MEETING
STATE LANDS COMMISSION

1020 N Street
Room 102
Sacramento, California

WEDNESDAY, JANUARY 26, 1977
10:00 A.M.

ORIGINAL

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MEMBERS PRESENT

Hon. Kenneth Cory, Controller, Chairman
Hon. Mervyn M. Dymally, Lieutenant Governor
Mr. Sid McCausland, Deputy Director of Finance, representing Roy M. Bell
Ms. Betty Jo Smith, representing Mervyn M. Dymally

MEMBERS ABSENT

Hon. Roy M. Bell, Director of Finance

STAFF PRESENT

Mr. William F. Northrop, Executive Officer, State Lands Commission
Mr. Robert C. Hight, Staff Counsel, State Lands Commission
Mr. James F. Trout, Manager, Land Operations, State Lands Commission
Mr. W. M. Thompson, Manager, Long Beach Operations

ALSO PRESENT

Mr. N. Gregory Taylor, Deputy Attorney General
Mr. Jan Stevens, Attorney General's Office
CHAIRMAN CORY: Everybody in their appointed places, we will not have a roll call at this point, and we'll deviate from the agenda just for a brief moment for the Lieutenant Governor to make some comments. Merv?

MR. DYMALLY: Thank you, Mr. Chairman. I simply wanted to formally introduce Miss Betty Jo Smith of the staff counsel in the Lieutenant Governor's Office as my alternate to the Commission, and I do so because I think it's the first time that a woman has assumed this responsibility. And I think it's worthy of note that there is a woman who will be serving on the Lands Commission.

Additionally, Mr. Chairman, I note with a great deal of interest the Chairman of the Ways and Means Committee is here, and I want to highly recommend that we give Contra Costa County back to the people.

(Laughter.)

MR. DYMALLY: And my good friend Vince Thomas is there, we have been talking about annexing Catalina to Watts, and you might want to take that off today, do that today and give Vince whatever he wants.

Thank you very much, Mr. Chairman. I've got to go to Lodi to explore some oil possibilities.

CHAIRMAN CORY: Thank you very much, Merv.
Betty Jo, glad to have you with us. We will go ahead with some of the technical formalities of the meeting and in anticipation that Mr. McCausland should be joining us shortly, and hopefully we can get over some of our non-controversial and nonsubstantive items.

The first item is the confirmation of the minutes of the meeting of December 15th. Are there any corrections or additions to those minutes? Satisfactory?

Mr. McCausland has arrived.

MR. McCAUSLAND: Tardy as usual, Mr. Chairman.

CHAIRMAN CORY: We were in the process of confirming the minutes of the previous meeting. Do you have any corrections or additions?

MR. McCAUSLAND: I like them.

CHAIRMAN CORY: Without objection, they will be confirmed as presented.

And the next item which you probably could just as well have missed would be the Report of the Executive Officer.

MR. McCAUSLAND: I wouldn't want to miss the confirmation of the Executive Officer.

(Laughter.)

EXECUTIVE OFFICER NORTHROP: Mr. Chairman and Members: Preliminary investigations by staff in conjunction with continuing responsibility in the location of county
lines and state land boundaries indicate that it may be necessary to clarify the position of portions of the California State Line. Staff is continuing to investigate the matter, in cooperation with representatives from the Attorney General's Office. And at the present time, we plan to report the findings on that boundary line location in approximately two months.

CHAIRMAN CORY: That's a question of --

EXECUTIVE OFFICER NORTHROP: Where the line really is between Nevada and California or Oregon and California, excuse me.

CHAIRMAN CORY: I don't think we have time to get any further into that subject at this meeting.

(Laughter.)

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, with the Commission's approval, staff entered into a contract with the City of Hermosa Beach. The contract was to prepare a geological evaluation of lands granted to the City relative to the potential drainage of oil and gas on adjacent lands.

We have conducted the study, as I indicate with reasonable assurance, that drainage has occurred by wells drilled and completed along the common boundary within the granted lands. Based on the current performance characteristics of the wells, however, it is unlikely that
significant drainage continues. The Evaluation Report was delivered to the City on January the 14th, you may recall that was in a contract with the City.

Occidental Petroleum Corporation has proposed to establish oil drilling districts in the Pacific Palisades area. Staff review of that proposal has indicated that the potential productive area could impact state oil and gas sanctuary.

On December 30th, the Chairman wrote Mayor Bradley, calling the Mayor's attention to the fact that such impaction could result in drainage of State-owned land and State-owned oil and gas resources. The Chairman further stated this Commission did not wish to be forced into a program of its own to offset the drainage, and urged that Occidental be required to enter into formal agreements with the State as a precedent to any exploratory or production operations.

As a result of the correspondence with Mayor Bradley, representatives of Occidental have met with the Division's Extractive Development staff on January 19th and have agreed to cooperate with the Commission in any way required. A follow-up meeting has been set for early February, at which time Occidental has agreed to provide all the geologic data on the one well that was drilled, as well as to give us information.

Staff is continuing to negotiate the gravity
differential regarding the Long Beach and State tidelands. There have been partial payments made under protest with indications that the majority will be made in the future -- also under protest. One contractor has indicated they will file a court action against the City of Long Beach with regard to payment of gravity differential. Unless the Commission desires otherwise, the Attorney General will be involved in that suit and intervene in whichever manner is considered proper.

The fourth and final hearings --

CHAIRMAN CORY: Pardon me. What is the term, "intervene in whichever manner is considered proper?" What are you trying to tell us?

EXECUTIVE OFFICER NORTHROP: The discretion -- the Attorney General feels that they would like to -- really, what we're asking for is the Commission's permission for the Attorney General to represent us in whatever manner the Attorney General thinks the most expeditious way to handle it.

MR. TAYLOR: We don't know exactly what form the action will take or whether there will be more than one action. The choice of language here might be a bit smoother, but it really is --

CHAIRMAN CORY: My reaction is that, yes, you should be representing us and that implies you should do
what lawyers think is necessary as long as you keep reporting
to us as the meter's running.

    MR. TAYLOR: Obviously, we would not take any
action without consulting you.

    CHAIRMAN CORY: That seems to imply that you had
something specific in mind, that there was more than one
action.

    EXECUTIVE OFFICER NORTHROP: There well may be
more than one action. At the present time, we feel that --

    CHAIRMAN CORY: But, if we are not parties, you
anticipate that there may be actions to which we would not
be parties?

    MR. TAYLOR: We will be prepared to intervene
if we felt that it was appropriate. In other words, the
action may be only against the City of Long Beach, or it
may be in some other manner. It may be -- the possibility
may be between the oil industry itself, although that's
remote, that is a possibility.

    CHAIRMAN CORY: Okay.

    EXECUTIVE OFFICER NORTHROP: The fourth and
final hearing on the proposed coastal regulations was held
in this room yesterday. Written comments to the revised
regulations will be accepted by staff until January 31st.
At the next Commission meeting, staff will present the
final version of the regulations. Reine Corbeil, representing
Southern California Gas has indicated he would like to address the Commission now. But, is he in the audience? I don't see him.

CHAIRMAN CORY: Mr. Corbeil?

EXECUTIVE OFFICER NORTHROP: Mr. Corbeil's comments were generally favorable, and he expressed the fact that he wanted to tell the Commission he appreciated the staff's help in making changes.

CHAIRMAN CORY: We are not adopting this?

EXECUTIVE OFFICER NORTHROP: No, this is just a report of where we're going.

CHAIRMAN CORY: Okay.

EXECUTIVE OFFICER NORTHROP: The adoption is next month.

MR. McCUSAULD: My question, I guess, Mr. Chairman, is whether or not it's necessary for the State Lands Commission to move on these regulations this early in the year with the fact that the new Coastal Zone Commission has just been seated, the Act has just been reinstated by the Legislature, and would it not be appropriate for us to have a joint meeting with the State Lands Commission to discuss our regulations before we adopted our own at this point? What is your objective?

EXECUTIVE OFFICER NORTHROP: With the State Coastal Commission rather than the State Lands Commission?
MR. McCausland: I'm just suggesting that perhaps we should have a joint meeting with the Coastal Zone Commission to discuss our regulations in view of the fact that they have an extremely active interest in the same areas that we're discussing in our regulations.

Executive Officer Northrop: What we've attempted to do in adopting each regulation, Mr. McCausland, has been to overlay the coastal regulations as suggested by the Legislature -- as directed by the Legislature under our own regulations. And that's been the basis of our hearing, initially. I see no problem with meeting with the Coastal Commission. However, I really feel that we have been the bell cow in this operation in our leading all the other State agencies in that position.

MR. McCausland: You may well feel like a bell cow. I've felt like horses' many things, but I don't feel like a bell cow. My concern is that, when this Commission authorized us to go to hearing on our regulations, I asked at that time that there be close coordination with the Coastal Zone Commission. I believe we have been working with their staff, but I'd like to know a lot more about the relationship we've had with the Coastal Zone Commission before I'd be prepared to adopt final regulations.

Thank you, Mr. Chairman.

Chairman Cory: Okay. Did that item -- we will
take no action at this point. At some future point, it may or may not come before us.

EXECUTIVE OFFICER NORTHROP: Well, the staff will be advised at the Commission's pleasure that we will meet with the Coastal Commission's staff on our regulations and certainly, if the Commission would like to have us have some kind of a joint hearing on our regulations, we will do that.

MR. McCAUSLAND: Can we talk about it later?

EXECUTIVE OFFICER NORTHROP: Okay. The last item, Mr. Chairman, refers to Item Number Cl. It is a proposed Public Agency Permit to fish and wildlife -- Fish and Game for the placement of an artificial fishing reef at White's Cove off Santa Catalina Island.

A request has been made by Assemblyman Thomas to name the proposed reef for Robert C. Butler. Mr. Butler initiated the idea of removing unsightly scrap from the island, treating it properly, and placing it on the ocean floor to create a fish habitat. Fish and Game has indicated willingness to accept this name. Mr. Butler has been identified with Catalina Island Company and has worked for the Wrigley family on the island for 51 years. He is still a member of the Board of Directors of the Wrigley Company. Although retired, he serves as Assistant to the President of the Santa Catalina Island Company, is a Director of the
Memorial Garden Foundation on Catalina Island, and been concerned for many years with conservation on the island. That completes my report, Mr. Chairman.

CHAIRMAN CORY: Okay. That refers to Item C1 on the Consent Calendar?

EXECUTIVE OFFICER NORTHROP: Yes, sir.

CHAIRMAN CORY: Do we have -- who has the technical capacity to name the reef?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I also have a letter from (inaudible) --

CHAIRMAN CORY: Before you get to your letter, who has the technical legal capacity in terms of the name? Is that -- we're in essence giving a permit to the Department of Fish and Game to use the property. I've got no quarrel with it, but who -- should that be something we should do or should it be something that Fish and Game --

EXECUTIVE OFFICER NORTHROP: Staff advises me that Fish and Game would officially make the name. And ours would be in the lease, and they have indicated willingness to do that, and I just thought it would be well to make it --

CHAIRMAN CORY: Greg, who is the legal mover? If we're in essence leasing the submerged land for them to create this lease on, is that what we're doing?

