TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA
December 14, 1966
TRANSCRIPT OF MEETING of 
STATE LANDS COMMISSION 
SACRAMENTO, CALIFORNIA 
December 14, 1966 

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Alan Cranston, Controller, Chairman

Hon. Glenn M. Anderson, Lieutenant Governor

Hon. Hale Champion, Director of Finance, 
Acting Chairman first portion of meeting

F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Jay L. Shavelson, Assistant Attorney General

APPEARANCES:

(In the order of their appearance)

R. F. Outcault, Jr., Attorney, Firm of Lawler, Felix and Hall, representing Standard Oil Company of California and Atlantic-Richfield Company

James R. Christiansen 
City Attorney, City of Carpinteria
<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Call to order</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1a Confirmation of minutes of meeting of Oct. 27 1966</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2 PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Merced Irrigation Dist.</td>
<td>26</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(b) Pacific Tel. &amp; Tel. Co.</td>
<td>14</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>(c) Fairfield-Suisun Sewer Dist.</td>
<td>35</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>(d) Utah Constr. &amp; Mining Co.</td>
<td>20</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>3 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Nomellini Constr. Co.</td>
<td>3</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>4 OIL &amp; GAS AND MINERAL LEASES AND PERMITS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Dow Chemical Company</td>
<td>30</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>(b) Dow Chemical Company</td>
<td>32</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>(c) Standard Oil Co. of Calif. and Texaco Inc.</td>
<td>31</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>(d) Dow Chemical Co.</td>
<td>21</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>(e) Phillips Petroleum Co.</td>
<td>5</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>(f) Union Oil Co. of Calif.</td>
<td>23</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>(g) Eugene Sully Hancock Jr.</td>
<td>1</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>(h) Eugene Sully Hancock, Jr.</td>
<td>17 (1)</td>
<td>23</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>18 (2)</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>19 (3)</td>
<td>29</td>
<td>4</td>
</tr>
<tr>
<td>(i) R. W. Cypher</td>
<td>24</td>
<td>32</td>
<td>4</td>
</tr>
</tbody>
</table>

continued
<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 OIL &amp; GAS AND MINERAL LEASES AND PERMITS: (continued)</td>
<td>38</td>
<td>33</td>
</tr>
<tr>
<td>(j) Decon Corporation</td>
<td>38</td>
<td>33</td>
</tr>
<tr>
<td>(k) McCulloch Oil Corp.</td>
<td>2</td>
<td>34</td>
</tr>
<tr>
<td>(l) (1) Offer of 480 acres Gray Lodge Waterfowl Management Area</td>
<td>11</td>
<td>35</td>
</tr>
<tr>
<td>(2) and (3) deferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 CITY OF LONG BEACH:</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>(a) Ninth Modif. 1966 Plan of Development Long Beach Unit</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>(b) no item</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Informative: (1) Approaches to J. H. Davies Bridge</td>
<td>6</td>
<td>49</td>
</tr>
<tr>
<td>(2) Pipeline crossing Los Cerritos Channel</td>
<td>7</td>
<td>50</td>
</tr>
<tr>
<td>6 LAND SALES:</td>
<td>29</td>
<td>51</td>
</tr>
<tr>
<td>(a) Robinet Logging Co.</td>
<td>29</td>
<td>51</td>
</tr>
<tr>
<td>7 APPROVAL MAPS &amp; BOUNDARY AGREEMENTS:</td>
<td>4</td>
<td>53</td>
</tr>
<tr>
<td>(a) Grant to City of Avalon</td>
<td>4</td>
<td>53</td>
</tr>
<tr>
<td>(b) Agreement fixing OHWM City of Rio Vista</td>
<td>9</td>
<td>54</td>
</tr>
<tr>
<td>(c) City of Coronado et al</td>
<td>13</td>
<td>55</td>
</tr>
<tr>
<td>(d) Lease - City of Coronado as part of settlement in State of Calif. v. Coronado Beach Co.</td>
<td>12</td>
<td>56</td>
</tr>
<tr>
<td>continued</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## INDEX
(In accordance with Calendar Summary)

<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 PROPOSED ANNEXATIONS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) City of Long Beach</td>
<td>27</td>
<td>57</td>
</tr>
<tr>
<td>Motion on (a)</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>(b) City of Carpinteria</td>
<td>25</td>
<td>58</td>
</tr>
<tr>
<td>Motion on (b)</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>9 ADMINISTRATION:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) 1967-68 Budget State Lands Division</td>
<td>34</td>
<td>59</td>
</tr>
<tr>
<td>(b) Interagency agreement with Department of Justice</td>
<td>28</td>
<td>62</td>
</tr>
<tr>
<td>(c) Rio Ramaza Community Serv.</td>
<td>22</td>
<td>63</td>
</tr>
<tr>
<td>(d) USC lease Fisherman's Cove Santa Catalina Island</td>
<td>39</td>
<td>65</td>
</tr>
<tr>
<td>10 CONFIRMATION OF TRANSACTIONS OF EXECUTIVE OFFICER:</td>
<td>36</td>
<td>39,41</td>
</tr>
<tr>
<td>Bay Toll Crossings, Div. of Cities Service Oil Co.</td>
<td></td>
<td>72</td>
</tr>
<tr>
<td>Mobil Oil Corp</td>
<td></td>
<td>68</td>
</tr>
<tr>
<td>Pan Petroleum Co.</td>
<td></td>
<td>67</td>
</tr>
<tr>
<td>Pauley Petroleum Co.</td>
<td></td>
<td>71</td>
</tr>
<tr>
<td>Phillips Petroleum Co.</td>
<td></td>
<td>66</td>
</tr>
<tr>
<td>Recreational Permits</td>
<td></td>
<td>69</td>
</tr>
<tr>
<td>San Diego Unif. Port Dist.</td>
<td></td>
<td>73,74</td>
</tr>
<tr>
<td>Signal Oil &amp; Gas</td>
<td></td>
<td>67,69</td>
</tr>
<tr>
<td>Texaco Inc.</td>
<td></td>
<td>68,70</td>
</tr>
<tr>
<td>Union Oil Co.</td>
<td></td>
<td>56,70</td>
</tr>
<tr>
<td>U. S. Corps of Engineers</td>
<td></td>
<td>71</td>
</tr>
<tr>
<td>11 INFORMATIVE (a) Upper Newport Bay Land Exchange</td>
<td>33</td>
<td>75</td>
</tr>
<tr>
<td>(b) Major litigation</td>
<td>37</td>
<td>76</td>
</tr>
<tr>
<td>12 SUPPLEMENTAL</td>
<td>40</td>
<td>78</td>
</tr>
<tr>
<td>Tenth Modification 1965 Plan of Development, Long Beach Unit</td>
<td>40</td>
<td>78</td>
</tr>
</tbody>
</table>

