MEETING

STATE LANDS COMMISSION

STATE CAPITOL

ROOM 2117

SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, FEBRUARY 24, 1977

10:00 A.M.

C.S.R. License No. 3067
MEMBERS PRESENT

Hon. Kenneth Cory, State Controller, Chairman
Hon. Mervyn M. Dymally, Lt. Governor, Commissioner,
  represented by Ms. Betty Jo Smith
Hon. Roy M. Bell, Director of Finance, Commissioner,
  represented by Mr. Sid McCausland

MEMBERS ABSENT

NONE

STAFF PRESENT

Mr. William F. Northrop, Executive Officer
Mr. Richard S. Golden, Assistant Executive Officer
Mr. Robert C. Hight, Staff Counsel
Mr. James F. Trout, Manager, Land Operations
Mr. W. M. Thompson, Manager, Long Beach Operations
Mr. Al Willard
Ms. Kathy Stone
Mr. Steve Mills
Ms. Diane Jones

ALSO PRESENT

Mr. N. Gregory Taylor, Assistant Attorney General
Mr. Jan Stevens, Deputy Attorney General
# INDEX

<table>
<thead>
<tr>
<th>Page</th>
<th>Proceedings</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Confirmation of Minutes of January 26, 1977</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Report of the Executive Officer</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Report of the Assistant Executive Officer</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Consent Calendar - Items Cl-C17</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>Regular Calendar:</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Item 18 - City of Los Angeles, Los Angeles Harbor</td>
<td>12</td>
</tr>
<tr>
<td>8</td>
<td>Mr. Larry Hoffman</td>
<td>13</td>
</tr>
<tr>
<td>9</td>
<td>Assemblyman Vincent Thomas</td>
<td>22</td>
</tr>
<tr>
<td>10</td>
<td>Item 19 - Holly Corporation; Industrial Lease</td>
<td>46</td>
</tr>
<tr>
<td>11</td>
<td>Item 20 - Adopt for approval Title 2, Division 3, Chapter 1, Article 6.5 of the California Administrative Code</td>
<td>53</td>
</tr>
<tr>
<td>12</td>
<td>Item 21 - Walter M. Harvey; Commercial Lease</td>
<td>56</td>
</tr>
<tr>
<td>13</td>
<td>Item 22 - Albert H. Balkwill; matter of trespass</td>
<td>57</td>
</tr>
<tr>
<td>14</td>
<td>Item 23 - Trinidad Island Homeowners Association; General Permit</td>
<td>58</td>
</tr>
<tr>
<td>15</td>
<td>Item 24 - Harbour-Pacific, Ltd.; Commercial Lease</td>
<td>58</td>
</tr>
<tr>
<td>16</td>
<td>Item 25 - Extension of Gas Storage Lease PRC 2839.1</td>
<td>58</td>
</tr>
<tr>
<td>17</td>
<td>Item 26 - Approval of Fifth Modification of 1976-1977 Plan of Development and Operations and Budget for the Long Beach Unit</td>
<td>59</td>
</tr>
<tr>
<td>18</td>
<td>Item 27 - Approval of Sixth Modification of 1976-1977 Plan of Development and Operations and Budget, Long Beach Unit</td>
<td>60</td>
</tr>
<tr>
<td>19</td>
<td>Item 28 - Informative - Review of the Second Quarter 1976-1977 Fiscal Year Production and Revenue, Parcel A, City of Long Beach, Wilmington Oil Field</td>
<td>60</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Page</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>29</td>
<td>Informative - Review of Pilot Scale Demonstration of Micellar-Polymer Waterflooding Techniques for Enhanced Oil Recovery</td>
<td>61</td>
</tr>
<tr>
<td>30</td>
<td>Subsidence Remedial Work, City of Long Beach</td>
<td>62</td>
</tr>
<tr>
<td>31</td>
<td>Subsidence Remedial Work, City of Long Beach</td>
<td>62</td>
</tr>
<tr>
<td>32</td>
<td>Request for delegation of authority to Executive Officer for authorization to issue dredging permits for 10,000 cubic yards or less, statewide</td>
<td>63</td>
</tr>
<tr>
<td>33</td>
<td>Authorization to execute stipulation for case of City of Long Beach v. Roy Crawford, amending and finalizing the judgment previously entered therein and for dismissal of appeal and take of appeal and take any necessary and appropriate action to accomplish the foregoing</td>
<td>65</td>
</tr>
<tr>
<td>34</td>
<td>Ratify the action of the office of the Attorney General in stipulating to a dismissal of lawsuit brought by Union Oil Company of California v. the State Lands Commission</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Status of Major Litigation</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Adjournment</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>Certificate of Reporter</td>
<td>70</td>
</tr>
</tbody>
</table>
CHAIRMAN CORY: Call the meeting to order. We acknowledge presence of all three members of the Commission.

The first item of business before us is the confirmation of the minutes of the meeting of January 26. Are there any corrections or additions?

MR. McCausland: No.

MS. Smith: No.

CHAIRMAN CORY: Without objection, the minutes will be approved as presented.

The first item is the Report of the Executive Officer.

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


Staff has been reviewing the bill and finds that many of the provisions of the bill are worthy of support from the Commission.

Briefly, the bill creates a new 200-mile "maritime safety zone"; establishes minimum tanker requirements including dual radar, collision avoidance systems, latest navigation systems, retrofitting of segregated ballast, gas inerting
systems, double bottoms or hulls for new tankers, back-up boiler, and so forth; it also establishes a program to prevent substandard vessels from entering or leaving U.S. ports; it provides for improved inspection and enforcement, and a cargo preference feature.

The bill will undoubtedly be subject to substantial revision. The staff recommends that the Commission support the bill in principle, and inform Senator Magnuson that the Commission's staff would be available to provide assistance.

MR. McCausland: I think that's a good idea.