MR. TAYLOR: I think it's under the jurisdiction
of both Agencies. Fish and Game has jurisdiction over all of the fish aspects in this area, and we have the property. So, if nobody has any objection to us recommending it, and rather than getting into a squabble with Fish and Game, I think we both have enough interest in the property that we each agree to it that would be sufficient. There's an Historic Names Commission that a representative of the staff of the State Lands Division sits on, and I think that might be the final one to make it complete, that everyone has agreed that that would be proper. But, I think that within the Commission's prerogative to make its recommendation that, say, as far as its Commission is concerned, it has no objection to doing it. There are three agencies that you could think about having possibility. I think they're all going to agree in this case, so there isn't any problem.

MR. McCausland: Has the State Lands Commission ever named anything before?

Chairman Cory: We named an island, or requested that an island be renamed.

Executive Officer Northrop: Yes, we have named islands, oil islands.

Chairman Cory: I was thinking about one that the Lieutenant Governor and I suggested we could have --

Executive Officer Northrop: We've objected to
names and asked for changes, and in the Long Beach operation, I believe the Commission approved the names of Islands Grissom White and Chaffee in Long Beach Harbor.

CHAIRMAN CORY: We changed or somehow requested to somebody that they change the name of Coon Island to Racoon Island, Merv and I had a little feedback on that, we thought that might be a little better.

MR. McCausland: I recall that the Department of Transportation Division of Highways has always named things upon instruction of the Legislature, seldom, if ever, they volunteer on their own, and historically, there's been a tremendous amount of controversy over whose name and what should bear. And if the State Lands Commission has not found itself stuck in that awkward position, it might be a good precedent not to start.

CHAIRMAN CORY: Betty?

MS. SMITH: Has the Historic Names Commission been contacted?

EXECUTIVE OFFICER NORTHROP: No, ma'am.

MS. SMITH: So, you don't know what criteria they use?

EXECUTIVE OFFICER NORTHROP: No, I do not, however a member of our staff, Mr. Bud Uzes, is on that Commission and I think that it may be well if Mr. Uzes gives his feeling or gives the feeling that the Commission usually has
MR. UZES: As I understand, this is an artificial -- my understanding is this is a proposed artificial reef? The Geographic Names Board, which I sit on, gives advice to the Federal Board on natural geographic features and not artificial. Usually, I think the policy is that artificial features can be named by the agency having jurisdiction that controls them, such as a dam could be named by the Department of Water Resources, or a trail by Parks and Recreation, or something else by Highways. So, my feeling would be this is more appropriate to be considered by the agency having jurisdiction over the artificial reef.

CHAIRMAN CORY: Vince, do you want to comment on this?

MR. THOMAS: Assemblyman Vincent Thomas, representative -- Catalina Island's in my district. And during the last five or six years, the program has been developed tremendously with the assistance of this man who has been outstanding in helping to create 87 percent of the island into a conservancy and also into an agreement with the Los Angeles County for a 50-year lease in public use.

The whole island is going into public use, at least 87 percent at this moment. So, in order to clean up the island and -- which was Mr. Butler's idea, making it --
in recreating, replanting, and doing all of this, he suggested of creating this reef where all of the materials and things would be placed in with the standards set by the Fish and Game Commission, and the same happens in Santa Monica Bay which we have, in Santa Monica Bay, one of the most beautiful reefs, and now they're considering taking a big tanker and sinking it down to develop fish reefs. Now, he has had responsibility for all of this. And since it's in the tideland's jurisdiction -- with the Island Company Leases -- all of its tidelands from the Lands Commission, its coves and all of these, they name coves after various people, so there should be some name designated for this fishing reef. And the City Council felt that if anyone had done so much in 51 years, I think that it's a deserving situation. And it will bring back fisheries to the island because of the predators around there. And there's no commercial fishing around the island, it's for the sportsman.

Now, the big island over at Huntington Beach, the Fish and Game Commission tried to have the Island Company cleaned up, and there's a lot of cans and a lot of junk and everything, but it has to be standardized or cleaned up before you can sink it down permanently. And he fought desperately to have this around next to Catalina Island. And I think the person is well deserving, even
though he's alive. I'm alive, and they named a bridge after me. So, I don't see any problem involved, but as I say, of all of the years, the only one outstanding person that has done so much for bringing a whole island into public use and creating this fishing reef that will bring back the fish -- and remember, the seals each eat eight pounds a day, and there's thousands of seals around the island and sharks, so you have to have someone preserve it. He thought of this idea, and he's been working on it diligently. So, that's the only thing I can say is my feeling.

MR. McCUSAULAND: I move.

CHAIRMAN CORY: Okay. We have a motion that the Consent Calendar be adopted which is at this point grafted with a -- it will go forward with a suggestion so that the other agency is not offended. They can proceed with the replicity (ph) of the dual nature. Pardon me -- I was thinking about our own actions, Sid.

MS. SMITH: Second that motion.

CHAIRMAN CORY: We have a motion to second.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, C4 has been withdrawn from the Calendar.

CHAIRMAN CORY: Let me go through the entire Consent Calendar, since this is part of a major Consent Calendar Item. Is there anybody in the audience who wishes
to address the Commission on any of the Consent Calendar Items? They are Items Cl through 14, inclusive, with C4 excluded.

MR. McCausland: You might -- I think you made it clear, the Calendar Item for Cl has been redrafted. So, what I'm moving is not the one that was there already, Cl through 14?

Chairman Cory: Yes. Without objection, the Consent Calendar will be adopted with the exception of Item C4 which was removed.

Okay. Item 15 is a special item which has been set for 11:30. Has Mr. Thomas been informed -- are you aware of that, Vince?

Mr. Thomas: I'm aware of it, Mr. Chairman, but I understand that the circumstances have changed and the opponents -- or, not the opponents -- but, the parties involved all agree to ask for a postponement for four months and to negotiate. That's the only thing they're here for. Now, if they're here to present their case and to answer my charges of mismanagement of the tidelands grant which was given to the City of Los Angeles, well, I'm willing to make my issue and present my case. Now, I don't know what they want to do. I think Mr. Hughes is here representing the Harbor Department.

Executive Officer Northrop: Mr. Chairman, I had
a call this morning from Mr. Piper, or Dr. Piper from the Harbor Department informing me that a Mr. Tom Shields was en route to Sacramento and had planned on being here, and asked if we would hold until then. And I advised Dr. Piper that we had set it for 11:30, and I thought that would probably be time if he left on a 7:00 o'clock plane, even if he was busing in from --

CHAIRMAN CORY: Mr. Shields is not here at this point? As I understand it, the original request was that Mayor Bradley wanted to be here, and we afforded him the opportunity, because of his scheduling, to make this as a special item at 11:30.

EXECUTIVE OFFICER NORTHROP: That's correct.

CHAIRMAN CORY: Okay.

MR. THOMAS: He is going to be here. None of the principals are going to be here, they advised me.

CHAIRMAN CORY: Okay. Well --

MR. THOMAS: The only thing I want is fifteen minutes to present my case.

CHAIRMAN CORY: I think, given the fact that we have -- it's scheduled as a special item at 11:30, that we probably should wait until 11:30 so they don't end up getting upset.

MR. THOMAS: I have no objection. In fact, I hope they don't show up.
CHAIRMAN CORY: Okay. Thank you, Vince.

Item 16 is a one-year Public Agency Permit for the United States Navy, Naval Facilities Engineering Command. And I believe --

EXECUTIVE OFFICER NORTHRUP: Mr. Chairman, we have a slight problem with that and we're looking for the lease because there has been a last minute interpretation, and I wonder if we shouldn't put this over and --

MR. BOATWRIGHT: Assemblyman Dan Boatwright, Tenth Assembly District.

CHAIRMAN CORY: Chairman of the all-powerful Ways and Means Committee.

MR. BOATWRIGHT: Rules, I don't want.

CHAIRMAN CORY: Source of all things important to us, however.

(Laughter.)

MR. BOATWRIGHT: I think this can be resolved. It's my understanding, and there were two items that were raised, and I would like at this time to introduce to you the Commanding Officer of the Concord Naval Weapons Station, Captain Joe Paulis. Captain Paulis is here, and Al Compaglia, who is the Officer who is working on this matter with me. And, as I understand the intent in the question that was brought up by Captain Paulis this morning, that perhaps the way the proposed lease is drafted only gives them the
right to erect the barrier, but does not grant to them anything else. It's my understanding, it was the intent of the people who drafted the proposed lease that it would give whatever rights they could give by lease, but no more, because of course, they will not give a right for example to cite a person who is trespassing, if that cannot be given. And that's the question. Because, the legal opinion that was rendered was that it appeared the way it was drafted, the only permit that was being given by the State to the Navy was simply to erect a barrier and nothing more.

I think if it is the intent that you are entering into a lease, to lease to the Navy those lands under the water, Hastings Slough, and any rights that you have, but no more, I think that would fulfill the intent. If that is your understanding, and that's my understanding as to what they intended. And, there would -- this matter has carried on, as you may recall, for, I guess now, about six or eight months. And the reason for the request from the Navy was because, you may recall that Hastings Slough cuts through some Navy lands, and that this area is used by people who come in in small boats, but it's also an area where they suspect the people came in based upon a statement made by the person who allegedly took a shell -- I forget, I think it's a five millimeter shell or something, out of an ammunition car that was in the security area at
the Bay. He came through the slough and over the fence there because it's through tules and hard to -- well, it's almost impossible to guard, once they get into the slough -- took the shell out that way, took it and placed it, I believe, somewhere in Alameda or somewhere on the pier and notified them. And there have been several threats directed against the Weapons Station by people that they are going to seek to wreck havoc, to blow up portions of this kind of stuff, and we all remember Port Chicago. This is the chink in their armor according to their security personnel, and they have no authority to close this off. What they're asking is the right to close off a portion of this slough that runs through an area where they cannot see, and to be able to take whatever action is necessary to escort people off there, but no more than the State would be able to give.

If that is their intent, I think, if that were expressed, that the lease be so worded or that be so drafted that that is the intent of the Commission, that would settle that portion of the matter.

CHAIRMAN CORY: Greg Taylor, Bob Hight, does that --

MR. TAYLOR: Mr. Trout has a copy of the lease, Mr. Chairman.