*******
**INDEX**  
(In accordance with Calendar Item Numbers)

<table>
<thead>
<tr>
<th>ITEM ON CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
<th>ITEM ON CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21</td>
<td>3</td>
<td>23</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>34</td>
<td>4</td>
<td>24</td>
<td>32</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>7</td>
<td>2</td>
<td>25</td>
<td>58</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>53</td>
<td>8</td>
<td>26</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>19</td>
<td>3</td>
<td>27</td>
<td>57</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>49</td>
<td>7</td>
<td>28</td>
<td>62</td>
<td>37</td>
</tr>
<tr>
<td>7</td>
<td>50</td>
<td>8</td>
<td>29</td>
<td>51</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>not on calendar</td>
<td></td>
<td>30</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>54</td>
<td>8</td>
<td>31</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>45</td>
<td>5</td>
<td>32</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>35</td>
<td>4</td>
<td>33</td>
<td>75</td>
<td>39</td>
</tr>
<tr>
<td>12</td>
<td>56</td>
<td>9</td>
<td>34</td>
<td>59</td>
<td>37</td>
</tr>
<tr>
<td>13</td>
<td>55</td>
<td>9</td>
<td>35</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>14</td>
<td>3</td>
<td>1</td>
<td>36</td>
<td>66</td>
<td>39</td>
</tr>
<tr>
<td>15</td>
<td>40</td>
<td>Deferred</td>
<td>37</td>
<td>76</td>
<td>41</td>
</tr>
<tr>
<td>16</td>
<td>42</td>
<td>Deferred</td>
<td>38</td>
<td>33</td>
<td>4</td>
</tr>
<tr>
<td>17</td>
<td>23</td>
<td>&quot;</td>
<td>39</td>
<td>65</td>
<td>38</td>
</tr>
<tr>
<td>18</td>
<td>26</td>
<td>&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>29</td>
<td>&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUPPLEMENTAL:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>6</td>
<td>1</td>
<td>40</td>
<td>78</td>
<td>42</td>
</tr>
<tr>
<td>21</td>
<td>18</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>63</td>
<td>Cancelled</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MR. CHAMPION: The meeting will be called to order.

The minutes of the meeting of October 27, 1966 having been submitted to the members of the Commission and there being no objection, they will be approved as submitted.

Item 2 - Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statutes:

(a) Merced Irrigation District -- Issuance of six-month permit to enter upon 22.1 acres State school land, Mariposa County, for purpose of constructing facilities preliminary to purchase and completion of development.

(b) Pacific Telephone and Telegraph Company -- Execution of agreement approving location of submerged communications cables across ungranted sovereign State lands in San Francisco Bay, Marin and Contra Costa counties.

(c) Fairfield-Suisun Sewer District -- Extension through July 1, 1968, of dredging permit P.R.C. 3404.9, covering 7.8 acres tide and submerged lands, Suisun Slough, Solano County.

(d) Utah Construction and Mining Company -- Issuance of permit to dredge approximately 158,000 cubic yards material, without payment of royalty, from 11.542 acres tide and submerged lands near mouth of the Russian River, Sonoma County, and redeposit it on State-owned lands. (To improve river access).
GOV. ANDERSON: So move.

MR. CHAMPION: Second. Is there any comment or question? (No response) Stand approved.

Item 3 -- Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission:

(a) Nomellini Construction Company -- Assignment of Lease P.R.C. 2212.1, tide and submerged land in San Joaquin River at Venice Island, San Joaquin County, to Island Farms, Inc.

GOV. ANDERSON: I move it.

MR. CHAMPION: Second. Any question or concern by anybody? (No response) Stand approved.

Item 4 -- Oil and gas and mineral leases and permits issued pursuant to statutes and established policies of the Commission:

(a) The Dow Chemical Company -- Assignment of an interest in State Gas Leases P.R.C. 714.1 and P.R.C. 729.1 Sacramento and San Joaquin counties, to Standard Oil Company of California.

(b) The Dow Chemical Company -- (1) Assignment of interest in State Gas Leases P.R.C. 714.1 and P.R.C. 729.1 to Union Oil Company of California, subject to a reserved production payment; and (2) assignment of said reserved production payment to C.M.D. Endowment Corporation.

(c) Standard Oil Company of California and Texaco
Inc. -- (1) Determination that formation of North River Island
Unit by "Unit Declaration" executed January 31, 1966, and that
the entering into and performance of the Operating Agreement
of February 1, 1966, covering operations in said unit, are in
the public interest for the purpose of promoting conservation
and preventing unreasonable waste; (2) approval of aforesaid
Declaration and aforesaid Operating Agreement; and (3) authori-
zation for Executive Officer to execute Joinder Agreement.

(d) The Dow Chemical Company -- Assignment of inter-
est in State Compensatory Royalty Agreements P.R.C. 2966.1
and P.R.C. 3131.1 to Union Oil Company of California.

(e) Phillips Petroleum Company -- Deferment of drill-
ing requirements, State Oil and Gas Lease P.R.C. 2205.1,
Santa Barbara County, through July 21, 1967 (to permit further
review of pertinent geological and geophysical data).

(f) Union Oil Company of California -- Deferment of
drilling requirements, State Oil and Gas Lease P.R.C. 3033.1,
Orange County, through July 25, 1967 (to permit completion of
evaluation to determine reservoir characteristics and advis-
ability of conducting further drilling operations).

(g) Eugene Sully Hancock, Jr. -- Cancellation of
authorization given September 26, 1966 to issue four pros-
ppecting permits for geothermal energy, mineral waters, and all
minerals other than oil and gas on 215.64 acres vacant State
land, Imperial County. (Applicant rejected the permits because
permit areas are too small, in consideration of the costs of
(h) Eugene Sully Hancock, Jr. -- Issuance of three permits ...

MR. HORTIG: Mr. Chairman, may I interrupt at that point? With respect to item (h), on the recommendation of counsel for further review to assure that complete protective conditions are included in the permits for the protection of the State, it is recommended that item (h) be deferred for further consideration.

MR. CHAMPION: All right. If there is no concern about that, it will be deferred.

(1) R. W. Cypher -- (1) Approval and adoption of form of lease to be used for geothermal resources; and (2) issuance of four preferential mineral extraction leases covering total of 535 acres vacant State land in Imperial County, at standard royalty rates.

(j) Decon Corporation -- Extension of term of Permit P.R.C. 3355.1 through December 31, 1967, for dredging approximately 40,000 cubic yards material, at royalty rate of five cents a cubic yard, from 3.225 acres tide and submerged lands, Sunset Harbor, Orange County.