CHAIRMAN CORY: Anybody from the audience on this item?

Without objection, such will be the order.

EXECUTIVE OFFICER NORTHROP: On February 4, 1977, the staff accepted an invitation from the Division of Mines and Geology to participate in an investigation of the Rose Canyon Fault Zone in the offshore area near San Diego. The primary purpose of the study is to gain a better understanding of the location and age of individual fault traces within the Rose Canyon Fault Zone. A seismic refraction program is planned as a major part of this investigation, and staff will have one of its geologists participate in the study.

At its January meeting, the Commission resolved that the Executive Officer shall notice and conduct hearings on the application for prior approval of subsidence remedial
costs at the Gas Plant Number 1 in Long Beach. The matter was scheduled to be heard during the first week in March. The City has now requested that the hearings be taken off calendar until a master plan for the Port of Long Beach has been accepted by the Coastal Commission.

The City has indicated it will keep the State Lands Division advised of its progress in the preparation of its Master Plan for the Port and seek appropriate comments from the Commission.

Mr. James McJunkin, the new General Manager of the Port of Long Beach, has indicated that the Port's position is that it is entitled to approximately $100 million from tideland revenues as subsidence costs under Chapter 138 to fill the land area in the Harbor District to a uniform elevation. The reason for calling this potential $100 million expenditure to the Commission's attention is that if the Port is correct in this position, there would be a substantial decrease in State tideland oil revenues from Long Beach. The tentative staff position is that while each application must be individually reviewed to determine whether proper subsidence costs are claimed, the cost of filling all the land in the Harbor District to a uniform elevation does not appear to be justified as a subsidence expense, in light of Chapter 138.

Individually, if as Mr. McJunkin has indicated
MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2117
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, FEBRUARY 24, 1977
10:00 A.M.

C.S.R. License No. 3067
MEMBERS PRESENT
Hon. Kenneth Cory, State Controller, Chairman
Hon. Mervyn M. Dymally, Lt. Governor, Commissioner, represented by Ms. Betty Jo Smith
Hon. Roy M. Bell, Director of Finance, Commissioner, represented by Mr. Sid McCausland

MEMBERS ABSENT
NONE

STAFF PRESENT
Mr. William F. Northrop, Executive Officer
Mr. Richard S. Golden, Assistant Executive Officer
Mr. Robert C. Hight, Staff Counsel
Mr. James F. Trout, Manager, Land Operations
Mr. W. M. Thompson, Manager, Long Beach Operations
Mr. Al Willard
Ms. Kathy Stone
Mr. Steve Mills
Ms. Diane Jones

ALSO PRESENT
Mr. N. Gregory Taylor, Assistant Attorney General
Mr. Jan Stevens, Deputy Attorney General
## INDEX

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proceedings</td>
</tr>
<tr>
<td>1</td>
<td>Confirmation of Minutes of January 26, 1977</td>
</tr>
<tr>
<td>1</td>
<td>Report of the Executive Officer</td>
</tr>
<tr>
<td>5</td>
<td>Report of the Assistant Executive Officer</td>
</tr>
<tr>
<td>1.2</td>
<td>Consent Calendar - Items Cl-C17</td>
</tr>
<tr>
<td>12</td>
<td>Regular Calendar:</td>
</tr>
<tr>
<td>12</td>
<td>Item 18 - City of Los Angeles, Los Angeles Harbor Mr. Larry Hoffman Assemblyman Vincent Thomas</td>
</tr>
<tr>
<td>13</td>
<td>Item 19 - Holly Corporation; Industrial Lease</td>
</tr>
<tr>
<td>46</td>
<td>Item 20 - Adopt for approval Title 2, Division 3, Chapter 1, Article 6.5 of the California Administrative Code</td>
</tr>
<tr>
<td>53</td>
<td>Item 21 - Walter M. Harvey; Commercial Lease</td>
</tr>
<tr>
<td>57</td>
<td>Item 22 - Albert H. Balkwill; matter of trespass</td>
</tr>
<tr>
<td>58</td>
<td>Item 23 - Trinidad Island Homeowners Association; General Permit</td>
</tr>
<tr>
<td>58</td>
<td>Item 24 - Harbour-Pacific, Ltd.; Commercial Lease</td>
</tr>
<tr>
<td>58</td>
<td>Item 25 - Extension of Gas Storage Lease PRC 2839.1</td>
</tr>
<tr>
<td>59</td>
<td>Item 26 - Approval of Fifth Modification of 1976-1977 Plan of Development and Operations and Budget for the Long Beach Unit</td>
</tr>
<tr>
<td>60</td>
<td>Item 27 - Approval of Sixth Modification of 1976-1977 Plan of Development and Operations and Budget Long Beach Unit</td>
</tr>
<tr>
<td>60</td>
<td>Item 28 - Informative - Review of the Second Quarter 1976-1977 Fiscal Year Production and Revenue, Parcel A, City of Long Beach, Wilmington Oil Field</td>
</tr>
</tbody>
</table>
Item 29 - Informative - Review of Pilot Scale Demonstration of Micellar-Polymer Waterflooding Techniques for Enhanced Oil Recovery

Item 30 - Subsidence Remedial Work, City of Long Beach

Item 31 - Subsidence Remedial Work, City of Long Beach

Item 32 - Request for delegation of authority to Executive Officer for authorization to issue dredging permits for 10,000 cubic yards or less, statewide

Item 33 - Authorization to execute stipulation for case of City of Long Beach v. Roy Crawford, amending and finalizing the judgment previously entered therein and for dismissal of appeal and take of appeal and take any necessary and appropriate action to accomplish the foregoing

Item 34 - Ratify the action of the office of the Attorney General in stipulating to a dismissal of lawsuit brought by Union Oil Company of California v. the State Lands Commission

Status of Major Litigation

Adjournment

Certificate of Reporter
CHAIRMAN CORY: Call the meeting to order. We acknowledge presence of all three members of the Commission.