MR. TROUT: Mr. Chairman, the lease now provides, under Land Use or Purpose, is to provide securities for
Naval Weapons Station, Concord and for public safety. And then, it limits authorized improvements to temporary barriers with fencing, because that prevents trespass on the slough, no permanent wiring or structures. It also indicates that the lessee shall take all necessary steps to ensure the safety of the general public and may attempt to use the slough after the closing, including warning signs and signal lights. And I think we get, under Land Use and Purpose, we could add in there a brief sentence stating that the Navy would have the right to seek whatever however we’d want to word it -- the remedies of any leaseholder in -- calling the Sheriff or doing whatever other actions --

MR. BOATWRIGHT: Or evicting trespassers, taking whatever remedy is normal in these situations to protect the lands. And I suppose, when you grant your leases to piers or to private lands and they build piers, the people, if there's a trespasser, have a right to call someone to help them evict them or cite them. That same procedure, I would suppose, could apply here, but whatever is necessary, and I understand that was the intent --

CHAIRMAN CORY: That seems fine.

MR. McCausland: Move.

CHAIRMAN CORY: Second?

MS. SMITH: Yes.
CHAIRMAN CORY: The amendment to the lease, be adopted.

MR. BOATWRIGHT: Now, the second point, it's a one-year lease. Originally, we had, and you may recall this, it was a 49-year lease. One year doesn't do much. I would suggest at the very minimal, and you do have the right, of course, to under -- changing circumstances and conditions to even step in, but it should be so we don't have to come back every year on this. It should be a minimum of ten years. And originally, it was a 49-year lease that was proposed, because if the Station goes out of business, obviously it would revert to the State. If they don't, it should remain as long as security is necessary. A one-year permit really doesn't do anything.

CHAIRMAN CORY: Is there a cancellation clause in the lease? Is there a cancellation clause in our standard lease?

FROM THE AUDIENCE: Yes, there is.

CHAIRMAN CORY: And what is the cancellation notice of time?

MR. HIGHT: It provides that it may be cancelled, I think, at 30 days by either party.

MR. BOATWRIGHT: Right.

CHAIRMAN CORY: So that if we gave it a ten-year lease, and if for some reason -- I can't anticipate what
they would be -- but, if there were problems, with certain notice, could cancel within 30 days?

MR. BOATWRIGHT: It just saves us coming back.

This is -- you know, with the, a lot of work in getting on the Agenda and working the things out again, it just saves a lot of work.

CHAIRMAN CORY: We're glad to see you, though. We may have next year's budget on the stand.

MR. BOATWRIGHT: We'll do that in the office.

CHAIRMAN CORY: Well, with that invitation, it would seem that those amendments are in order to make it a ten-year lease?

MR. McCUSAULD: I'd just like to put on the record, I think one of the reasons that a one-year lease was drafted was there was some concern by those of us who are professional second-guessers that there were a lot of chinks in the armor, and that this was not the only problem that that munitions facility faces, and that we were hoping to ascertain over the course of the year whether or not this really was an appropriate or adequate step in that direction. It may be that you need a lot more electronic surveillance along that whole side of the perimeter or something of that nature. But, to close fishermen out of the slough for ten years, without being able to ascertain whether good faith efforts were being made to improve the
general security of the facility was -- I think the basic reason for the one-year thing -- I have no problems with going along with the Chairman's recommendations.

MR. BOATWRIGHT: You have the right to cancel on 30-day notice. You're protected.

CHAIRMAN CORY: Captain, you --

CAPTAIN PAULIS: Yes, sir, if I may --

CHAIRMAN CORY: Would you identify yourself?

CAPTAIN PAULIS: I'm Captain Paulis, the Commanding Officer of the Naval Weapons Station, and I regret that we did not bring all of the charts, because I assumed that they were here already. But basically, the section of the slough we're talking about is the one that goes from the Suisun Bay up to Harbor Drive -- Waterfront Road. This section, we have found people "Fishing men" with no fishing gear. People with high-powered rifles when they shouldn't be on our property. We own on either side of the slough, but I can't control the access of people coming in who quote, are "fishermen," but that aren't fishermen. I have no objection, particularly on the Government property, to allow people to fish from the roads, from the bridge, and on the other side of the Highway which most of the people fish on now. It's those people who come in that I don't know what they're doing. And regrettably, a lot of people don't know what the trajectory of a high-powered
rifle is. And when I have boxcars loaded with tons of high explosives, I can't accept that danger. I have no objection to fishermen or hunters, but not on my lands, because it was purchased as a buffer zone to protect people.

MR. BOATWRIGHT: Incidentally, this is an area where they can't see. They are going to provide and continue and build a barrier back from the road so that people who want to fish from the roadway will still have access and can fish from the roadway. We have negotiated that out.

CAPTAIN PAULIS: Yes.

MR. McCAUSLAND: I move adoption.

CAPTAIN PAULIS: The other thing is, we have jurisdiction to the land on both sides, and we cite people for trespassing or loitering or carrying firearms within the restricted buffer zone to the U.S. Magistrate in San Francisco. So, we have the citing authority there. We don't call the Sheriff or anybody, we cite them to the U.S. Magistrate.

Thank you.

MS. SMITH: Second.

CHAIRMAN CORY: Okay. We have a motion and a second for a ten-year lease, be approved with the added language that was suggested, with a clear understanding that there's a 30-day cancellation provision.
CAPTAIN PAULIS: But that gives us the authority to exclude people from trespassing within the slough area.

MR. BOATWRIGHT: Whatever authority the State can give you in that area, they will give you.

MR. HIGHT: We cannot give you the authority to arrest people because that's an authority that we can't delegate.

MR. McCausland: Who delegates that, the Legislature?

MR. TAYLOR: If they have a property, if it becomes a Federal property interest, then they have certain rights that they can do under that. That's their right, but they have an interest from us in the property, they can protect the property interest they have, which would include the right of eviction. I think what Bob was referring to is whether there was a cession of jurisdiction over this area, and at this point, I don't know what the status of cession is, but if there is a request for cession of jurisdiction over the Port Chicago area, that would be a matter which would have to be requested by the Federal Government through channels like, in the Department of Defense to the State Lands Commission, and the State Lands Commission could see jurisdiction, for criminal purposes over this area for a period of ten years if the Commission was satisfied as to the terms of the conditions of the
request that would be made by the Department of Navy.

But that would have to be done separately. The Captain would have to forward that to the Department of Defense, and they would have to make a request to the Commission and advertise notice and hearings, and then come back to the Commission for action.

MR. McCausland: Well, I think that the intent of this lease is to give them as much authority as they need to protect the national security and the public health and safety, and if we have to take additional action to grant them the full authority, then I'm sure the Commission would be willing to do that.

Chairman Cory: Yes, technically, from what you are saying that if the existing law, giving them a property leasehold interest in the slough allows the Federal Magistrate jurisdiction, that's one possibility. But, we don't know what the law is.

Mr. Taylor: No, if he has a property interest in the property, he can protect that property interest by citing people for violations in that area. Now, the Commander --

Chairman Cory: But, is that Federal Court or State Court?

Mr. Taylor: That would be a Federal offense, and they'd go to Federal Court under this lease. There is a
second problem, and that would be crimes of one person on
another. Say, you have two of the people with rifles or,
two people going in, one of them has a rifle and accidentally
shoots somebody in the slough. At that point, unless there
has been a cession of jurisdiction, and I don't know whether
there has or not -- apparently Mr. Trout indicates that
we do not have a cession in this area. At that point, the
Federal Magistrate could not take jurisdiction. They would
have to call the Sheriff, and the Sheriff would have to
affect the arrest.

Crimes against the Government on Government
property or property in which the Government has an interest,
they can take into Federal Court. Crimes between people,
thief, any kind of crime, murder, rape, or any kind of
attack that would occur in this slough, there would be no
Federal jurisdiction for that. And, they would have to
call the local Sheriff without a cession of jurisdiction.

CHAIRMAN CORY: I'm sure that the Hastings Slough
rapist is glad to know that.

MR. BOATWRIGHT: I think the real point is
trespassers, and it's my understanding, based upon what
he said, that the lease carries with it the right in
Federal law, for them to cite to the Magistrate for trespass
without a cession of, or sitting in jurisdiction, otherwise,
right?
MR. TAYLOR: That's my understanding from talking.

MR. McCAUSLAND: Move.

MS. SMITH: Second.

CHAIRMAN CORY: We have a motion and a second.

All those in favor?

(Ayes.)

CHAIRMAN CORY: No objection. Thank you. I'll be glad to come over and visit with you in your office, sir.

MR. BOATWRIGHT: Thank you.

CHAIRMAN CORY: Item 17, Assignment and Subletting of Industrial Lease for C&H Sugar Company to the California Pollution Control Financing Authority.

MR. McCAUSLAND: Move adoption.

CHAIRMAN CORY: Technical question, since I sit on the Pollution Control Financing Authority and I have an interest in that, do I have a problem with assigning or passing on the assignment of this?

MR. McCAUSLAND: I'd say that you can't waive any rights in this instance because both the Director of Financing and the Controller sit on that Authority. So, we have to exercise the responsibilities. But, you're not going to have a problem with this, anyway, I figured that out already.

CHAIRMAN CORY: I'm trying to stop it, I'm a sugar beet grower.
(Laughter.)

CHAIRMAN CORY: Okay. Any question or debate from anybody in the audience?

MR. McCASLAND: Move adoption.

CHAIRMAN CORY: Without objection, Item 17 will be adopted as presented.


MR. McCAUSLAND: Move adoption.

CHAIRMAN CORY: Motion for adoption. Is there anybody in the audience who wishes to address the Commission on Item 18? No objection? Without objection, Item 18 will be approved as presented.

Item 19? Aminoil Oil (sic) wants Approval of the Resumption of Drilling Operations under State Oil and Gas Leases of the previous leases in Orange County, Huntington Beach Offshore Field. EIR's and all of the hearings and everything have been completed on this. And this is an existing operation commensurate with the recent court case that sort of resolved all this, vested rights, and we're to proceed; is that correct?

EXECUTIVE OFFICER NORTHOPTH: The EIR has been completed only, I heard, in Huntington Beach. I do have a
letter from Mr. Polans I'd like to make part of the record which finally wraps up the part --

CHAIRMAN CORY: Mr. Polans' letter will be made a part of the record. Is there anybody in the audience who wishes to address themselves to Item 19?

MR. McCausland: I think the record should show that we've all seen Mr. Polans' letter and also seen, in response to these, request to personally inspect the facilities that occur in our findings.

CHAIRMAN CORY: For those in the audience, Mr. Polans is a citizen who would like to personally make inspections of the platform to make his own personal assessment of whether or not the EIR is valid or not valid, as I believe he put it.

There are serious insurance complications to having citizens go out to oil rigs, and who is and isn't responsible. And therefore, we have declined Mr. Polans' kind offer to make this personal inspection, and he is not particularly happy about our declining his kind offer. But, there seems to be no good way out of his dilemma in preserving both Amincoil's financial security and the State's if something adverse should happen to him.

MR. McCausland: Moving his testimony, I'll move adoption.

MS. Smith: Second it.
CHAIRMAN CORY: Moved and seconded, Item 19 will be approved as presented. Without objection, such shall be the order. Item 20 is Assignment of Exxon's Interest in the Main Zone Unit of the Huntington Beach Field to Aminoil, and as I understand it, that Exxon will in essence stand in position to make the state -- in essence, is guaranteeing Aminoil's performance.