(k) McCulloch Oil Corporation -- Issuance of oil and gas lease, 64.71 acres State land acquired in connection with the South Bay Aqueduct, Alameda County, in consideration of cash-bonus payment of $323.55. (Only one bid received)

(1) Proposed oil and gas leases: Authorization for
Executive Officer to offer following for oil and gas lease, with lease award to be made to qualified bidder offering the highest cash-bonus payment:

(1) 480 acres of land comprising a portion of the Gray Lodge Waterfowl Management Area, Butte County, over which the Department of Fish and Game has surface jurisdiction.

MR. HORTIG: Mr. Chairman, with respect to sub-items (2) and (3) following, again on advice of counsel to review and determine that the technically correct legal descriptions are included within the offer, it is recommended that these items be deferred for such review and further report.

MR. CHAMPION: Is there anyone here to be heard? (No response) This item will be deferred.

GOV. ANDERSON: I'll move item 4, then, with the exception of (h), which was deferred, and (2) and (3) of (1) which was deferred.

MR. CHAMPION: Second. Is there any further comment? (No response) Stand approved.

Item 5 - City of Long Beach (Pursuant to Chapter 29/56, 1st Extraordinary Session, and Chapter 138/64, 1st Extraordinary Session: (a) Approval of action taken by Executive Officer consenting to Ninth Modification of the 1966 Plan of Development and Operations and Budget, Long Beach Unit, increasing the total budgeted amount by $1,126,000. (Total budget after Ninth Modification, $54,925,390.)
GOV. ANDERSON: I move it.

MR. CHAMPION: Second. I'd like to ask the Executive Officer one question about this. Now, it is in this area of this budget and budget modifications that this question of the purchase of steel is really determined, isn't it?

MR. HORTIG: The purchase of steel has an influence on the amount in the budget, yes.

MR. CHAMPION: I received a communication from you, saying that the steel companies ask deferment of consideration of their, the domestic steel companies', case for the use of more domestic steel until later.

MR. HORTIG: That is correct.

MR. CHAMPION: What effect does the deferment have so far as this action is concerned?

MR. HORTIG: None. This simply continues the policy established by the Commission one year ago, which is a continuing policy and recommendation until modified.

MR. CHAMPION: What I am interested in is: For how long does this action commit us?

MR. HORTIG: Only for expenditures during the calendar year 1966. You have already approved a 1967 budget.

MR. CHAMPION: And what is the basis of purchases in the '67 budget?

MR. HORTIG: Still the continuation on the basis that was established by the Commission one year ago.

MR. CHAMPION: If the decision were to be changed,
when would be the earliest time there would be a change?

There would have to be an amendment of the '67 budget.

MR. HORTIG: Almost immediately if the program were to be changed; but that would have to be considered at the first available meeting of the Lands Commission after today. That would be the earliest date at which this could be accomplished.

MR. CHAMPION: When would that be translated into action?

MR. HORTIG: If there is consideration at the January meeting of the State Lands Commission, this would be the time of translation into action.

MR. CHAMPION: In other words, it could be done almost immediately upon modification of the budget by the Lands Commission?

MR. HORTIG: This is correct -- although, of course, there are purchases in advance on the old basis, so very probably the only practical arrangement would be for a modification starting with the second quarter purchases.

MR. CHAMPION: That's what I wanted to know. Thank you.

(c) Informative only -- no Commission action required: (1) Construction of approaches to J. H. Davies Bridge completed. Staff audit indicates a total of $188,284.03 disbursed against construction thereof and charged to the Tidelands Oil Fund, plus $9,414.20 for inspection costs, or total
disbursement of $197,698.23, which is within amount authorized by the Commission.

(2) Submarine pipeline crossing at Los Cerritos Channel completed. Staff audit indicates a total trust expenditure of $9,740.10 of the estimated $20,000 cost approved by the Commission.

Those are the items under Long Beach.

GOV. ANDERSON: I moved the one and you seconded it.

MR. CHAMPION: That will stand approved unless there is any further discussion. (No response)

Item 6 -- Land Sales (Cleared with all State agencies having a land acquisition program) (a) Authorization for sale to Robinet Logging Co. of 29.30 acres vacant State land, Del Norte County, at $31,602 (appraised value - $31,592.73).

GOV. ANDERSON: I move it.


7 - Approval of Maps and Boundary Agreements:

(a) Authorization for Executive Officer to approve and have recorded Sheet 1 of map entitled "Grant to the City of Avalon, Santa Catalina Island, Los Angeles County," dated October 1966.

(b) Authorization for Executive Officer to execute an agreement with the City of Rio Vista, fixing the Ordinary High Water Mark as the permanent boundary between State...
sovereign land and adjacent uplands along the right bank of the Sacramento River in Solano County.

(c) Approval of boundary agreement with the City of Coronado, H D C Company, and Harry L. Jacobs as trustee of the John K. Goodman and Gerre Gene Trust under the will of Barney Goodman, deceased, and authorization for the Executive Officer to execute said agreement, which agreement provides for a 100-foot easement to the City of Coronado for public recreational beach use; said easement may not be terminated or substantially changed without approval of the Commission.

(d) Authorization for Executive Officer to issue to the City of Coronado a 15-year lease commencing May 27, 1963, at a rental in the total sum of $10, covering all tide and submerged lands between the easterly and westerly boundaries of the City of Coronado, extended southerly into the Pacific Ocean one geographical mile from the line of ordinary high tide of the Pacific Ocean and between said line of ordinary high tide and a line every point of which is located one geographic mile seaward from said line of ordinary high tide, as part of the negotiations and settlement of the tideland boundary dispute in the case State of California v. Coronado Beach Company, San Diego County Superior Court Case No. 251089.

GOV. ANDERSON: I move it.

MR. CHAMPION: Second. Any question? (No response)

Stand approved.
8 -- Proposed Annexations: (a) Authorization for Executive Officer to notify the City Council of the City of Long Beach, Los Angeles County, that full present value of State-owned tide and submerged lands proposed to be annexed under the designation of Increment 205, unincorporated territory lying southerly of the City of Long Beach between the City of Los Angeles and the County of Orange, is $20,000,000.

(b) Authorization for Executive Officer to notify the City Council of the City of Carpinteria, Santa Barbara County, that full present value of the State's interest in tide and submerged lands sought to be annexed under the proposed annexation designated as "Carpinteria Tide and Submerged Lands Annexation No. 1-A-1," is $7,825,000.