The first item of business before us is the confirmation of the minutes of the meeting of January 26. Are there any corrections or additions?

MR. McCaul Land: No.

MS. SMITH: No.

CHAIRMAN CORY: Without objection, the minutes will be approved as presented.

The first item is the Report of the Executive Officer.

EXECUTIVE OFFICER NORTHRUP: Thank you very kindly, Mr. Chairman, Members.


Staff has been reviewing the bill and finds that many of the provisions of the bill are worthy of support from the Commission.

Briefly, the bill creates a new 200-mile "maritime safety zone"; establishes minimum tanker requirements including dual radar, collision avoidance systems, latest navigation systems, retrofitting of segregated ballast, gas inverting...
systems, double bottoms or hulls for new tankers, back-up boiler, and so forth; it also establishes a program to prevent substandard vessels from entering or leaving U.S. ports; it provides for improved inspection and enforcement, and a cargo preference feature.

The bill will undoubtedly be subject to substantial revision. The staff recommends that the Commission support the bill in principle, and inform Senator Magnuson that the Commission's staff would be available to provide assistance.

MR. McCAUSLAND: I think that's a good idea.

CHAIRMAN CORY: Anybody from the audience on this item?

Without objection, such will be the order.

EXECUTIVE OFFICER NORTHROP: On February 4, 1977, the staff accepted an invitation from the Division of Mines and Geology to participate in an investigation of the Rose Canyon Fault Zone in the offshore area near San Diego. The primary purpose of the study is to gain a better understanding of the location and age of individual fault traces within the Rose Canyon Fault Zone. A seismic refraction program is planned as a major part of this investigation, and staff will have one of its geologists participate in the study.

At its January meeting, the Commission resolved that the Executive Officer shall notice and conduct hearings on the application for prior approval of subsidence remedial
costs at the Gas Plant Number 1 in Long Beach. The matter was scheduled to be heard during the first week in March. The City has now requested that the hearings be taken off calendar until a master plan for the Port of Long Beach has been accepted by the Coastal Commission.

The City has indicated it will keep the State Lands Division advised of its progress in the preparation of its Master Plan for the Port and seek appropriate comments from the Commission.

Mr. James McJunkin, the new General Manager of the Port of Long Beach, has indicated that the Port's position is that it is entitled to approximately $100 million from tideland revenues as subsidence costs under Chapter 138 to fill the land area in the Harbor District to a uniform elevation. The reason for calling this potential $100 million expenditure to the Commission's attention is that if the Port is correct in this position, there would be a substantial decrease in State tideland oil revenues from Long Beach. The tentative staff position is that while each application must be individually reviewed to determine whether proper subsidence costs are claimed, the cost of filling all the land in the Harbor District to a uniform elevation does not appear to be justified as a subsidence expense, in light of Chapter 138.

Individually, if as Mr. McJunkin has indicated
$100 million, staff feels a price may well be doubled that.

CHAIRMAN CORY: To follow up on that, for the other Commissioners and the audience, the question of subsidence difference between our staff's views and the City staff's views were brought up by a Long Beach legislator. And I requested the staff to take the time to go and talk to each Long Beach legislator individually, so that they knew what the facts were. And as I recall, where this first came to light was in a question of a site, which on a subsidence correction we had overfilled, or it was higher than they decided they wanted it. So, they came back and they wanted us to pay to lower it, after we had raised it. And I felt that the legislators should be aware of what the real issues were and what the significance of the revenues to the State was and the long-range implications to Long Beach in their long-range self-interests, as opposed to the short-range self-interests.

But, $100 million is a lot of decreased revenue.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we have had conversations with Senator Deukmejian and Assemblyman Chel and Assemblyman Cullen on this issue.

CHAIRMAN CORY: Okay. Any questions from Members?

MS. SMITH: No.

MR. McCAUS: No.

EXECUTIVE OFFICER NORTHROP: The Assistant Executive
Officer has some comments that he would like to make.

MR. GOLDEN: For about five years, now, I have represented this Commission as a voting delegate on the San Francisco Bay Conservation Development Commission. And with the enactment of the Coastal Act of 1976, I currently sit as a nonvoting member of the State Coastal Commission as an alternate to the Chairperson of the State Lands Commission.

By provision of the Coastal Act of 1976, BCDC and the Coastal Commission must jointly determine how they will interrelate and present recommendations to the Legislature by July 1 of '78.

Since both of these agencies have regulatory jurisdiction over lands managed by the State Lands Commission, there are areas where policy conflicts may arise between the various Commissions. I want to quickly summarize some of the major areas in which our operations are being impacted by policies at these other Commissions.

One of the principal areas where there is potential for conflict is in determination of a project's consistency with the public's trust and the exercise of that trust. Various spokesmen for the Attorney General, each representing a different agency, have been advising their clients at each of the agencies that are responsible for this function. Obviously, some resolution of this matter by the Attorney General is essential if this State is to avoid
conflicting findings.

BCDC has recently begun making public trust findings on projects in our area. There's no discussion offered to members of BCDC as to how these findings are to be substantiated. I questioned the procedure and requested that if they insisted on making these findings they should, at least, coordinate with this Commission so that divergent interpretations could be avoided.

With respect to BCDC, Mr. Taylor has advised me that he will seek a resolution of this matter in their office at an early date, and he has indicated to me that, in fact, this meeting has already taken place, and that it looks like now we may have a resolution of that.

The meeting has been set for March 4th with the Coastal Commission staff, and our staff, and representatives of the Attorney General's staff to attempt to arrive at a mutual acceptable procedure relative to public trust determination in that particular area.