EXECUTIVE OFFICER NORTHROP: Right.

CHAIRMAN CORY: So, we are not having any lessening of the interest. Is there anybody in the audience who wishes to address themselves to Item 20? Commissioner?

MR. McCausland: Move adoption.

MS. SMITH: Second it.

CHAIRMAN CORY: Without objection, Item 20 will be approved as presented.

Item 21, Dredging Permit for Del Norte County Flood Control, 20,000 cubic yards.

MS. SMITH: Move adoption.

MR. McCausland: Second.

CHAIRMAN CORY: No royalty, public benefit. Is there anybody in the audience on Item 21? We have a motion and a second. Without objection, 21 will be adopted as presented.

Item 22, Dredging Permit for the City of Sacramento
from January 26th -- well, to '79. Miller Park, Garcia Bend.
Public benefit, no royalty. Anybody in the audience on
Item 22?

MR. McCausland: Move adoption.

Chairman Cory: Without objection, Item 22 will
be adopted as presented.

Item 23, Dredging Permit for John Barclay and
Rod Ketelsen, et al, 120,000 yards in the Fairfield-Suisun
area; is that correct?

Executive Officer Northrop: That's correct.

Chairman Cory: Fifteen cents per cubic yard
royalty because it's being removed from public lands and
placed on private property. Anybody on Item 23 in the
audience?

Ms. Smith: Move adoption.

Chairman Cory: Without objection, Item 23 will
be approved as presented.

Item 24, Sausalito Yacht Harbor Dredging Permit
for 2600 cubic yards. This is Sausalito Yacht Harbor in
Marin County to increase the depth for navigability.
Royalty charge of fifteen cents per cubic yard will be
spoiled on the Army Corps of Engineers Site; is that correct?

Executive Officer Northrop: That's correct.

Mr. McCausland: Would you slow down for just
a second? My mind is not too fast. On Item 23, for just a
moment, I concur with the recommendation or with the adoption, but my question is, what is the status of the Suisun Marsh Protection Plan as enacted by the Legislature at this point in time? BCDC has adopted a proposed plan, submitted to the Legislature for legislative adoption. In there, there's permitting requirements for the County and the cities and BCDC, but is there anything in the law that you're aware of that affects the administration of dredging in Suisun Marsh prior to adoption of the plan by the Legislature?

EXECUTIVE OFFICER NORTHROP: I don't know. But, we are in the process, as you know, of putting together some hearings on dredging in the Bay. And it's -- probably would be a germane point. Do you happen to know?

MR. HIGHT: Mr. McCausland, I believe that there were no rights to the Commission that were affected by that plan, although I will double check it for you.

MR. McCausLAND: Thank you.

CHAIRMAN CORY: Okay. Are you ready to proceed?

Item 24, Sausalito --

MR. McCausLAND: Move adoption.

CHAIRMAN CORY: Anybody in the audience on 24?

MS. SMITH: No objection.

CHAIRMAN CORY: Without objection, Item 24 will be approved as presented.
Item 25, County of Sacramento, Department of Public Works. This is ratification of the permit issued by the Executive Director for some test holes on Sacramento River. Anybody in the audience on Item 25?

MS. SMITH: Move adoption.

CHAIRMAN CORY: Without objection, Item 25 will be approved as presented.

Item 26, the Long Beach operations, we have approval of the Fourth Modification of the plan in the Wilmington Field. Who's going to tell us what we are doing here, so we don't make a mistake?

EXECUTIVE OFFICER NORTHHROP: Mr. Chairman, Mr. Thompson from our staff will --

MR. THOMPSON: In this Fourth Modification, several months ago, you approved a contract with the Federal Government, the Energy Resources Development Association to run a micellar fiscal project in the Long Beach Unit. At that time, we identified capital investments in the investment part of the budget. Now, for convenience in accounting, we'd like to transfer those to the Expense section, there's no augmentation of funds.

CHAIRMAN CORY: These are expenditures approved in the budget, we had hearings in detail on this, now for convenience purpose, we put them first of all where they would be clearly visible in the capital outlay portion of
the budget, now we want to move them into the normal expense, the normal operating --

MR. THOMPSON: The Federal Government is picking up part of the expense of this. So therefore, it's a much easier compound to get at the expense.

CHAIRMAN CORY: Is there anybody in the audience on Item 26?

MR. McCausland: Move adoption.

MS. SMITH: No objection.

CHAIRMAN CORY: Without objection, Item 26 will be approved as presented.

Item 27, Second Supplemental Letter Agreement of Modification to Cooperative Agreement for Water Injection Operations, Fault Block V Ranger Zone, Parcel "L". This is where we're converting a producing well with a high-water cut to a water injection well?

MR. THOMPSON: To an injection well that's been damaged between property that you said.

CHAIRMAN CORY: Any questions from members of the Commission? Anybody in the audience on Item 27?

Without objection, Item 27 will be approved as presented.

Item 28? Tax Litigation Settlement Agreement re Powerine Oil Company in the County of Los Angeles concerning ad valorem taxes on Parcel "A". Mr. Taylor, this is a recommendation of the --
MR. TAYLOR: Mr. Chairman, there was a considerable amount of litigation over ad valorem taxes in connection with the oil field at Long Beach. Powerine wasn't involved in that because it didn't become the operator until after the suit was underway. They brought a separate action. This action is being settled. It's being agreed that they have a taxable interest in the future and, as part of the settlement, we are to receive, directly from the County, $54,000 in cleaning up some of the back tax matters. They also authorize the payment of some $60,000-odd to Powerine which primarily reimburses them for legal fees. This is an action which we have been aware of, but not a party to. And the settlement is consistent with the other settlements that have been made, and it's a one-time situation where we're the beneficiary to the extent of $52,000 in it.

CHAIRMAN CORY: Was there potential of greater amounts that should have come to the State? I mean, where does Powerine get their 60 from? I mean, we aren't paying that?

MR. TAYLOR: We are not paying that, the County is paying it. We, in effect, the County is paying the legal expenses of Powerine, and Powerine as a result of its bringing this action has benefited the trust, or benefited our interest in the trust. And its coming to us as opposed to going through -- this is just a clean-up
of some very complicated litigation.

CHAIRMAN CORY: Anybody in the audience on Item 28?

MS. SMITH: No objection.

CHAIRMAN CORY: Without objection, Item 28 is approved as presented.

Item 29. Monitoring of possible Geologic Hazards -- and I'm sorry, well, for this item and the next item that Mr. Boatwright isn't here, but go ahead. Mr. Thompson, are you going to --

MR. THOMPSON: Yes. Every six months, their elevations run on the ground in the City of Long Beach adjacent to the Long Beach Unit and the Tidelands Area. That map up there shows the actual change in elevation since the -- prior to the Long Beach Unit being drilled. And all of the areas to the left of that green line, on the right of the map, are increase in ground elevations since May of 1964.

CHAIRMAN CORY: To give reference, Jim, if you can point out that green line again. That is coming down into probably the middle of Seal Beach.

MR. TROUT: Here's the Lakewood traffic circle.

MR. THOMPSON: But, it's a little bit northeast of the Pacific Coast Highway.

The Long Beach Unit is outlined and is the dashed
line down there and up -- goes up there. And the reason we do this is because we actually have a contingent liability fund established in the harbor.

CHAIRMAN CORY: Can Long Beach collect from us for negative subsidence if we're racing?

(Laughter.)

MR. THOMPSON: No, the Attorney General has advised us that you can act as only the amount that's gone down, not what's gone down and come back.

CHAIRMAN CORY: Not much Long Beach can say.

MR. THOMPSON: This is a summary of what's happened, the whole regional trend reversal plus the stopping of subsidence -- major subsidence over to the west.

CHAIRMAN CORY: Okay. And was it monitoring unit there that was able to pick up -- the monitoring units that you used to develop this data was also the monitoring units that picked up the explosions?

MR. THOMPSON: We're reporting two items here. We're actually reporting ground elevation changes here which were actually gone out and surveyed, and also we measure seismic events out there by having five seismic stations down there to indicate any earthquakes or any seismic events, to make sure that any water injection operations are not triggering any seismic events. This has
been alluded to in the past, and we want to make this to know confirmation. What we're alluding to is this also picked up the explosion on the tanker down there.

CHAIRMAN CORY: Okay. Any questions from members?

MS. SMITH: No.

CHAIRMAN CORY: All right. Item 29 is informational only.

Item 30 is authorization to conduct a public hearing for Subsidence Remedial Costs at Gas Department Plant No. 1, City of Long Beach, authorizing the staff to go ahead with the hearing. Is there anybody in the audience on this item? Any questions from members of the Commission? I think we probably should take a second here to state that there appears to be some clouds on the horizon in terms of ascertaining what the state's costs are or are not in the subsidence, and the purpose of this is fact-finding, so that all the facts are on the table before we are required to reach a decision as to what should or should not be paid in terms of the subsidence costs.

MS. SMITH: Consent.

CHAIRMAN CORY: So, without objection, Item 30 authorization will be granted as presented.

Item 31, filing with the Secretary of State amendments to Administrative Code which are the changes in our pier permits and our regulations that were adopted.
Okay. Are there any questions? Anybody in the audience on Item 31? Any questions from Commissioners?

MR. McCausland: Move adoption.

Chairman Cory: Without objection, Item 31 will be approved as presented.

Item 32, authorize appropriate action to institute changes in the regulations. If you want to have some hearings on the environmental -- processing of environmental documents, EIR's and the like, there are some technical changes you wish to make in that?

MR. Hight: That's correct, Mr. Chairman.

MS. Smith: No objection.

MR. Hight: This item will come back to the Commission when we --

MR. McCausland: Will these changes expedite the process?

MR. Hight: It's hopeful that they will, yes.

Chairman Cory: Hope springs eternal. Without objection, then, Item 32, authorization is granted as requested.

Item 32 (sic), approving the expenditure of tidelands revenues in the amount of $442,752.

MR. Taylor: Mr. Chairman, the recommendations of the staff, after further review and consultation and briefing sessions on 33 in the Calendar Summary, should be
changed to disapprove.

CHAIRMAN CORY: Okay. And Mr. Lehman, who is representing the Orange County Environmental Unit, is en route from Oakland by bus due to weather conditions here. That being the case, I would guess we should probably postpone this until the end of the special item.

MR. McCausland: No objection.

MS. SMITH: No objection.

CHAIRMAN CORY: Without objection, Item 33 will be put over to be taken up after the special order item at 11:30.