MR. HORTIG: Mr. Chairman, with respect to item (b) and the proposed annexation by the City of Carpinteria, the lands involved are the subject of an oil and gas lease by the State Lands Commission to the Standard Oil Company of California, and Standard Oil Company has requested the opportunity for a presentation to the Commission today with respect to this proposed annexation insofar as it affects their leasehold interest.

MR. CHAMPION: Well, now, this will require staff analysis of their material; and this Lands Commission will not again meet. Is it, therefore, appropriate to simply have this presented to staff and thereafter brought before the new Lands Commission?
MR. HORTIG: No, Mr. Chairman, for one reason -- that the annexation proceedings of the City of Carpinteria are now scheduled for January 9th and unless there is an action by the present Lands Commission, either in terms of filing a protest or requesting (and this would be the staff recommendation) a deferment of the annexation proceedings in order to permit the staff with the Attorney General to review the problems and then make a report to the Lands Commission for final report to the City of Carpinteria -- unless we have either of those two actions today, the annexation will take place.

MR. CHAMPION: Is the testimony necessary for action on the request for deferment?

MR. HORTIG: No, sir -- unless the Attorney General wishes to amplify.

MR. SHAPELSON: Just one slight modification, Mr. Chairman: I believe the authorization should be for a request for deferment but that in the event the deferment is not granted there would have to be an authorization to file a protest -- because if it were not granted, as Mr. Hortig mentioned, it would go through automatically.

MR. CHAMPION: Is the testimony in support of the staff recommendation?

MR. HORTIG: I believe it will be. He could answer that question.

MR. CHAMPION: I guess we should hear from the
representative from Standard -- although I guess you can tell
I am trying to shorten the meeting as much as possible.

MR. OUTCAULT: If the meeting is willing to defer
the matter, we are agreeable to that. If not, I would like
an opportunity to be heard on the merits.

MR. CHAMPION: Is there any opposition at present
to request for deferment?

MR. HORTIG: The City Attorney of the City of
Carpinteria is here.

MR. CHAMPION: Well, we better hear the matter. I
give up.

GOV. ANDERSON: When we establish the value of the
land, is this followed by other proceedings?

MR. HORTIG: Yes, sir.

GOV. ANDERSON: Then on these two items, (a) and (b)
we are just establishing the value of the lands, to be heard.

MR. HORTIG: ... to be heard at future annexation
proceedings.

MR. CHAMPION: All right. We can act on that.

GOV. ANDERSON: I move item (a).

MR. CHAMPION: Second. Is there any question on
that? (No response) Stands approved.

Then, on item (b) ...

GOV. ANDERSON: I move them both.

MR. CHAMPION: All right; second.

MR. OUTCAULT: We wish to be heard with respect to
the valuation on item (b), Mr. Chairman.

MR. CHAMPION: All right. We will hold item (b).

Would you like to give your name?

MR. OUTCAULT: Yes. My name is R. F. Outcault. I am an attorney and I am here representing Standard Oil Company and Atlantic-Richfield Company, as lessees of State Lease 3150. The proposed Carpinteria annexation would cover about ninety-five percent, approximately, of this State lease.

As the Commission no doubt knows, the owners of territory within the proposed annexation have arrived at no basis and the majority of the value in the territory can stop the annexation. It is for that reason that we wish to comment on this valuation, as well as the annexation itself.

We would urge here today that the Commission should protest the annexation and join with the State lessees in protesting the annexation, and thereby stop it.

In the alternative, if that is not done, then we think the matter should be deferred so that careful consideration, additional consideration, can be given to the valuation of the State's interest for reasons which I want to point out.

Regarding the annexation itself, we see no advantages to the State or its lessees and we see certain disadvantages. Briefly, we do not anticipate that the City of Carpinteria could or would be rendering any services to us as lessees in this offshore area.

Secondly, we think that the operations there are
adequately regulated at present by a number of governmental entities including this Commission, the County of Santa Barbara, Corps of Engineers, the Coast Guard, the water authorities, and probably the Department of Fish and Game is another name that comes to mind. So we doubt there is anything to be served in adding another layer of government so far as our operations in the offshore area.

Further, we think it is probably safe to predict that sooner or later annexation of this area will be reflected in increased taxes of some sort by the City. We think that both the lessees who will have to bear these taxes and the State will have an interest in opposing this burden.

In the first place, adding another tax, the lease becomes a little more uneconomic to operate than it would otherwise. Secondly, if these annexations are going to be a pattern on the coast, bids are going to be affected on offshore leases because the oil companies must add an added tax burden to their bidding.

So for these reasons we think the State does have an advantage in joining with its lessees in protesting and stopping this annexation.

In the alternative, what I want to point out is what may be the effect upon us of the valuation that is here proposed and added reasons for giving further consideration to this value. Our interest as a lessee must be valued under the statute for protest purposes based on the County
Assessor's roll. The State valuation is proposed to the City by the State Lands Commission, as we understand it -- and we only had an opportunity I think day before yesterday to consult briefly with Mr. Hortig and his staff regarding this valuation -- but, as we understand it, it involves a calculation of reserves, the application of the dollar value of those reserves, then the application of the average of a twenty-six percent royalty factor to determine the State's interest in the offshore minerals involved in this annexation.

If the State's interest is twenty-six percent, by hypothesis the lessees' interest should be seventy-four percent; and comparing what we think will be a nominal value for the County's interest in the surface out there, we as lessees would normally be able to protest and stop the annexation because we would have fifty percent of the value of the annexed land; but if the Commission's valuation is made without reference to the County Assessor's valuation and comes in much larger, this has the effect of reducing our proportion and making it impossible for the State's lessees to protect themselves against this annexation.

Thus, if the Commission didn't choose to protest or chose to remain neutral, by its valuation it would prevent us from exercising what would normally be a right to come in with a seventy-four percent interest and stop the annexation. Consequently, we think it is important that the
relationship between the State's valuation and the County Assessor's valuation...

MR. CHAMPION: What is his valuation?

MR. OUTCAULT: On the current tax bill the minerals are valued at $1.3 million. Now, we have an additional value for improvements...

MR. CHAMPION: That's at what ratio?

MR. OUTCAULT: Our improvement value is $1.7 million, so there is a total valuation of $3 million on the rolls of the County at a twenty-five percent discount, plus an additional discount on other taxes paid by the lessee -- which, of course, are not amenable for application to a one hundred percent valuation as required to be reported to the Lands Commission.

We think probably we will be faced with a problem because two-thirds of our lease is in this annexation, that this Assessor's valuation on our entire lease might have to be reduced. We propose to protest this, so the Assessor's valuation may not be what we are entitled to protest. So you can see if the State value is pushed way up and the State does not protest, what we thought to be a three-fourths value position has dropped well below the fifty percent we think we are entitled to protest.