Another matter which is being considered currently by all three Commissions is the matter of tanker safety. Largely through the instigation of Supervisor Quentin Kopp of San Francisco, BCDC is being projected into considering proposed legislation to give themselves power to restrict tankers in the Bay by issuing permits to each tanker. In the alternative, Supervisor Kopp is seeking to have BCDC
institute a legal mandamus action and compel the Coast Guard
to force Federal tanker regulations.

Since the problem is statewide, it would seem
inappropriate to designate an agency such as BCDC, which has
limited jurisdiction. The State Coastal Commission has
been monitoring the actions of other agencies, but at this
point has no recommendations to make. Staff of the Coastal
Commission recently reviewed this Commission's proposed
Coastal Management Regulations -- which we have on the
calendar today for your adoption, hopefully, on Item 20 --
which included several sections dealing with tanker
technology and terminal operation within the Coastal Zone.
These regulations specified that this Commission would take
a much more aggressive position in terms of controlling this
crude activity.

The Coastal Commission staff indicated they
supported our adoption of these regulations, which would
complement the Coastal Commission's responsibilities.

Since the new Coastal Commission took office on
January 1 of '77, I have attended three out of the four
meetings held. Most of the time consumed at these meetings
which last from ten to 12 hours over a two-day period twice
a month -- is related to hearing permit appeals from the
regional commissions. These appeals are largely involving
residence units and lot splits. Less than a handful have
had a direct or indirect connection with lands under our jurisdiction, although under the Coastal Act all of our lands along the Coast are encompassed by the Coastal Commission land-use regulations.

The primary benefit so far to our attendance at these meetings is that it gives our staff advanced notification of problems which should be resolved in both of our jurisdictions before inconsistent actions take place. This working relationship will be especially important when we get into reviewing local coastal plans and current port master plans.

CHAIRMAN CORY: Questions?

MR. McCAUSLAND: Do you have any recommendations as to how we should proceed in encouraging these other organizations to respect our responsibilities in terms of a finding of the public trust?

MR. GOLDEN: At this particular point, it appears that we have a resolution with the BCDC, and it worked out an arrangement whereby they will coordinate with us. In the case of the Coastal Commission, I feel fairly certain they are willing to work with us as well. So, I think we can head this possibility on the public trust thing from getting too far out of hand.

Where we may have some problems is relative to Section 30416, which states our responsibilities under the
Coastal Act, under the new Coastal Act. And at the present time the Coastal Commission people have been rather put upon for time, I think, more than anything, and they haven't got us read into their regulations at all. I'm fighting right now to get us in there so that the local coastal people who are putting together these plans know that we do have, in fact, a responsibility in this area.

MR. McCausland: Mr. Chairman.

Chairman Cory: Mr. McCausland.

MR. McCausland: It may be desirable to have the staff continue to evaluate the situation. If they feel it would be appropriate for the Commission to address a resolution to those two agencies expressing our interest in working with them and protecting our primary role in the definition of public trust, they could bring such a resolution back to us at a later date.

MS. Smith: I'd like to know what kind of agreement we did reach with BCDC.

MR. Taylor: I think that the main problem, right now, concerning a lack of coordination of how this was being handled in their permit procedures just recently appeared, and I had been unaware of that as well as Mr. Golder.

Basically, we have worked fairly well with BCDC on all of our projects. Normally, we always get them involved at the beginning of the time. And on those things
where we have worked together we haven't had any problems.

And I think, for the first time, as a result of Mr. Golden's comments the staff has contacted him with regard to the statement with regard to what is consistent with the public trust in at least one permit application since that time.

So, I think we have been trying to go to them and say, this is what we are doing, and what is your reaction, and we are trying to make sure it is a two-way street.

But, the basic question which you have raised is what is the respective relationship between the public trust and the two agencies.

With regard to BCDC, they have both a police power jurisdiction, and where the State retains the public trust over lands which were formerly or are still tidelands or submerged lands, they have an additional basis -- in addition to the police power they have the basis of the public trust for purposes of land-use regulation. But, that's defined in the Government Code.

All other uses and the proprietary ownership of the public trust, in terms of putting physical improvements or exercising it in a manner, such as this Commission did in Hayward. That is still within the Commission. So, I think that each Commission has a veto power over the other, and that both Commissions have to agree to a public trust use for it to be fully effective.
There is a considerable gray area between an ownership interest, which the Commission has, and a regulatory interest, which BCDC has. And I think the only way we are going to work in that gray area is by mutual trust and cooperation. And I think everyone has gotten everyone's attention, and we will continue to work that way now.

That is about all I can say at this moment.

CHAIRMAN CORY: Within the Attorney General shop, are your counterparts at the other thing -- you are talking to them?

MR. TAYLOR: Yes, all the time. As a matter of fact, we have had a very good relationship. Clem Shute and I came to the office about the same time, and in all matters with BCDC, except this one, we have had a pretty good understanding. I don't have any disagreement with him to our respective roles. The problem arose over this new wrinkle they put into their permits, and that is the problem we are going to have to work out a little bit. But, I think we are okay, and I think the exercise has had a good benefit in that it has increased dialogue between the two agencies and between the attorneys that represent them.

CHAIRMAN CORY: All right. Are there any further items?

MR. GOLDEN: No. Thank you, very much.
CHAIRMAN CORY: The next item we have is the Consent Calendar. Those of you that have Agendas, we are talking about numbers C1 through C17, inclusive.

Is there anyone in the audience who has any problems with our proposed approval of any of those items, C1 through 17?

Without objection, then, the Consent Calendar will be adopted as presented. Items C1 through C17 will be approved.

The next item on the Agenda is Item 18, which is a review of the status of negotiations concerning the L.A. Harbor Revenue Fund.

As I understand it, at the last meeting this item was placed on -- we asked the staff to negotiate with the City and report back at our March meeting.