Item 34, approve settlement of the case of Ferma Corporation versus California in an amount not to exceed $5,000; and authorize the staff of the Division and/or the AG to take all necessary actions to implement the foregoing. This is, as I understand it, where somebody in Ferma thinks we stole their good ideas, and the Attorney General would like to have this authorization to negotiate with them; is that --

MR. TAYLOR: We have a settlement of the case. Miss Kathy Stone is here to explain it if you want to get into it. But essentially, this is just a compromise to get it dismissed as a nuisance matter. There is no precedent involved in this. And we have a considerable amount of other litigation. This will barely cover their
costs, and it appears that it is an appropriate case for settlement.

CHAIRMAN CORY: If the case is without merit, by paying legal costs, do you not encourage further nuisance suits which encourage --

MR. TAYLOR: We feel that they had a -- that they would have kept us in court and we could have had a trial, and you see from the Calendar Item, there is an exposure of the state, and if you believe their prayer up to a million dollars, which there is some argument that could be made for it. Obviously, if we were in the situation where there was a precedent involved, if it was land title problems or something, we have no choice but to proceed with the litigation. In this particular instance, there are some gray things about this lawsuit which we could discuss with you in an Executive Session. But, we don't consider it to be 100 percent nuisance lawsuit. They have some things which they can say. We believe we have good defenses to those, but we believe that they would eventually get to a jury, get to a jury on one of the causes of action which are stated. That's one element.

The other element is an allocation of the resources of the Division and of our office. I'd say on behalf of the attorneys that are handling this that they find it to be a fascinating lawsuit, and if they had their
choice for experience and also because of the unique
questions presented, it's against their professional
interests as far as expanding their horizons in copyright
law and common law title, common law property interests
and ideas and several other aspects of this case, that I'm
sure that if Mrs. Stone had your concurrence, she would
just as soon try this case. But, I think there are some
practical things that have to enter into it.

MR. McCausland: You want to represent the State?

MS. Smith: I'd be happy to.

(Laughter.)

CHAIRMAN Cory: Suggesting that we'll just have
Betty Jo handle the case since there are so many educational
values to this. What's the wish of the Commissioners? I
have a mild conflict of interest. My wife, having passed
the Bar, is in favor of more litigation.

MR. McCausland: On the other hand, she might
like this form of blackmail. Maybe she should consider
this as a career opportunity. I move adoption.

MS. Smith: I second.

MR. McCausland: But, I sure hope we don't get
in trouble.

CHAIRMAN Cory: Moved and seconded that Item 34
be approved as presented. Anybody in the audience on Item
34? Without objection, Item 34 will be approved as presented.
Item 35?

EXECUTIVE OFFICER NORTHROP: Item 35, Mr. Chairman, has been removed from the Calendar.

CHAIRMAN CORY: That's why it didn't -- I sure didn't recall that from the briefing. I was at a total loss there. I thought wow, what was I thinking about when you went over that item. Item 35 is off the Calendar.

Item 36. I don't think there's any substance to that, but why don't you preside, and there are reasons why I think I'm better off not participating.

MR. McCausland: Item 36 relates to the approval of general permits in the City of Huntington Beach so that they don't have to come back to us for an individual permit on each lot. Is there anyone who wishes to testify on Item 36? Any objection?

MS. SMITH: No.

MR. McCausland: If not, Item 36 is approved.

Item 37? Item 37 is a settlement of a timber trespass on State school lands in the value of -- what's the value of this one, Mr. Northrop?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I would like to approach the Commissioner. May we have a conference, Mr. Chairman?

MR. McCausland: Sure. We've got to slow down, anyway. It's a long time until 11:30.
EXECUTIVE OFFICER NORTHROP: You may want to join the conference.

Mr. Chairman, Item Number 37 is a settlement of timber that was harvested in error by Sierra Pacific Industries who, at the time they were harvesting, assumed they were buying it from the U.S. Department of Agriculture. The staff has made a survey and the amount of settlement is $78,961.60 which includes our estimate of the value plus interest and time, plus an additional 2,000 from the U.S. Department of Forestry for reforestation.

MR. McCAUSLAND: Does anyone wish to testify on Item 37? If not, without objection, Item 37 is approved.

We'll recess until 11:30 -- yes, Mr. Thomas.

MR. THOMAS: I understand all of the parties interested in the Item 15 are here. I don't know whether you would want to recess now, because I want to be given sufficient time before noon to present my case.

MR. McCAUSLAND: Well, good, Mr. Cory's back.

MR. THOMAS: And the parties are here. As I understand, the only thing the parties want to do, as they told me over the telephone, is to postpone this thing. And I want to make it clear that the Commission promised me definitely that this issue would be heard today, because we postponed it from December 15th. And I know that the opponents like to have as long a delay as much -- in fact,
I would think they want the issues brought before the public and I'd like to ask the interested parties what they had in mind?

CHAIRMAN CORY: Well, is Mr. Shields here?

MR. HUGHES: Mr. Chairman, I understand that Mr. Shields was intending on coming this morning. I just called down there. Probably, due to the fog, is delaying his getting here. I don't know whether he'll be able to make it or not.

MR. THOMAS: He represents the L.A. Harbor Department and the gentleman represents the City on the right.

CHAIRMAN CORY: But I think the question is, is the person who was sent here to discuss this particular issue, or are these people authorized -- is there a representative from the City of Los Angeles who is authorized to address the Commission on this subject or not?

MR. CORLEY: No, I represent the L.A. City Council, and my understanding was that Mr. Shields would be representing on behalf of the City, he is a member of the City Administrative Office, the CAO of the city, and he would be here. But with the fog and the airplane, trying to find out where he's at --

MR. THOMAS: My contention is, I was notified
by the parties, the only thing they wanted is to postpone this 120 days and they've asked your staff to do it. The staff convenes, and the Attorney General's Office -- wasn't that the understanding of all the parties who asked for 120 days' extension?

MS. STONE: Are we really ready to start this?
CHAIRMAN CORY: No. Well, it would seem to me appropriate that we not commence until 11:30 or Mr. Shields arrives. If Mr. Shields arrives before 11:30, --

MR. THOMAS: Are you adjourning at noon?
CHAIRMAN CORY: Not necessarily. We've worked through noon before.

MR. THOMAS: I want to make sure I have sufficient time to --

MR. McCAUSLAND: We'll work until we're done, Mr. Thomas.

CHAIRMAN CORY: We'll go until we're done. I just do not want to be in a position of Mr. Shields not having the benefit of -- the full benefit of your position, because I would like to resolve the issue today if possible. And, you know, we can spend too much time, and I hate to have the twenty-five minute deadline, but if Mr. Shields arrives, all he can do is sort of stand --

MR. THOMAS: I was only advising the Commission what the opponents have told me. They don't want to hear
the thing today at all.

CHAIRMAN CORY: Well, it's going to be heard at 11:30 or sooner if Mr. Shields arrives sooner.

MR. HUGHES: Mr. Chairman, I do want to be made clear though, that I am here representing the Los Angeles Harbor Department, and will speak on it when the time is right.

CHAIRMAN CORY: Okay. Fine. We will reconvene no later than 11:30.

(Thereupon a recess was taken.)

CHAIRMAN CORY: Okay. We'll call the meeting to order. The hour of 11:30 having arrived, we will proceed with Item 15 and allow Mr. Thomas to begin his presentation with the assumption that we have a special order and we have, in my opinion, the obligation to proceed. We will proceed and there are some representatives here who, when the other people arrive, they can inform them of what has transpired thus far.

Mr. Thomas?

MR. THOMAS: Well, I was just wondering whether or not the City and the Harbor Department want to make their statement first; it is a request and I want to answer the request that they're intending to make. As I understand it, all of the parties, that is, the Harbor Department, the City of Los Angeles, the City Council, are
requesting the Commission to delay this for 120 days so they can negotiate and come to some kind of an understanding as to how much money was unlawfully taken from the trust fund and how much should be repaid. Now, if they have any other statement to make, I would like to know.

CHAIRMAN CORY: Mr. Hughes --

MR. THOMAS: Represents the Harbor Department.

CHAIRMAN CORY: -- does wish to make a statement?

MR. HUGHES: Yes, would you like me to?

Mr. Chairman, Members of the Commission, I'm Glenn Hughes, representing the Los Angeles Harbor Department. And this morning, the Los Angeles Board of Harbor Commissioners met and this was one of the items that they took up and they asked me to relate to you that they unanimously voted to question this Commission to accept or approve your Alternative Recommendation Number 2, and that if you do, they further pledge their full support to cooperate with all of the involved parties to negotiate with an open mind and do everything in their power to bring the negotiation to an early completion. And I think that the three points that are made in Alternative Recommendation Number 2 does cover all of the areas of interest, including the one Mr. Thomas referred to and it would be hopeful that we would come back within the length of time allowed there, probably much sooner, with our total agreement on what
we would like the Commission to approve following our negotiations.

CHAIRMAN CORY: You indicate hopefully much sooner. What happens if we approve Alternate Number 2 but 60 days rather than 120?

MR. HUGHES: Whatever this Commission would approve, we would do everything in our power to come back to you within that length of time. If that is your desire, then we would just make every effort to do that.

CHAIRMAN CORY: Okay. We noticed some other people come in. Would one of the people that arrived be Mr. Shields? Okay. Well, you're waiting for your representatives to speak, I would presume, Mr. Shields.

MR. HUGHES: Yes.

CHAIRMAN CORY: So, we will --

MR. CORLEY: As I understand, they're on a bus between Oakland and here, any time. I could explain very briefly, I'm Ray Corley, representing the Los Angeles City Council in Sacramento, and Mr. Shields was our resource man here. If we're going to get into the figures and the debate over that, he was the one that he wanted from the City. As I understand, his office is advocating Alternative 2, also. But, I can't debate whether 120 or 60 days.

CHAIRMAN CORY: Vince, what --

MR. THOMAS: Well, my contention is I'd like to
have this hearing decided before the election for the
simple reason, this is 25 years and all parties are
prepared, all parties have their briefs, all parties have
their figures, the amount of money involved, and I might
as well proceed.

First of all, after 25 years of research of
case law and all of the Legislative Council's opinions
and all of the conferences I've had with the Attorney
General, we had a meeting in my office in August with,
you were present with our staff, the Attorney General,
Charles Barrett, the Chief Deputy, and Kathy Stone, and
the Legislative Council experts on tidelands.

Now, very briefly, the tidelands grant was given
to Los Angeles in 1911 and there was a series of amendments
to the grant which no one paid any attention to. Several
of my amendments, 51 and all of these, and this is -- so
I presented to all of the parties in August, all of the
letters from the City attorneys from 1935, and the Mayor,
Shaw, coming to Polson, Yorty, and all of them. All of
their correspondence and all of their correspondence adding
up, I gave you a fact sheet showing that 31 million was
requested from Los Angeles from the Harbor Department to
take money out of the trust fund. The Auditor General,
which I was Chairman of the Joint Audit Committee for 11
years, as you know, we made an audit, a quick audit and
all of our findings were $36 million which was requested and taken out of the trust fund.