I'd like to mention two or three factors that I think would, perhaps, among others go into the further consideration that we ask be given to this. One is that, as we
understand it, in the present value that has been recommended by the staff there is no discount for present value; in other words, the State's value is just a dollar value for all of the reserves that are there. But, as they are going to be produced in the future, we think the application of a discount factor in this case might be forty percent or more, which might tend to bring the State's value here more in line with the County Assessor's valuation and can tend to accord us a bigger share.

MR. CHAMPION: This only becomes important if we are neutral in the matter.

MR. OUTCAULT: That is precisely true.

MR. CHAMPION: If we are really in opposition to this, we don't need to worry about that.

MR. OUTCAULT: Neither we nor the Commission has to be concerned with the value; but in the event the Commission does not determine that, I do want to lay before you that one matter on the discount factor -- the possibility that there may be elements of reserves that have been included in this valuation that do not really have a value. I have in mind gas, which may or may not be used in production operations, and this is a minor matter but it is very ....

MR. CHAMPION: Unless Governor Anderson feels differently, my reaction to this kind of discussion is that it is not particularly useful to us. This sort of analysis should be made to the staff.
MR. OUTCAULT: I appreciate that, and my purpose in making it here is to be sure that we, in fact, have laid our point before the Commission, so if it comes up later...

GOV. ANDERSON: I would not want to be a part of a protest.

MR. CHAMPION: Well, shall we hear from the City Attorney of Carpinteria?

MR. OUTCAULT: May I just in one sentence sum up our position on this?

MR. CHAMPION: Surely.

MR. OUTCAULT: That we strongly urge that the State here has an interest in protesting, stopping this annexation; and, secondly, if the Commission does not determine to protest on behalf of the State and stop the annexation, then this matter should be deferred so that further consideration can be given to fixing a value for the State's value that will accord to the lessees' interest its proper and fair proportion of the protest rights.

GOV. ANDERSON: How long would a deferral like this take? What are we talking about?

MR. OUTCAULT: I suppose this would be a matter for us to work out with the staff. We can meet with the staff very quickly.

MR. CHAMPION: In this case if we ask for a deferral it would simply be in order for us to review this matter of the amount of the valuation, and so on, and then present it.
Eventually this decision is going to be made by the appropriate body elsewhere.

GOV. ANDERSON: If we remain neutral, is our percentage counted as a negative vote?

MR. HORTIG: If we remain neutral, it would be the majority vote under the present condition of the statistics and would preclude the lessee from exercising what he feels is his proper voting strength in connection with the proposed annexation. If the State Lands Commission remains neutral, there is a serious question that, despite the protest of the State's lessee, the annexation would be completed on January ninth.

MR. OUTCAUL T: As a matter of fact, I take it if the State remains neutral, that is an affirmative vote. By not protesting its value, it is in effect in favor.

GOV. ANDERSON: If it is deferred and the State took the same position, what would be the difference? The lowering of our assessment or appraisal on this -- would that change it?

MR. OUTCAUL T: Yes, because I think it would bring it more in proportion with our lessees' interest.

MR. CHAMPION: My inclination would be to defer it so that we got a settlement of that question if we were not going to take a position against it; but I would like to hear from the City Attorney of Carpinteria as to his opposition to even a deferment.
MR. OUTCAULT: Thank you very much.

MR. CHRISTIANSEN: Gentlemen of the staff, gentlemen of the Commission, my name is James R. Christiansen, City Attorney for the City of Carpinteria.

This is not a brand new item coming up here. The matter has been discussed at some length with your staff, primarily in the drawing of the boundaries. The original matter was started some time back last summer and the staff requested a deferment at that time so that new boundaries could be drawn in accordance with the specifications, and this was done by the City; and we submit to you the fact we have had this problem in mind, raised it with them at that time, and they indicated they were aware of it way back last summer.

Briefly, I'd like to answer a few points presented by the attorney for the oil companies. First of all, he says there is no service to the area and no advantages to the State. One of the reasons that precipitated this annexation was the fact that the City would normally be entitled to receive certain revenues under the Public Resources Code for the use of its beach park. It amounts to only a small percentage, but it is significant to the City. We derive a certain amount of revenue because the City does go up the leasehold areas a half mile. We propose to take in more of the leasehold area so we can get these monthly revenues which are segregated for public park purposes open to the State.
MR. CHAMPION: This is the so-called Beach bill?

MR. CHRISTIANSEN: One percent subvention.

MR. CHAMPION: What amount of money are you getting now?

MR. CHRISTIANSEN: I don't have the exact amount -- fifty or seventy-five dollars a month; while, if we had this annexation, we would get close to six, seven, eight hundred dollars a month, I don't know exactly. Even then that's not enough to take care of the public beach park, but it is significant. It is not a very large city and is significant to us.

This whole matter was brought up by the Standard Oil Company and the related company to the local agency for formation of this annexation, which was charged with considering the benefits to be received from protesting parties or other parties in regard to the entire area, at the County level, the City level. At that time the local agency formation commission determined that it would be a benefit to the whole area.

In other words, we are not dealing with just a few isolated platforms sitting out in the ocean that have no relationship to onshore facilities or services to employees; but there is a whole area to be benefitted as an integral economic unit. Standard Oil, with those two very large platforms located offshore, are rather significant in Carpinteria development and growth. We can't ignore them, sitting out
there, and their processing facilities onshore. I suppose their employees use City services and attend City schools. They are already included in a special district, taxing dis-

tric, districts which had ad valorem taxes -- school dis-

districts, sanitary district, and even a cemetery district.

The counsel for Standard Oil Company, although he couldn't see any need for the cemetery district, said he would be willing to be in the cemetery district -- that was part of their community relationship -- but as far as adding on new City taxes, he was opposed to it.

The City has another desire in regard to this annexa-
tion and that is particularly in relationship to the sanitary district and fire district -- which now our sanitary district includes a portion of the area to be annexed and the fire district includes all of it. The City definitely desires to have the amalgamation of these districts with the City govern-

ment so it can provide more efficiently; but unless they can get the basis these other districts are, they will not be able to do this economically or otherwise.

Now, the question came up as far as the protest was concerned. I believe the Commission probably has a copy of the statutory provisions relating to the protest in their staff report, indicating the exact statutory language. Now, it is our position that the State Legislature intended to give the State Lands Commission a certain amount of authority over this and to value their interest for protest purposes on
a different basis, to give the Lands Commission a better control over what was desirable and what was not desirable in the area. That is the reason why the recommendation of the staff is worded in exactly that way -- "at its full present value."