It is my understanding from the Executive Officer that on Friday, negotiations with the City apparently came to an impasse, where there was an agreement on both sides that there was nothing further to discuss. So, that is the reason why this was placed on the Agenda to bring it back before us.

Mr. Thomas, I see, is here, who has a great interest in this subject, I will presume. Is there anyone here from the City of Los Angeles on this matter? Do you wish to address the Commission?

MR. HOFFMAN: I think so, but I prefer to hear from
the Assemblyman and the comments from the Commission first.

CHAIRMAN ORY: Well, you've got our comments.

I don't think Mr. Thomas needs to say anything. It's your shot. If the facts are where the Executive Officer presented them to us, that there is an impasse with the negotiations, then we would like confirmation of that. If not, I think we want to know how we can get the negotiations proceeding with some alacrity.

Would you identify yourself for the record.

MR. HOFFMAN: I am Larry Hoffman. I am the Chief Assistant City Attorney for the City of Los Angeles. I am representing the City of Los Angeles today.

Also present in the audience is Mr. Ken Spiker, who is the City's Chief Legislative Representative.

I think it is a fair statement to say that the second round of negotiations, which occurred last Friday, did reach a point of impasse. I think we are all in occurrence that at that point in time, as to the issues that have been discussed to that point in time -- it was a feeling mutually shared that there would be very little benefit in proceeding with those negotiations. At this stage of the game, I think the Commission has a recommendation before it from the staff.

As I understand the recommendation, it is to do essentially two things: One, to designate a hearing officer
for the purpose of conducting the administrative hearing for a hearing into the matter; and secondly, as I understand it, to authorize the Attorney General under provisions of the law that control the Los Angeles City Tidelands Grant, to initiate appropriate litigation.

It's generally our view at this point in time that while the matter may ultimately need to be resolved in the Courts, and certainly if we can't, through the process of negotiations or some other vehicle, find a way of resolving it -- but it will probably ultimately end up in the Courts if we can't find a way -- that we haven't exhausted every possibility of trying to avoid litigation. Litigation is costly, it is expensive. It is burdensome for both sides, and if it can be avoided, I think it is in everybody's interest to try and avoid it.

At this stage of the game I'm not sure that we have any magic answers to tell you how to avoid it or to suggest how to avoid it. I did want to suggest to the Commission one proposal that may be a vehicle for at least moving ahead at this stage of the game, and that suggestion is that the Commission not take any action today, rather recalendar this matter, the same item again, for your calendar at your next meeting, which I understand would be in late March. And during that period of time, I can represent to you that the City of Los Angeles from its standpoint will thoroughly
evaluate its posture and position in this matter. The City, as you know, has a number of agencies that are involved. The agencies are its Harbor Commission, its City Council, and the Mayor. So, it is not an easy matter to fully discuss it internally in City Government. And we will attempt to present to the Commission at its next meeting, if it is possible to do so, a definitive proposal covering all the issues in dispute; that the City would be hopeful, if it can put together such a proposal, the Commission would find would resolve the differences between the City and the State.

I would hasten to add that I can't give any assurance to the Commission that, in fact, we will be able to put together such a proposal. I do think, though, that within, say, a 30-day period of time we can certainly assure you one way or another whether it is possible to put together such a proposal. The way the negotiations have proceeded so far, we have dealt issue by issue to get to that proposal. Maybe the better way now is to jump ahead and look at the end result, and come up with one overall proposal for all of the items. Frankly, from our standpoint, it will take us a little time to get into the position to even tell you whether such a proposal is even possible. I would anticipate that if the Commission were to agree to this approach, that during that interim period, as we sort of shake out the details of that proposal, we would have informal conversations with your
staff and with the representatives of the Attorney General's office to see if we have got something that would be acceptable for them.

In other words, the burden would basically be on us to try to put together such a proposal that we thought would meet our needs as well as the Commission's needs. If we are unable to do that at the next Commission's meeting, I would suggest you place the same item you have before you back on the Agenda. At that stage of the game, we could, again, comment on the need for administrative hearings or litigation at that stage of the game.

CHAIRMAN CORY: What has intervened since Friday to lead you to this change of position?

MR. HOFFMAN: I'm not sure it is really a change of position. I think what we found was in the negotiations, the process of negotiations it is very difficult just because of the time pressures and the way negotiations were being conducted -- really come to grips with all of the issues and reach agreements on all of the issues.

And as you recall, when the Commission first encountered this matter, they purposely put the parties under a rather tight time line, and we simply didn't have the ability to put together a definitive proposal in that period of time. We had to concentrate on various issues.

CHAIRMAN CORY: Who is your principal, Burt Pines,
City Attorney?

MR. HOFFMAN: There are a series of principals, here. City Council is one set of principals, the Harbor Commission is another set of principals, and the Mayor -- I am representing all of them.

CHAIRMAN CORY: You don't find a conflict of interest in that?

MR. HOFFMAN: I don't believe so. The City is attempting, at this stage of the game, to try to develop a unified proposal. As you know, just as the Attorney General has problems with various clients, we have the same problems. It's difficult to get all of the clients to deal with the issue and come to grips with a proposal we can all agree on. But, we are attempting to do that, and I am representing to you that I think over a period of 30 days we can tell you whether it is possible or not. If it is possible, we'll have a definitive proposal before you. If we don't, we've lost 30 days in the process.

CHAIRMAN CORY: Thus far in the negotiations, have you been instructed by your principals of what you can and cannot negotiate?

MR. HOFFMAN: The answer is yes.

CHAIRMAN CORY: Can you disclose what that is?

Have there been any changes in those principals from the City's position? If the City's position is, in essence, for us to
"stick it in our ear," that it's your money and you can use it as you see fit, not complying with the trust -- I'm not sure we should blow the 30 days. If that's cold turkey where the issue is, why waste the 30 days? It seems to be a waste of taxpayers' fund on both sides.