Now, to start this out, the commitment made by Los Angeles when San Pedro and Wilmington became annexed is that they would build piers and spend all of the money in developing the harbor and that was the inducement, one of the 22 promises made. And that was Section Number 3 which I have a copy of the -- now, the Legislative Council held that this was not a contract. Of course, I agree with that. They were commitments, inducements, and we were annexed, and the City of Los Angeles knew that San Pedro didn't want an annex, so they put the election separate for Wilmington on August 4th, 1909; a week later, they put the elections for annexation.

Because Long Beach was claiming half of Wilmington, Long Beach contended we're filing a lawsuit. So Wilmington immediately annexed and became part of Los Angeles. So, in 1911, a week later, San Pedro said, well, what can we do? So they annexed, too. The 1911 grant was given to Los Angeles. From 1909 to 1925, there were no demands by the City at all, no minutes, no facts of ever making a demand for repayment of the general obligation bonds. They put the matter on the ballot and the people voted in 1924 transferring the trust duties from the City of Los Angeles to the Harbor Commission and transferring all navigable
waters, all tidelands, all submerged lands, whether filled
or unfilled, and gave the Harbor Department of the
Commission full control over the trust. Except two situa-
tions that the City Council retained: One is to increase
the rates, and the second, increase leases over five years.
And that is the whip that Los Angeles City Council has over
the Harbor Department which is in my district. We can't
develop our harbor, we have no monies to compete with
Long Beach because of the tideland. We cannot compete
with Oakland, Seattle, in becoming the stagnant harbor.

So anyway, in this here, there's nothing mandatory
in the charter. But, when the charter was adopted and
voted on by the people, it came back to the Legislature.
And the Legislature sent it to the Committee, the Committee
recommended approval of the charter amendments transferring
the trust duties from the City of Los Angeles to the
Harbor Department, and the Legislature confirmed it and
approved it.

So, all the intent was to transfer the trust
duties away from Los Angeles to the Harbor Department.
Now, I had a bill in twice, I introduced it yesterday
again, of taking away from the City of Los Angeles those
two rights which they have retained from the trust. So,
it's been a harassment from mayor to mayor and they put
three members on the Commission from Los Angeles, two from
the Harbor area: three to two vote. Always been a harass-
ment and some of the mayors and I'm not at present, I
have no evidence, I'm not talking about the present mayor.
I don't want to say nothing that would jeopardize his
elections coming up. But, all of the other mayors when
they gave their appointments, they had received a letter
of resignation. And one point in case that they tried to
prove is, when they made a demand for monies -- I don't
know whether I should mention his name -- but he said no,
and he was immediately kicked off the Commission. That
was Mr. Thomas, for the record, just recently.

So, my contention is that Los Angeles had no
right to take any monies out of the trust fund. Now, all
the private trust laws apply to public trusts. Now, to
make it clear, I have to admit my failures. I studied
trusts for two years, and I failed the Bar Exam. Now, I
want that clear. I'm not a lawyer. So, as I talk to you,
your staff was very good to me. The Attorney Generals,
especially Kathy, has been very nice in trying to resolve
this, what monies can be used out of the trust fund.

A trustee cannot give monies just because someone
says, asks. So, I went ahead and got opinions. You have
copies from the Legislative Council of July 20th, 1976
saying the Lands Commission has complete authority over
the subject matter. And, I will point that out a little
later in this amendment to the grant. You have complete
authority since 1970. We gave you complete authority to
audit and to check the financing and the expenditures of
the L.A. Harbor and to report to the Legislature every
December. I'm not quarreling about who's right or wrong.
I want the Lands Commission to take a stand, now that you're
going to enforce the trust agreement. Also, since 1970,
every time the Harbor Department declares a surplus,
Los Angeles is in there to grab something for fire protec-
tion. I have an Opinion from the Legislative Council,
you have a copy: There's no obligation of the trust to
pay for fire and police protection. There's no obligation
to pay any of the general obligation bonds. I have the
Opinion, you have it. I have an Opinion from the Attorney
General sort of amending that theory, saying that, what was
the intent of the parties?
Okay. From 1909, 1925 there's no intent, no
requests, nothing. Then, after it became a charter amend-
ment, someone thought well, the Harbor should pay back all
of the monies it spent in developing the harbor which was
a commitment made in part of the agreement with the
community I represent. So, in 1970, we amended the charter
and you will notice on Page 10, and this is the irony of
the whole thing, when they ever declared a surplus, the
City would come in and grab some money, 750,000. And you
have evidence on their request with letters that your staff has.

Now, this here says 85 percent of any -- of any surplus automatically goes to the State of California. So, my contention is, the minute that that surplus was declared, the State had a vested interest of 85 percent and 15 percent for the City. That's right in the grant. And we amended this in 1970 and tried to resolve and close this case once and for all because of the harassment and the continuous demand of using trust monies. And also, we amended it, amended it on Page -- you will notice -- Page 11 gives the Lands Commission complete authority of that document I gave you. This is a grant trust. And on Page 12, it gives the Attorney General, by resolution of either House of the Legislature upon formal request of the State Lands Commission, to pursue by case, by going to court, and reclaiming any monies owed to the State.

My contention is that the City of Los Angeles has violated the trust agreement. Secondly, they transferred by charter amendment that the people voted on, and created the trustees which is the Harbor Department. My contention is the Harbor Department should be an independent agency to develop that harbor for commerce, navigation and fisheries. We know that's the fundamental law. I mean, there's thousands of cases all holding that. But, there's
been little difference on each issue. My contention is that
$2 million was given to the City of Los Angeles, which
I discussed with Jim Trout, he disagrees with me, that
should have gone to the trust fund in drilling the $2 million
bonus that the Standard Oil gave to the City.
Okay. Let's assume the City put that into the
General Fund, it's lost its identity. So, even though
they want to spend that 2 million, they have to spend it
in the tidelands for tideland purposes if they took that
$2 million. Now, I'm sorry to say, the Lands Commission
approves all kinds of requests. The City came here not
too long ago, wanted to use trust monies to build a park.
You gave them permission. We have other priorities, or,
I beg that when Los Angeles comes before you to consider
priorities which would develop the harbor first before
building a park, certainly someone may say well, that's
trust purposes.
So, my contention is that this trust here has
never been carefully considered by Los Angeles. They don't
care. They think they can just violate the law and --
on Page 3, Section 3, that they comply with terms of the
trust or matters at state-wide -- of state-wide interest,
the Los Angeles trust is different than others. It says
that they should use the trust monies for state-wide
purposes, cannot use it for local purposes. My contention
is, under this section, that a park is not a state-wide interest, it's a local interest. And repair, maintenance, and operation of the wharfs, docks, piers, slips, is so clear. I know that the parties don't want to debate this issue. The only thing I'm asking, that the Lands Commission go back since 1970, and all of the surpluses that they have declared surpluses, that you file a claim for 85 percent of the monies that's specifically defined in this trust.

CHAIRMAN CORY: Vince, let me interrupt you. Who has declared them to be surplus?

MR. THOMAS: The Harbor Commission. The Harbor Commission. When they declare a surplus of monies every year -- to me, I think that's a fictitious declaration in order that Los Angeles may tap the trust monies. Now, Los Angeles contends that we have to pay back the general obligation bonds. There's nothing mandatory about it. There's no obligation to pay it, but because of political reasons, the Commission goes along because of the political pressure. I don't want to talk about the political aspects. I want to talk about the law, the law as it is. And you study quite a bit and you read in the private trusts and how a private trust works, the trustor can agree to appoint a new trustee, and that is what happened when the Legislature approved this charter amendment. You disagree with me on
that question of law, but I can't see any other reasoning
than that.

Now, in this 1970 amendment, as I pointed out, you have tremendous authority. You have the authority to
audit, you have the authority to report, and it's a
direction that you report to the Legislature. I have no
quarrel that you haven't done that. I'm asking that from
now on, let's do it. And the situation is, we cannot
compete in developing trade and commerce. We lost the line
last year. What line was it we lost last year?


MR. THOMAS: Pacific Far East. There's some
argument we may lose the American President Line. We
keep losing business, our harbor is not developed conscientiously,
but with interference. Los Angeles is like an octopus to
me. They get their tentacles out in the valley, Hollywood,
Venice and the harbor, and they get anything they want.
I have no quarrel with that. That's a legislative problem
which I failed to give the Harbor right, the CC from
Los Angeles.

The thing I'm trying to tell you, this has been
brewing and agitating all these years. And in the original
commitment, here are the original commitments of promises.
They will develop Saint Peter and Wilmington harbors as
a port, free commerce will require the expenditures of
large sums of money. It is vital that jurisdiction of the
San Pedro-Wilmington Harbor shall be one municipality
financially able to bear the burden of the bond issues
required to carry forward the great projects in developing
wharfs, piers, docks and everything.

Now, they come along and say look, you've got
to pay back the bonds which they have collected. I think
it's disputed. I contend that out of the 30 million, I
contend at least 25 million was taken without authority
within the trust agreement. Not political expediency.
I thought perhaps that the City Council, the Harbor Manager
told me a week ago he's going to be here, sure, and he
called me the other day. He says, you know, I came to an
agreement. It's going to go before the Harbor Commission
today. Is it today?

MR. HUGHES: Yes.

MR. THOMAS: That they have come to the conclusion
that the City owes the Harbor Department 15,900,000.
Bert Pines, the City Attorney has another amount figure.
The Auditor General has another. So, I have no agreement
of meeting together, but I will never agree to 120 days.
I would never agree to that. I think the matter should
be determined within 60 days or possibly 65 days or some-
thing so that the issues can be once settled, once and
for all. And then, I think it's up to the Lands Commission
to direct the responsibility of the trustees of not determining a surplus merely so Los Angeles can claim some monies from the trust. And also, I think the Lands Commission has a right and a duty and obligation under Page -- to file a claim, Page 10, and tell them from now on, when you declare a surplus, the State of California is entitled to 85 percent.

If you do that, there will never be a surplus.
All the money will be committed to developing the pier.
And so far --

CHAIRMAN CORY: Vince, let me make sure that I have -- one of your points is that those amounts which have been declared surplus previously by the Harbor Commission, that those amounts -- 85 percent of those amounts are due to the State pursuant to Section 6 or 7?


CHAIRMAN CORY: Since 1970?

MR. THOMAS: That's when we gave you the authority to participate in the surplus, the Legislature.

CHAIRMAN CORY: Is there a range of amounts?
Have you totaled up since 1970, what those amounts are?

MR. THOMAS: No, I haven't.

MR. TROUT: Two and a half million.

CHAIRMAN CORY: Two and a half million.

MR. THOMAS: They owe you two and a half million,
CHAIRMAN CORY: Now, is that two and a half million the gross amount or two and a half million is 85 percent of the total during that time that they have alleged to be assessed?

MR. TROUT: According to the City Controller, the two and a half million is the gross amount. There was 500,000, I believe, in '71-'72; 500,000 in '72-'73; and three-quarters of a million in '74-5 and '75-6 fiscal years.

CHAIRMAN CORY: So, it would be two and a quarter million, two and an eighth million?