If the Standard Oil Company does not desire this method of approach, I don't think that this is the proper forum to present the argument that it should be reduced by twenty-five percent valuation. That argument is proper to be presented either to the State Legislature to amend this, or, if they feel that the State Legislature did not intend this, present it to a court.

The language of this particular section is clear. It says: "The State Lands Commission shall fix the value of the tide or submerged lands owned by the State." It does not say it will be reduced by any twenty-five percent.

I agree with Mr. Hortig that the request is to report the valuation of the State interests in this area, to report it to the City. In fixing this valuation I had no knowledge of what this valuation would be or exactly how it would be determined until this last report on it. It was a calendar item that came out and that was the amount that was listed, and I don't think the staff was partial or misled in any way in making their valuation; and I would presume they relied on their counsel and your counsel in making this determination.
The staff has already studied the matter and we
would be very much opposed to any continuance in the situation.
The matter has been pending for some time. We also have a
problem legally. We have a hearing set; other people in the
area have been noticed; the matter has been published in the
newspapers and -- I don't know; this whole question of a
continuance came as a surprise to me and I don't think the
City has any authority to continue it to a later meeting.
There are some statutory conditions I am not familiar with and
I don't know whether, if we continue it, we start all over
again.

It is not something new and different, and it is a
matter determined by the staff and, we think, in accordance
with the statutes. If Standard Oil opposes it, then I think
this is the improper forum to present it.

MR. CHAMPION: There is, however, no special pres-
sure of time for this annexation -- you'd just like it as
soon as possible?

MR. CHRISTIANSEN: It means we have all this adver-
tising to do. We have advertised the meeting and would have
to cancel the meeting. There is the time factor in the sense
we would very much like to have it accomplished and we would
like these Public Resources funds that would come in; and
there is no assurance that if the matter is concluded here
today it will go to the City Council -- that Standard Oil
might not protest the matter before the courts.
MR. CHAMPION: Well, no action of ours would preclude such a decision.

MR. CHRISTIANSEN: I think the matter will be delayed long enough anyway and we would like to have it done at least by next year; and if the matter goes to court it will take a long time. For that reason I don't think there is any reason or necessity for delay at this point. I think the staff acted honestly and fairly in their report. I take it the motion has already been approved -- the only question is: Should the Lands Commission request deferment under the question of the protest.

MR. CHAMPION: Mr. Hortig, I presume you feel your report was honest and fair; but do you feel there are any open questions that ought to require further consideration, or do you regard that as being unnecessary?

MR. HORTIG: I believe there are open questions in terms of the very dissimilar statutory criteria which are provided in connection with valuations for incorporation, valuations for annexation, and valuations for other tax assessment purposes; and all of these issues having been raised today, I can only say that the staff can't possibly make an objective recommendation to the Lands Commission without the opportunity to review the presentations in conjunction with the Office of the Attorney General.

MR. CHAMPION: Have we had similar circumstances before or are we on new ground?
MR. HORTIG: This actually would be precedent-setting in that while there have been partial representations in connection with annexations heretofore, there has never been one where there has been a specific new request for consideration that the Lands Commission join in the protest based on the interrelationship of valuations and fragmented property ownerships that are involved herein.

This is an anomalous situation in that we have a tideland lease, but only the minerals are leased by the State Lands Commission, the surface of the tidelands having been previously granted by the Legislature to the County of Santa Barbara, who are also involved in these proceedings as a landowner.

MR. CHAMPION: Are they in support of the annexation or is their status in this still undetermined?

MR. HORTIG: Their official position, I believe, is to be presented at this meeting January 9th.

MR. CHRISTIANSEN: I have heard no opposition. There was opposition by Standard Oil Company.

MR. CHAMPION: What was their position on the matter?

MR. CHRISTIANSEN: Their position was that the annexation should not be approved -- Standard Oil and the related companies said that the annexation should not be approved.

MR. CHAMPION: Did the local agency formation
commission take any position?

MR. CHRISTIANSEN: Yes.

MR. CHAMPION: What was their position?

MR. CHRISTIANSEN: They approved the annexation.

GOV. ANDERSON: Is there any question in their approval?

MR. CHRISTIANSEN: There was a three to one vote, I believe, one supervisor voting against it.

GOV. ANDERSON: When was this meeting of the local agency?

MR. CHRISTIANSEN: This was in October and Standard Oil Company was represented there. I would say all these statutory questions -- the annexation and incorporation statutes are very confusing; but I don't think the staff is going to be able to resolve all those questions. The courts can't resolve them.

MR. CHAMPION: I am basically sympathetic to the annexation and I don't think the State, if you would put it in straight economic terms, would have an interest to oppose such an annexation. I don't think it is our position to do this and I don't think we would at this point; but it would seem to me there are some questions that should be settled, so if we are setting precedents and going into new ground we ought to be very clear and firm on what our position is.

MR. CHRISTIANSEN: I just don't think they are going to be resolved on the staff level.
MR. CHAMPION: Well, we have a responsibility for what we do and other people have the responsibility for what they do. Maybe we can't resolve it, but we have a position to take.

GOV. ANDERSON: Frank, I am a little confused on this. You went on in your own way of determining the State's interest and you came in with this $7,825,000 figure. Now it has been suggested if we took a neutral position and left it where it was, this would preclude our lessees from having an overriding vote. The suggestion is you could come in with a lower valuation. Is this possible? It seems to me we have one set of figures. Do we bring in one so they can have a majority vote and then come in with another figure? It seems to me if this $7,825,000 figure is right, it is right.

MR. HORTIG: It is right, but the problem is that the criteria for comparative valuations for various purposes that are specified in the law are not the same criteria that we felt were applicable as a result of the type of report that the Lands Commission is required by statute to make to a public agency desiring to annex lands.

(Mr. Cranston came into the meeting at this time.)

GOV. ANDERSON: What would be the difference in criteria?

MR. HORTIG: This is the fair market value of the State's interest in these lands and this is correct; but, as
Mr. Outcault explained at the outset, a lessee's interest to be reported in connection with a protest in an annexation proceeding goes on a different and parallel series of statutes, but arriving at the same end point must be based on the valuation which is applied to the lands by the County Assessor for tax assessment purposes.

So we have the lessee's interest measured by one yardstick, the State Lands Commission's interest measured by another larger yardstick; and I inferred from Mr. Outcault's presentation his suggestion is there might be a basis for resolution of the problem, to get both of these yardsticks on the same datum plane.

So we really are no longer comparing apples and oranges, but a slightly discounted State apple, which is discounted with the same discount factors required as a result of the Revenue and Taxation Code in connection with assessments and appraisals by county assessors.