MR. HOFFMAN: Well, certainly, that is your description of the posture --

CHAIRMAN CORY: It's a question.

MR. HOFFMAN: It's not the City's view. The City's view has been from the outset that there are three or four very complex, very difficult issues that don't lend themselves to simple generalizations. And the issues deal with three series of bond issues that amount to roughly $29 million that are in dispute.

CHAIRMAN CORY: Let's take the issues that I understand.

There is some interest money --

MR. HOFFMAN: Let me just --

CHAIRMAN CORY: No. Let's take my issues, sir, because this is my meeting. Let's take the question of that interest money.

Does the City agree that they owe the interest money for trust purposes, or do they not?

MR. HOFFMAN: At this point in time the City is not in a position to agree that it does. Let me tell you a
little bit about the issues, so you can get a feeling for it. It's not as simple as it initially sounded.

Initially, the issue was proposed that during the period of time, from 1925 to 1959, Harbor Revenue Funds were maintained by the City Treasurer, and the interest on those funds was placed into the City's General Fund rather back then, into the Harbor Revenue Fund. And initially, nobody could understand it. We didn't know why that occurred. It's just been an accounting fact that it occurred. And when that fact first surfaced, I think there was widespread consensus in the City -- the interest should have been applied to the Harbor Revenue Fund.

After we got into it and looked at it, we determined that there was a Charter provision -- it was in the Charter -- that can be construed from our standpoint as the authority to put the money into the General Fund. In 1929 a proposition was put before the voters to change that, to require that the monies be put into the Revenue Fund. And for three years they were put into the Harbor Revenue Fund. In 1931, the Charter was changed to go back to the first provision. The thinking was, apparently, of those people that were responsible for those Charter amendments, that the City was entitled to some compensation for the function of keeping the funds and investing the funds.

Now, that was the history. That history came out
during the course of our review of the issue, and in looking
at the issue. What I am saying is that there is an
explanation of why those funds were not placed in the Harbor
Revenue Fund.

Now, the next problem is, is that inconsistent
with the trust? Does the trust oversee that? Does it
supersede that?

Well, at this stage of the game that's a question
we are trying to evaluate and the City is trying to evaluate,
because those were Charter provisions approved by the State
Legislature, which were binding laws. And to the extent that
those were laws on the books at the time, and still are on
the books at the time, the question is to what extent did
they control the trustee in the performance of his duties.
So, it is not an easy issue. It is not all that clear. It's
not something that is black and white.

CHAIRMAN CORY: It's relatively clear to me, in
terms of the various case law that I have seen, that Charter
provisions cannot override a statewide interest.

MR. HOFFMAN: Well, keep in mind that the Charter
provisions come to the Legislature, are approved, are treated
as statutes, and those statutes are controlling on the people
that keep the City's funds unless the trust principals over-
come that.

I think at this point in time the Attorney General
believes that the trust principals are controlling. We are simply uncertain at this point in time, and we want to take a further look at that. It's not unlikely at all that, as part of the proposal we put back before the Commission, would be a recommendation that the Harbor be reimbursed for those interests. But, we just can't tell you that at this point in time.

CHAIRMAN CORY: I would like to suggest to my fellow Commissioners a solution, because I don't think we should spend a lot of time getting into the detail of this.

MR. McCAUSLAND: I was just going to say that we are becoming an open negotiating session. I would like them to go back and negotiate some more.

CHAIRMAN CORY: I would think that we should remand the negotiations to the staff, make it clear that we expect the staff to continue negotiations in good faith. But, if in the staff's view, they come to the conclusion that the City of Los Angeles is being dilatory and not wishing to negotiate, and progress is not being made, that then they immediately initiate an administrative hearing process to ascertain a record from which the facts can be determined, so that by the next meeting in March we will have a record which will delineate facts from fiction, and opinion from fact. So, when we get here we can, at least, have the issues laid before us rather than just waste all the various times.
Now, I think Mr. Thomas wants to make some comments.

ASSEMBLYMAN THOMAS: I hope you don't approve the mistake. I want to speak to you just in plain, ordinary language.

They have been doing this delaying for 30 years this matter has been pending. The City of Los Angeles has violated that trust every year. They take trust money and put it into the General Fund. It's a similar case to Mallon versus the City of Long Beach.

And here's what the newspaper said last night in my District, the headlines:

"One City official attending the meeting blamed the stalemate on the presence at both sessions of Assemblyman Vincent Thomas."

Okay? Now, August 15th you set a meeting. They said, "We need a little time." You've postponed the meeting of January 26, only one person showed up, wanted a 120-day extension. You gave me the privilege of presenting my case.

Now, you'll never negotiate with the City of Los Angeles because they have no evidence.

And here is a letter that was dated February 14th mailed to you and each Member of the Commission. Our meeting was on the 18th. They said:

"We had understood that the negotiations were to be with the representatives of your
Commission and the Attorney General's office," which eliminated me from being present, because I have the evidence.

I made a statement in negotiations of both meetings, whatever the City claims, whatever any party claims in monies or anything, they should have evidence, either by minutes of the City Council or minutes of the Harbor Commission, or documents of any kind, legislative counsel's opinion, Attorney General's opinions and case law. I claimed there's $36 million taken illegally. So, I have evidence to that that I would like to present.

I started to present it, but he stopped me every time. He was the one that spoke for the Harbor Department, the Mayor, the City Council, and the CAO officer. They had this letter in their pocket on the 18th.

Can you imagine what bad faith -- they are accusing me of bad faith -- they had this letter that was mailed to you on the 14th. We were all sitting and negotiating, and they had it in their pocket.

So, Mr. Hoffman started presenting one case about so many acreage of land that was transferred to the Harbor Department, and he claims that the Harbor Department should pay back to the City somewhere around three and a quarter million dollars. After he explained this case, I said, "Mr. Hoffman, here is what Mr. Spiker said in his report,
CAO's report: This land was purchased by the City for $93,000, and it was transferred by an ordinance to the Harbor Department with no intent of making repayment."

