal land.

17 So, it's in the interest of the Retired Teachers
18 not to spend more money than the lease is worth.

19 COMMISSIONER TUCKER: Is it likely, say in that
20 example, where there's Federal land surrounding, they'll
21 just go ahead and graze on our land and not pay us
22 anything?

23 ASSISTANT EXECUTIVE OFFICER TROUT: That is
24 possible occasionally, yes.

25 COMMISSIONER TUCKER: And we don't have any way of

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