GOV. ANDERSON: Using our method of setting the value, where you came up with the $7,825,000 figure, what would that in round figures establish the lessees' value?

MR. HORTIG: Well, as Mr. Outcault said, by our own appraisal, if this is the twenty-six percent interest, seventy-four percent would be over twenty million.

GOV. ANDERSON: On the other hand, the Assessor has assessed their property at $1,300,000 and they assess at twenty-five percent of that.
MR. HORTIG: No; the $1,300,000 is the assessed value against which you will find, in your agenda item on page 58, the comparable figure suggesting that if the tide and submerged land proposed to be annexed were assessable to the State, the value would be approximately twenty-five percent thereof, or $1,973,750; and that $1,973,750 is to be compared with the Assessor's one million-three -- which again in the assessment practice in Santa Barbara County, includes other discount factors other than the twenty-five percent for uniform assessment ratio.

MR. CHRISTIANSEN: I understand, in talking with the County Assessor, there has been some question over the assessments even at this point by the oil companies relative to the valuation he has placed upon the property. I would say if the oil companies feel their assessment is too low, I don't think this Lands Commission should stand up and say the Assessor of Santa Barbara is assessing it properly or improperly. It is made on an entirely different basis or it could be, or it could be made on the same; but it is a question that the Assessor is an entirely different agency and has a lot of different formulas, all of which are under discussion with oil companies from time to time. And I don't think the position of the oil companies is that they are over-assessed in Santa Barbara County.

As you can see, there is a considerable discrepancy between the State's appraisal even at a twenty-five percent
discount value than what the local assessment is; and I don't think the State Legislature in passing the statutory provision intended that you were going to discount your valuation in accordance with local assessment practices.

MR. CHAMPION: Without a close reading, I would guess the Legislature had no intention one way or the other.

MR. CHRISTIANSEN: If they had that intention, I think they would have put it in.

MR. CHAMPION: Well, intention-reading is difficult. They just weren't conscious of the problems. I am not holding the Attorney General to this, but what is your view of this, Jay?

MR. SHAVELSON: Mr. Champion, I feel that certainly strong arguments could be made against a one hundred percent valuation being weighed against a twenty-five percent valuation. I think your statement is correct -- the Legislature did not consider the problem; but I think reading the statute so as to reach that result could possibly be erroneous.

Our Office has not been consulted on this; however, perhaps one suggestion we had was that the Commission report the full value as so many dollars and if it were assessed the assessed value would be at a certain amount, and then leave it as between the oil company and the City to determine which value should apply. In other words, let the court determine which is the correct valuation. That is, it is not a matter of doctoring that valuation, Governor. It is a question of
which one should be applied legally -- whether it should be the twenty-five percent weighed against the one hundred percent or should they be brought into equity.

GOV. ANDERSON: Wouldn't it be better, then, to keep this value and make it clear this is the fair market value, and let the courts determine that; rather than, as you say, try to doctor it down to fit this particular case? It seems to me we get into great difficulty. It raises the question that all the things we have done in the past are on the same yardstick.

MR. SHAVELSON: I think in any action the Commission takes it should be clear this is based on the one hundred percent value.

MR. CHRISTIANSEN: I think that would be applicable, that this is made without any assessment ratio.

MR. HORTIG: I might add, particularly with regard to the Governor's comment on past actions, none of the past reports by the Lands Commission have in any way been prejudiced because none of these reports and none of these valuations were utilized in connection with any protest actions.

GOV. ANDERSON: There were a couple of them where we could; we talked about them at the time. One was a similar area.

MR. HORTIG: Having chosen not to protest, it was immaterial whether the full market value or the assessed value would have been applicable. This point, as Mr.
Shavelson pointed out, has not been adjudicated and is the primary legal issue -- although we are having difficulty in making a comparison.

MR. CHAMPION: Well, now, let me try to summarize this discussion and I'll come back to you. If I understand it, the feeling is we don't want to oppose the annexation ourselves and, therefore, the only question is whether there should be a deferment. Now, from the questions I asked Mr. Hortig earlier about determination of these questions and from this discussion we just had, do I take this as an indication that it might be appropriate to approve this valuation, with the statement that it should not be prejudicial as against assessed valuation by the County, and that would really end our responsibility and there would be no need to defer it? Or have any other questions been raised? Is that where we stand?

MR. HORTIG: I believe, subject to concurrence by Mr. Shavelson, that this could complete the actions required by the State Lands Commission. This would, of course, put the problem of final determination up to whatever court action that the State lessees might seek and if there were in the future a resolution, for example, that the full market value should be considered and it is not the practice of the Lands Commission to protest -- then the discount will be taken from future State bids to insure that the lessee does not pay any additional taxes that are imposed by reason of
areas being annexed in the future.

MR. CHAMPION: Well, we have been in the discount business before.

Would you like to speak again?

MR. OUTCAULT: I'd like to add one comment, Mr. Chairman. We certainly don't request any doctoring of the figures here.

MR. CHAMPION: I think that is understood and it should be on the record.

MR. OUTCAULT: I think there are two factors here involved -- one that has been lately alluded to, that the Assessor comes up with a valuation and then he reduces to twenty-five percent before he goes on the roll; but there is another element in this present figure -- that the Lands Commission, as I understand it, is purporting to come up with the present market value of the State's interest, but yet there is no discount for the present dollar value of royalty which is going to be received over a long period of years in the future.

The thing that we want to carefully point out to the Commission, and which we think merits further consideration by the staff, is that normal principles of valuation would say that if you are going to receive a dollar a year over a period of a number of years, twenty years we will say, it isn't worth twenty dollars today. It is worth something less than twenty because most of it is going to be received
in the future. So on that basis we contend that the value that has been proposed here ought to be reconsidered.

MR. CHAMPION: You know there are various factors that enter into an attempt to project that value into the future. Inflation is only one of those; the price of oil is another; and we are in a guessing game. How would you attempt from the present value to make any determination?

MR. OUTCAULT: It is an appraisal matter, but you first have a determination of what the income is going to be. Once you have estimated your income is going to be so many dollars per year over a certain period of years, you certainly discount, take off, a certain percentage to get the present interest -- what a buyer would pay today to buy that interest, having in mind he wasn't going to receive the return on it for a number of years. This is a substantial factor in evaluation practice.

MR. CHRISTIANSEN: You do get into another problem. There are a lot of problems ...

MR. CHAMPION: One question: We have been asked to provide an estimate of value. How does the statute define a value if it does define a value?

MR. HORTIG: The statute requires that when a territory proposed to be annexed consists wholly or partly of tide or submerged lands owned by the State, the legislative body of the city shall determine the value of such tide or submerged lands for the purpose of this article. For purposes
of such determination, the State Lands Commission "shall fix
the value of tide or submerged lands owned by the State and
shall notify in writing the legislative body of its deter-
mination" -- end of total criteria and definitions on how to
do it.