Right after that, he knew he didn't have a case. So, he said, "Let's adjourn for a moment and have a recess."

They came back with this letter, after mailing it to you on the 14th -- and they are talking about good faith and negotiations? They gave us this letter and said, "We cannot negotiate any further."

I have and I have presented to the Attorney General and your staff all the legislative counsel's opinions one holding that the City is not entitled in any way for repayment of the general obligation bonds of 1911. Those were commitments made to develop that harbor.

I also presented to you a legislative council opinion that the Harbor Department is not responsible for the fire and police protection. I presented to you Attorney General's opinion substantially based on intent, what did the parties intend? I gave you the whole case on January 26.

They are stalling, they are delaying. They are afraid to admit that they're liable of taking trust monies. We're not talking about convenience of what the City does, it's a question of law. You can't have parties negotiating on questions of law, you can't negotiate the law. It's specific.
I have evidence. A document was presented to the Harbor Commission. I'm not going to mention names because a document was immediately taken off calendar. In that document, the Harbor Commission Manager admits, at least, that the City owes the Harbor Department 15 million, 800 and some thousand, plus the interest. In trust law, you can't take interest money from the trust and commingle it with the City's fund. It's a violation. You can't take $750,000 every year from a trust fund for City purposes. That's a trust violation.

And even Mr. Wells, the counsel for the Harbor Department, admitted in a letter that they should not make payment because there wasn't further evidence that they were entitled to it.

I have a letter from the Accountant of the Harbor Department setting forth the investment of the interests. Compounded, they owe seven and a half million.

So, this delay of 30 days -- they can't find anything. It's not a question of whether you are going to review the Charter now, after 30 years? Twenty-five years I have put into filing a brief with you. I have every case. I have every legislative counsel's opinion -- all of the documents. And I'll give them -- as I did, I gave them to you. If you want me to outline some more of their violations, I'll do so.
1935, I was Chairman of the committee to establish a fishing dock in San Pedro. Up until 1935 our fishing boats had to bore at the outer bay. They violated the trust, so I called the meeting. I was the Chairman. Mayor Shaw came in, and I wanted to file a lawsuit in violation of trust. Immediately, they gave Southern Pacific four times the value of the Southern Pacific slip, so that Southern Pacific could take title and transfer to the Harbor Department. Continuous violations.

There's only one way to settle this, to adopt your resolution right here, especially Number 3 -- and by the way, this is in the grant -- that the Attorney General can take any action. 1970 amendment we gave the Attorney General in the Los Angeles grant the right to file any action for violation, and it said it "shall," not "may."

So, gentlemen, you are making a big mistake. You're not going to get -- no matter how long you give them --

CHAIRMAN CORY: Listen to me carefully on what I am suggesting we do.

That we tell the staff to resume negotiations if the City wants to negotiate, but they have the same authorization that's included in the calendar item, to proceed with an administrative hearing to ascertain the facts based upon our original time schedule, so that we will be in a position at our March meeting to dispose of this
issue once and for all.

ASSEMBLYMAN THOMAS: I talked to Lieutenant Governor Dymally yesterday, and I explained the whole case. And he agreed with me -- the young lady was there. There was no opposition from him, as I understand it, was there?

MS. SMITH: He understood your position.

ASSEMBLYMAN THOMAS: Surely.

CHAIRMAN CORY: The point, Vince, that I am saying here, is that the City is saying there may be some way to resolve it. They may decide that we are right. And if that option is available, I think we should keep that line of negotiations, instead of spending the money on litigation; but at the same time, to proceed so that the City is very clear in their mind that their alternatives are to come to grips with what we believe the law would be, and if they don't accept our position then we are going to have to litigate. But, as I understand from the Attorney General, one of the steps to preparing that case, would be an administrative hearing so that the facts can be ascertained to expedite that litigation.

So, what I am proposing that we do -- this calendar item from our last meeting, which was the January meeting, we have suggested that it would be before us in March. It will be back before us in March with the further stipulation that if City staff and the Commission staff can come up with
a definitive proposal on how to solve this and go on, fine; but if not, at the March meeting one additional step that we will have already have behind us would be the administrative hearing, where we can delineate the facts, rather than take Commission time to determine the facts.

ASSEMBLYMAN THOMAS: Let me tell you something. The meeting was scheduled for the 15th of December. Then, they said they wanted more time to look at the facts. Then, the 26th of January -- they wanted to look at the facts. We made it the 7th. "We want to look more at the facts."

On the 18th, they had no evidence.

I'll present to you the case. If you have a special meeting this coming week to make that decision, fine. They don't need a month.

MR. McCausland: Mr. Chairman.

CHAIRMAN CORY: Mr. McCausland.

MR. McCausland: I appreciate the Assemblyman's long-standing interest in this matter, and I am personally, firmly, convinced that you will not let a single member of this Commission rest until justice has been done.

But, I am inclined to move the Chairman's recommendation with the stipulation that the Executive Officer use a great deal of discretion in his determination that negotiations have ceased. I believe that this is going to be an acrimonious series of negotiations, and I don't

PETERS SHORTHAND REPORTING CORPORATION
26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3401
think we should use the power which we are vesting in the Executive Officer today in an abusive fashion. I would hope that negotiations could continue successfully.

It doesn't matter to me whether the negotiations are concluded in one month or not if they are productive.

But, I would like to move your motion, Mr. Chairman, with the stipulation that Mr. Thomas will continue to oversee our operations until such time as this matter has been concluded.

ASSEMBLYMAN THOMAS: Can I ask a question before you vote?

CHAIRMAN CORY: We have a motion --

MS. SMITH: Second.

CHAIRMAN CORY: -- and a second.