MR. THOMAS: I want to make --

CHAIRMAN CORY: Let me belabor that point just so we clearly understand that you are suggesting if that is the figure that that 2.125 million, City of Los Angeles currently owes to the State of California or some --

MR. THOMAS: No. I say whatever surplus, I don't know the surplus of '71, '72, '73, '74, '75, '76, and this year, whatever surplus is declared by the Commission when they say we have a million dollar surplus, automatically the State has a vested interest in 85 percent of it, because they had to pay it to the State and they haven't.

CHAIRMAN CORY: That's what I'm trying to make the point --
MR. THOMAS: Now, I don’t know the amount.

CHAIRMAN CORY: Okay. But if I, as Controller, you know, if you prevail and the figures say yes, it’s there, and if I, as Controller, start offsetting that money or taking it back from Los Angeles, you would think I would be operating properly within the scope of the law?

MR. THOMAS: Absolutely. You can ask the attorney.

CHAIRMAN CORY: And you will not be aggravated when I do that?

MR. THOMAS: No.

CHAIRMAN CORY: I just want to make sure that you don’t turn around and bite me if I end up not doing what you want.

MR. THOMAS: It isn’t a question of biting. It’s a question of what the law is. That’s why I limited the political aspects. I’m only telling you that my feeling is what the trust agreement states. It’s the same formula we use in Long Beach. Remember Chapter 128 when we made a compromise with Long Beach under the Mallon Act? The amount of formula was 85 percent goes to the State?

CHAIRMAN CORY: Uh-huh.

MR. THOMAS: And 15 percent to the City of Long Beach. Now, what I’m trying to tell you is, the same situation that existed in Long Beach prior to 1955, which was the Mallon case, L.A. continued doing the same thing,
disregarding the trust agreement, I don't think they've read it. I've asked the attorneys. I've asked the Manager at the Harbor Department what is the law and trust? I haven't read it. They haven't taken time to read -- it's so clear. But, this is the first time that I recall that the Lands Commission has been given this broad authority, and we did that in 1970. Before that, it was doubtful as to whether the Lands Commission had any authority. I asked a question in my office, you recall --

CHAIRMAN CORY: That change was included in the City charter or a statutory provision.

MR. THOMAS: No, no. That's in the Legislature, changed it in the grant.

CHAIRMAN CORY: Okay. That was done by statute?

MR. THOMAS: Certainly.

CHAIRMAN CORY: Who was the author of that statute?

MR. THOMAS: Dills. No, he was the author of the amendment to the charter.

CHAIRMAN CORY: Who carried the legislation?

Was that legislation that you carried?

MR. THOMAS: Gee, I can't tell you what I did in 1970. I can't even tell you what I did when I first came here. It's been a complicated --

CHAIRMAN CORY: Well, I'm trying to ascertain what
the purpose of putting that in -- changing the grant, whether the purpose of that was to assure --

MR. THOMAS: The purpose was to try to settle it.

CHAIRMAN CORY: To settle it and to require the City to put pressure, financial incentives upon the Harbor Commission to go ahead and spend the money to improve the harbor rather than give all the money back to the State, or 85 percent of it?

MR. THOMAS: No, no. We figured in Section 10, if you read it, on Page 11, the Legislature wanted the State to get some money on the same formula basis from Los Angeles as we did receive from Long Beach. We felt that the -- why should Long Beach pay the 85 percent and Los Angeles pay nothing.

First, Los Angeles doesn't have the kind of income from tidelands. But, my contention is they've been violating the trust agreement and that is subject for revocation by the Commission. And in 1970, the Legislature gave the Attorney General the authority to use all legal action to carry out -- and that's on Page 12. This is the law, I'm talking about the law. I'm not speaking about whether I would object. I would like to see Los Angeles pay back every dime they've taken unless they can prove that they had the authority to take trust monies from the Harbor Department, from the trust fund.
What I'm trying to say also, we have nothing in California, that is, an agency that has control in watching the violations of trust agreements. We have no agency that will immediately file a lawsuit when they see that the trust is violated.

Now, the State still has title. The City may have property around the tidelands. I have no objection to having police protect that. But, when the tenants on the tidelands pay a possessory interest tax that the City gets, they expected some City services. And the Harbor Department has its own police security. So, it's just a complete arrogance on the City to keep sponging and taking as much money as they can and putting it in the General Fund.

Look what they did in 1965, no one complained. They took all of the interest money from the trust fund, created the trust fund -- all of the interest money, several millions of dollars, and put it into the General Fund and commingled and said, we're going to take all of the interest money from the State's trust fund and use it the way we want to use it. They did that. And in our opening remarks that you put out last meeting, you directed the City of Los Angeles to immediately repay that, remember? Right? Am I right?

EXECUTIVE OFFICER NORTROP: Yes.
MR. THOMAS: Sure. That Los Angeles should immediately repay and also you had directed, in your documents, that no further monies be paid to the City of Los Angeles until further matters are determined.

What I'm trying to tell you is the people of Los Angeles don't care whether the cargo comes through San Pedro or whether it comes through Long Beach. They get the cargo same rates. But, I don't think that our harbor should be stymied or bled to death so that it cannot improve its piers and docks and facilities to meet competition. They had a master plan. They had 15 master plans. They had a lot of master plans. I saw the master plan in 1935 of the L.A. Harbor, building slips and all of that. And they haven't even touched that. Now they're developing another master plan.

Up until 1935, they never lived up to the trust which says commerce, navigation, and fisheries. All the fishing boats had no place to moor. They had to go out in the Bay and anchor. So, I became Chairman of the Citizens Committee, and convinced the Harbor Department to transfer Southern Pacific Slip, and how do they get title to tidelands? That's something I haven't looked into. How can a private corporation own tidelands? How could Mormon Island, which is a tideland within the harbor, become private property? Nobody -- they've quarreled about
that.

So, the Harbor Department gave the Southern Pacific a nice acreage of land to give up, the Southern Pacific Slip which is now Fisherman's Wharf. So, not until 1935 did they comply with the trust agreement to provide for fisheries.

So what I'm telling you, this is a long story, it's a sad story, and I think the Lands Commission, the Attorney General should act with firmness and set your rules and standards and say to the Harbor Department, you are the trustees, you are responsible. And if they're just going to declare a surplus so it could be tapped, then they should be responsible.

I contend all of this money, and the law is clear, I mean, you have the authority. If your attorneys can read it any different than I as to the formula of the distribution of surplus monies, I would have known. I've lived in the harbor all my life. I've seen what's happened, and it's sad. The ruthless management, not ruthless as a matter to the Harbor Department, but there's a lot of discontent in the harbor employees, the morale is down, there's always an audit made by L.A., there's always investigations, there's always interference. And you can't have a harbor to develop all of its facilities unless it has some independence. So, the Lands Commission could be
the policing agency.

And with that, the Attorney General has it clearly spelled out in the Acts. You can use any means, it says. And another thing is, it has the authority to declare that the grant under which the City holds such tidelands and submerged lands is revoked for gross and willful violation. The Attorney General has the authority now under this 1970 law to revoke it. If you revoke the grant, naturally, that means that the Lands Commission has to enter in the lease agreement with the Harbor Department or the Harbor Commissioner. And you have the authority to -- the courts have held it in Mallon versus Long Beach that you can have a partial revocation, and it came to compromise. But, I don't want a compromise. I'd never go to a compromise just to satisfy parties. I'd like to see them compromise according to the law, whatever the law is, whether it's one million, ten million.

So, I appreciate the time you've given me, and I want to thank your staff. Your staff has been wonderful to me, and so has the Attorney General and Kathy Stone has been very gracious in talking to me about these points of law. Of course, we may come to some disagreement, but there was no -- and the only man that made a request for payment of general obligation bonds after this charter was amended was a councilman who just got elected. He
didn't know what he was talking about. He says L.A. Harbor should pay back all of the costs of developing the harbor. You go through this. I want you -- whenever you talk about the L.A. trust, yo. should closely watch the charter because it's a chartered city, governed by the charter. I think -- I don't know -- we're all friends. I'm not speaking with a malicious feeling, I'm not speaking about the political aspects, but this is going to be a very, very important point in the next election, whether it be local, whether they be city-wide. Because the people in my district have faith in me and -- putting a little humor into the discussion, I was elected in 1940, the least expected. And the only thing I said before I started my speech, I hate Los Angeles, they tore the building down. So, that was the feeling -- that's the humor part of this little discussion. So, it's been going on and on, and now that the Lands Commission has the ball, all of the authority you need, the Attorney General has it. So, if the Lands Commission ever wrote a letter to the Harbor Department and say that we want you to forward 85 percent of the surplus, I'm willing to wager there will never be a surplus.

CHAIRMAN CORY: Okay, Vince. Your position is that Alternate 2, if the time were collapsed to like 60 days, would be an acceptable way for them to get their act
together if every --

MR. THOMAS: Certainly, because for the last ten years, everybody was preparing. We know what -- they know how much money they owe, like the Harbor Department already decided.

CHAIRMAN CORY: I think Mr. Shields is here.

MR. SHIELDS: Yes, sir.

CHAIRMAN CORY: I think we've got the issue framed, and the question before the Commission is that we may be proceeding with Alternate 2, which is to have some staff negotiations, and for those negotiations to be culminated and report back to this Commission within 60 days. Now, you want to know -- is that agreeable with you people? Are there any problems with the 60-day requirement rather than June?

MR. McCAUSLAND: I have a proposal for that, too. This is not in the form of a motion at this point, but I'd like to consider inserting in Alternate 2 the provision of Alternate 1(3), which says,

"Direct the Board of Harbor Commissioners to refrain from transferring surplus harbor revenues to the City General Fund until such interests have been accounted for and credited."
I don't believe that it would be inappropriate to make that part of our 60-day --

CHAIRMAN CORY: During the interim?

MS. SMITH: Okay.

CHAIRMAN CORY: Okay. That is a worthwhile suggestion, and Mr. Shields, as you comment on us proceeding, are you familiar with what Alternate 2 in our Agenda item is?

MR. SHIELDS: Yes, Mr. President, I am.

CHAIRMAN CORY: Okay. We have, I think, three Commissioners who, at this point, are sort of inclined to make it Alternate 2, plus Item (3) of Alternate 1 unless you have some information to dissuade us from doing that. And that's what we're saying. It's unclear where this money is, so let's not be moving it around while these negotiations go on, and let's get it resolved rather quickly. It's your floor.

MR. SHIELDS: I think, sir, I would appreciate a copy of the action, because I don't remember Paragraph 3 of Alternate 1.

CHAIRMAN CORY: Paragraph 3 is,

"Direct the Board of Harbor Commissioners to refrain from transferring surplus harbor revenues to the City General Fund"
until such interests have been accounted
for and credited to the Harbor Revenue
Fund."

MR. SHIELDS: I see. In other words, that there
would be no transfers from the Revenue Fund during the
period of negotiations?