MR. CHAMPION: We are on our own?

MR. HORTIG: Right.

GOV. ANDERSON: I would think we should use the
present criteria we have used on all the rest and let them
take it to the court and have them determine the assessed
valuation versus our own market value.

MR. CHAMPION: I agree with you.

MR. CHRISTIANSEN: I would agree with you.

MR. CHAMPION: May I have a motion on the matter
before us, then?

GOV. ANDERSON: That's approved -- 8(a) and (b).

MR. CHAMPION: We have approved 8(a).

GOV. ANDERSON: I move we approve item 8(b).

MR. CHAMPION: I'll second and that will stand
approved, with the understanding that we make very clear the
basis upon which this determination is made and it has a
limited application.

MR. CHRISTIANSEN: Thank you.

MR. CHAMPION: The real Chairman having arrived
and since I am ten minutes late to another meeting, I will
surrender the Chair.
MR. CRANSTON: I believe we go to Classification 9 -- Administration - (a) (1) Approval of proposed budget of the State Lands Division for fiscal year 1967-68, in the total amount of $1,552,909 (inclusive of $100,420 for implementation of the decision in U. S. v. California on the establishment of offshore boundaries); and (2) approval of the establishment of eight additional staff positions.

MR. HORTIG: At that point, Mr. Chairman, might I report further to the Commission that in accordance with previously established procedure the proposed budget before you is that which was submitted by staff about October first to the Budget Division of the Department of Finance and, therefore, now with this submittal will be subject to reconsideration and modification in accordance with the directives that have been issued to the Budget Division by the incoming administration.

MR. CRANSTON: You mean you want us to increase it now?

MR. HORTIG: No, sir -- just approve it as it was submitted.

GOV. ANDERSON: I move it.

MR. CRANSTON: Moved, seconded, so ordered.

(b) Authorization for Executive Officer to execute interagency agreement with the Department of Justice for fiscal year 1966-67, providing for the services of the Attorney General's Office and covering the Division's Long Beach
operations under Chapter 29/56, 1st E.S., and Ch. 138/64, 1st E.S., at a cost not to exceed $125,000.

GOV. ANDERSON: Move it.

MR. CRANSTON: Moved, seconded; without discussion, so ordered.

MR. HORTIG: Mr. Chairman, with respect to item (c) which you were just about to read, indicated action necessary in order to collect past due rent -- As of Monday I am happy to report the past due rent was received. Therefore, it is requested that consideration of this item be cancelled.

MR. CRANSTON: (d) Authorization for Executive Officer to issue to the University of Southern California a 15-year lease (with three ten-year renewal options) covering 40 acres tide and submerged lands at Fisherman's Cove, Santa Catalina Island, Los Angeles County, at nominal $100 annual rent (the use to be related to oceanographic and other scientific research).

GOV. ANDERSON: I move it.

MR. HORTIG: Mr. Chairman, the resolution as it appears on page 65 of your agenda should be amplified to include the following language, following "... and other scientific research" add: "to be made available to institutions of higher learning, public and private."

Also, following "$100 annually" add: "and the public benefit."
MR. CRANSTON: Approval is in order.

GOV. ANDERSON: (Nodded affirmatively)

MR. CRANSTON: Approval moved, seconded, so ordered.

Item 10 -- Confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

Anything to report?

MR. HORTIG: Nothing unique. These were predominantly extensions of geological and geophysical exploration permits, and for the conduct of test borings for feasibility studies for various projects.

GOV. ANDERSON: I move it.

MR. CRANSTON: No action is required on that.

Item 11(a) -- Report of firm of Livingston and Blayney, consultants, (1) analyzing the Upper Newport Bay Land Exchange Plan, (2) outlining the criteria which the Commission should consider in reviewing the proposal, and (3) recommending steps to attain a land exchange plan that will be in the Statewide interest. Report to be on file and available for review in the official records of the Commission at Sacramento and Los Angeles.

I'd like to state that the Commission plans no action on this matter at this time. What this report comprises is not a suggestion for any detailed new approach on the Newport land exchange, but it does propose criteria that this Commission should perhaps consider in analyzing
this and any other future action this Commission may contemplate. I would simply like to place it in the record. The view, I think, is that of the Commission -- that this report should be very carefully considered by the new Lands Commission. We hope it will be very carefully considered by the County of Orange and by the Irvine Company and any citizens interested in this project; and with that blessing we pass it on to you.

GOV. ANDERSON: It should be made public.

MR. HORTIG: That was the question I was just going to raise.

GOV. ANDERSON: I would feel it should be made public.

MR. CRANSTON: I'd like to go further than saying it should be made available. I think we should have copies made and copies sent to interested public officials in Orange County and the Irvine Company. How many copies do we have, Frank, now?

MR. HORTIG: Thirty-five.

MR. CRANSTON: Would you distribute it to those who have possible interest -- to the officials of Orange County and Irvine Company and any others'

VOICE: Representing the County of Orange, I'd like to have a copy of this.

MR. CRANSTON: You are most welcome and more copies are available. Is there any discussion? I trust not.
on that particular item. (No response) If not, we move to (b), which is report of status of major litigation.

MR. HORTIG: Which is informative only and no action required by the Commission at this time.

However, Mr. Chairman, might I ask that we return to Item 10 for purposes of clarification of the record? Governor Anderson moved and I thought I understood you to say "no action is required."

GOV. ANDERSON: He really said "seconded and carried unanimously."

MR. HORTIG: I am glad I misunderstood.

MR. CRANSTON: There is a supplemental item, item 12 -- Confirmation of action by Executive Officer, approving and consenting to the Tenth and Final Modification of the 1965 Plan of Development and Operations and Budget, Long Beach Unit, as set forth in THUMS Approval Request 38-66. (The entire development program contemplated by the 1965 Plan and Budget has now been accomplished with a total expenditure of $15,672,832, or $1,195,058 less than budgeted.)

Motion is in order.

GOV. ANDERSON: I move it.

MR. CRANSTON: Approval is moved, seconded, and so ordered.

Missing, I noted, is scheduling of the next meeting. Don't you have any notice on that?

MR. HORTIG: I have no recommendation on that.
There being no further business, the meeting will be adjourned. Thank you for your attendance now and over the years and for all your cooperation. Thank you.

ADJOURNED 11:20 A.M.
CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing forty-two pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Sacramento, California, on December 14, 1966.

Dated: Los Angeles, California, December 21, 1966.

[Signature]

Louise H. Lillico