CHAIRMAN CORY: Yes.

MR. SHIELDS: I think I understand the item
before the Commission. What I would like to comment on
is that we have had some extensive in-house discussions,
and our feeling was that four months was a pretty tight
time schedule for us. And I'm really worried about the
two-month figure.

CHAIRMAN CORY: I hear that. But I'm also,
frankly, sir, just tired of the issue. I hate to be blunt
about it, but I think maybe you can cope with our problems
a lot easier if you understand that, and I don't propose
to have to refresh my mind four months from now as to what
these issues are, because each month they come up.

If in fact everybody's been sort of feuding over
this for ten years --

MR. THOMAS: No, no, thirty.

CHAIRMAN CORY: Thirty. Pardon me. My memory's
always pretty good on those issues. If it is really an
accountant's -- you know, within 60 days, it seems to me,
the accountants and the lawyers should be able to say, these are the legal issues before us, these are the accounting principles before us, and this is where the dollars fall, let's fish or cut bait. Why does that take four months? I mean, at some point, you have to stop prolonging the agony. Somebody's right, somebody's wrong, there's some agreeable compromise or there isn't. And it would seem to me that we're saying, you know, it's put in the Alternative --

MR. McCausland: We can make the decision for them if they haven't made it.

Chairman Cory: Yes, rather than going off and litigating, you know, maybe we should just go with one. If it can't be done in that length of time, then we'll litigate it in the normal course of events. If there's a chance within a reasonable length of time, and 60 days seems like a reasonable length of time to get moving, and maybe you have to reassess your priorities in terms of the use of your staff time, but frankly, from our side of the table, we gave the City a grant of State property, and we're being asked to invest and reinvest more and more of our staff's time and overseeing it, and we want it to go away. We want it to go away pursuant to the law.

Now, if there is some specific reason why you can't meet 60 days, I'm willing to listen and I think the
Commissioners are. Just a general concern, I don't think is enough to get you that.

MR. THOMAS: But all parties have completed their findings. The Administrative Officer has completed his findings. I think that's filed with the staff. The Harbor Department completed its findings which comes before the Harbor Commission this morning. And I don't know how far your staff has gone, but if you don't have the City Administrator's brief, it was mailed to me.

MR. TAYLOR: We have it, Mr. Thomas.

CHAIRMAN CORY: Have you received that?

MR. THOMAS: He's completed his brief. He's completed his findings and the Harbor Department -- here's his findings, and I move --

CHAIRMAN CORY: Can we have copies of the findings, and there may be some questions about how they arrived at it. Is our staff willing to conclude during the negotiations within the 60-day time frame?

MR. TROUT: Yes, sir.

MR. TAYLOR: The Administrative Officer essentially contends that they don't owe us anything. That's the ballgame.

MR. THOMAS: The City Attorney filed his brief along with filing --

CHAIRMAN CORY: If everything is -- if everybody's
position is ascertained, why don't we read them and weep
this morning or within 30 days if that's true, or am I
missing a point here?

MR. SHIELDS: We filed a report as was stated.
We are continuing research.

CHAIRMAN CORY: But your report, in essence, says
you don't owe us anything?

MR. SHIELDS: That is on the best information
that we have at the moment.

CHAIRMAN CORY: Including the transfer of the
interest money?

MR. SHIELDS: The report addresses, essentially,
the matter of the bond repayments. It lists the interest
item together with several others as issues which must be
resolved, and does not specifically recommend it. We are
doing additional research. We also have the procedural
problem of presenting and explaining the conflicting
positions to our Merit Counsel.

CHAIRMAN CORY: Do you need more than 60 days
to do that? All of them that I've met seem to be fairly
bright. They seem to be fairly quick.

MR. SHIELDS: The decision is yours, sir.

MR. THOMAS: The City Attorney has come to a
conclusion.

CHAIRMAN CORY: I will entertain a motion from
the Commissioners. Sid, do you wish to make Item 2 --

    MR. McCausland: I move that we adopt Alternate 2
with the insertion of position (3) from Alternate 1 and
that we amend the time for 60 days rather than --

    MS. Smith: Second.

    Chairman Cory: Moved and seconded. All those
in favor signify by saying aye.

     (Ayes.)

    Chairman Cory: The record will reflect that that
was a unanimous decision of the Commission.

    Mr. Thomas: Thank you very much. That will
come back to the Commission.

    Chairman Cory: Yes, it will be back here. We
are, in essence, looking at our March meeting.

    Mr. Shields: Thank you very much.

    Chairman Cory: Let me double check that. Given
that it's the 26th, will that be available for the March
meeting?

    Executive Officer Northrop: The 26th seems to
work, Mr. Chairman, I think in our favor, because I would
imagine the March meeting is going to be toward the end
of the month, perhaps the 28th.

    Chairman Cory: But, you've only got the 28
days in February. Somebody better do some counting before
we move on.
EXECUTIVE OFFICER NORTHROP: Mr. Chairman, given
the seven-day notice of the calendar, you well may have
a point of difficulty getting within that, because the
seven-day notice implies that we should have some kind of
a resolution prior to the meeting and notify all parties.
CHAIRMAN CORY: Do you entertain putting it on
the March meeting?
MS. SMITH: I think it should be.
CHAIRMAN CORY: On the March meeting?
MR. McCAUSLAND: It's all right with me.
CHAIRMAN CORY: By unanimous consent, we will
amend that so that it will be before the March meeting
of this Commission. And we will expect the negotiations
to be concluded by time to be on that Agenda. Okay? So
that it's very clear whether that's 54 days or 59 days,
it requires that the notice requirement -- and you should --
the staff should confer with both the Harbor Department
and the City so that everybody clearly understands what
our Agenda item time frame requirements are.
Mr. Thomas, thank you very much for coming over.
MR. THOMAS: Thank you. I appreciate the time.
CHAIRMAN CORY: We have one other item, I think,
that we have not yet got to, and that is Item 33. Item 33
is -- okay. Item 33 is the question of expenditure of
tidelands revenues in the amount of $442,752 for the
redevelopment of Newport Harbor Sea Scout Base, Orange County, requested by the County of Orange, Mr. Lehman representing the -- is Mr. Lehman here? Is Mr. Wheelock here?

MR. WHEELOCK: I'm here, Mr. Chairman.

CHAIRMAN CORY: Yes.

MR. WHEELOCK: I understand that Mr. Lehman was delayed because of air connections. Mr. Hickenbottom, who was to represent the Boy Scouts had similar problems in getting here.

MR. TAYLOR: Mr. Chairman, we have a 90-day notice problem. If the County would understand that the alternative recommendation would be to 30 days --

CHAIRMAN CORY: Let me back up. Mr. Wheelock is the Scout Executive of the Golden Empire Council which is Sacramento area. So, I would imagine that you are not particularly familiar with the details of Orange County, and are here as a good scout to help your fellow scouts.

MR. WHEELOCK: You ascertained the problem correctly.

CHAIRMAN CORY: Okay. So, is there a representative of Orange County here in the room today? Okay. The record should reflect that we are aware that there were some plane difficulties this morning due to fog, but we have some time problems, legal restraint problems, that if
we fail to act today, we have, in essence, acted by the way the statute is constructed.

So, Mr. Greg Taylor will explain where we are and what our quick options are before we go to lunch.

MR. TAYLOR: Mr. Chairman, I believe the recommended recommendations are in front of you. I believe that it has to be turned down without prejudice at this time to reserve our ability to talk to the County, and it's with the understanding that they can bring it back, and when we have the additional information, that we could reconsider the matter. In addition, it has been suggested that the Executive Officer, because of a number of projects which the County of Orange is discussing, and some problems we may have with those, that the Executive Officer, if it was the Commission's wish, should go down there and have a hearing and talk to all the people and see just exactly what the overall design for the expenditure of the surplus funds in the Orange County Grant -- what all that's about, and that's essentially the recommendation.

CHAIRMAN CORY: Any objection from members of the Commission?

MS. SMITH: No.

MR. McCAUSLAND: No.

CHAIRMAN CORY: Without objection, such will be the order, and the record should clearly reflect that the
action was taken because of the structure of the law, and it is without prejudice to preserve the State's rights to deal with the issue and the fact that nobody's here that we can discuss it with in detail. And we thank you very much for your courtesy, sitting here. We're sorry we had to detain you so long, but we were hopeful someone would show up.

Are there any other items to come before --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that's all we have on the Regular Agenda.

CHAIRMAN CORY: The only other thing, I think we would be remiss if we didn't make reference to, at a regular meeting, that there was a lawsuit that the Attorney General got lucky on -- no --

EXECUTIVE OFFICER NORTHROP: Yes, I think the U.S. Corvallis case, I think will --

CHAIRMAN CORY: The Corvallis case did provide some good case law, and we thank the Attorney General's Office: very much for their efforts on our behalf, and on behalf of the People of California in that regard.

MR. TAYLOR: Thank you very much, Mr. Chairman. We appreciate that. I think it was a good exercise for all of us on the staff of the Commission and the Commission's support and authorization to proceed with it. It was well worth it. I think it saved us a tremendous amount of time.
in other cases. Mr. Chairman, while we're here, I think I'll introduce Mr. Goodman, who is a member of the section. We have Sue Wylie, who's a new member of the section in Los Angeles who was with the Criminal Section for four years. And in the back of the room, we have Willard Shank, who will be joining the section on March the 1st. Mr. Shank is now the Deputy Commander of the National Guard, and will be returning to our office on the 1st of March. Willard's in the back of the room. Willard, would you like to stand up?

CHAIRMAN CORY: And who is the other?

MR. TAYLOR: Oh, we have one other member, Sue Wylie, she's not here today.

CHAIRMAN CORY: Okay. Because I was looking around and I didn't --

MR. TAYLOR: She was at the hearing in Los Angeles, but you were with the press at the time we were introducing her.

CHAIRMAN CORY: I'll strike that from the record.

MR. TAYLOR: We have one other member who will join the section on February 1st, and we'll try to have her at the next meeting, and she'll be here in Sacramento, and her name is Margaret Rodda, and she will be a member of the section from that time.

CHAIRMAN CORY: That's a great law school class
that she was with. Would you please have a copy of that
transcript sent to my house?

Any further items to come before us? Without
objection, we stand adjourned.

(Thereupon the meeting of the State Lands
Commission was adjourned at 1:00 p.m.)

--oOo--

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State of California ) } ss.
County of Sonoma )

I, CATHY A. SINGER, a Notary Public in and for the County of Sonoma, State of California, duly appointed and commissioned to administer oaths, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, Cathy A. Singer, a Certified 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 meeting, nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office this 16th day of __________ day of __________, 1977.

CATHY A. SINGER
NOTARY PUBLIC CALIFORNIA
PRINCIPAL OFFICE IN SONOMA COUNTY
My Commission Expires July 5, 1980

Cathy A. Singer
Notary Public in and for the County of Sonoma, State of California
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