Vince.

ASSEMBLYMAN THOMAS: Can I attend these negotiations?

MS. SMITH: That's part of the stipulation.

ASSEMBLYMAN THOMAS: Ask him why is it they don't want me to attend. Why can't I attend?

MR. McCausland: Why don't I speak to that, Mr. Chairman.

You clearly can attend as a member of the Legislature, Mr. Thomas, and there's not a single individual on this Commission who would want to suggest otherwise.
But, I believe that one of the difficulties of a negotiating session is that they are acrimonious enough to start with. And if there is any way to reach a satisfactory conclusion here, I would hope we could, and I would hope your attendance at these sessions does not foreclose the opportunity of reaching such a satisfactory conclusion at some point in time.

You are clearly welcome to attend any of those sessions -- if that's your stipulation.

ASSEMBLYMAN THOMAS: Not according to this letter. This letter -- they will not negotiate in my presence.

MR. McCausland: Well, then it suggests maybe we would like to find a way to negotiate.

CHAIRMAN CORY: That's a letter from the City.

MR. TAYLOR: Mr. Chairman.

CHAIRMAN CORY: The question that I am really puzzled about, and the thing that makes it very difficult for me to accept the City of Los Angeles is moving in good faith, one of the things -- putting it right out there -- that I keep hearing somehow Mr. Thomas's presence precludes the ability to resolve this issue, yet the staff tells me that there was a meeting, a private meeting between the Executive Officer --

EXECUTIVE OFFICER NORTHROP: Between staff, sir.

CHAIRMAN CORY: -- and the City on Friday, at one
point. And there was an agreement that the issues -- that there were too many issues and they were too far apart and it served no purpose, and Mr. Thomas wasn't in that session.

Can you help me with what Mr. Thomas's personality -- I've been in the Legislature with him. I have worked for him for a while when I was on the staff. I have served with him, and at times I disagreed with Vince, but I have never found him to be impossible to get along with. He's always been courteous, polite.

How could his physical presence preclude a settlement of this difficulty which, I presume, we are deciding upon merit and issues and not on personalities?

MR. HOFFMAN: Is that addressed to me?

CHAIRMAN CORY: That's a question.

MR. HOFFMAN: If it is addressed to me, I can make some observations. Obviously, I think the Assemblyman understands that certainly there is no criticism of his personality or his demeanor, and we have simply no concern in that regard. And I hope that any comments I make aren't viewed as dealing with questions of personality or technique or approach.

The difficulty is that there are really two sets of representatives at the table representing the State's views, with, to some extent, different views and perspective of the problem. And that's been difficult for us to deal
CHAIRMAN CORY: Let me make that very clear to you.

With all respect to Mr. Thomas, I think he clearly understands that he is a legislator who is in a position to kibitz, to second-guess, but the decision will be made by the Commission. I don't think Vince is denying that. The negotiators for the State are the Lands Commission. He just wants to make sure that we do it right.

(Laughter.)

CHAIRMAN CORY: So, you are negotiating with us, and if we take a different viewpoint, both sides, I think, should listen to what Vince has to say. I've usually always been able to learn something from Vince's comments. But, you are negotiating with the Lands Commission, not Mr. Thomas. He does not represent the State, he represents his constituents. And he does a very able job, I might add, on that.

So, I get the impression that that's the excuse.

MR. HOFFMAN: Well, let me simply say that it is not. There have been two problems in the negotiations that made it difficult for the City to proceed. One is the problem of having sort of two voices at the table, two different views of the subject. The other problem is the time frame.

As the Commission will recall, the original
recommendation of the Commission was a period of approximately four months. You felt it was too long and cut it down to two months. We went to, basically, biweekly meetings. We've had two of those. In the first session, which lasted from about two to three hours, we identified the issues, reached agreement on a number of lesser issues, although Mr. Thomas I don't think was in complete agreement on some of those lesser issues -- we identified four issues to put on the Agenda for this last meeting, which was just this last Friday.

And in that interim, those are meaty issues, they involve lots of dollars. The City, as you know, is a large organization, it has to meet, too, internally. And the time pressures have really been intense. It's very, very difficult for the City to fully analyze those issues, to come to grips within City Government of those issues, and the dollars involved, and try to reach agreement.

For instance, one of the issues involved is -- one of the provisions of your Agenda is to authorize the Executive Officer to direct the Board of Harbor Commissioners and the City -- this is your Commission -- to direct the Board of Harbor Commissioners and the City to determine the maximum sum that may be transferred from the Harbor Revenue Fund to the City General Fund pursuant to City Charter 145(4). To make that determination of whether there will be any
transfer, and then what amount of money, is a very complex issue. And the City hasn't done that yet.

It's not like the City has decided to transfer $15 million from the Revenue Fund to the City's funds. It hasn't done that yet at all. There are three bond issues involved, there's different histories involved, there are different opinions between the attorneys on those issues. There are different views in the City Council and different views in the Harbor Commission on exactly what transfer should be made, if any, or for what period of time. And you just can't do these things overnight. It takes some time to work them out.

So, our problem is we can't go to the negotiating table and say, here is what we are prepared to transfer, because we haven't even reached that decision yet.

ASSEMBLYMAN THOMAS: I'm going to close because I have another meeting with the Metropolitan Water District upstairs.

The Harbor Department completed its entire investigation and report. They gave it to the Commission. The CAO officer completed his report. Burt Pines, City Attorney, had issued his ruling and legal opinion on this issue -- the whole issue. Jesbow, 1933, issued his statement of legal opinion for the City. Then, we have Arnebergh's opinions -- they are all there. The decisions have already
been made by the Harbor Department, because the Manager came
to see me personally in my office and told me what his
findings were. And he went to the meeting, and he was denied
the right to talk. Mr. Hoffman came out -- I don't see why
the Harbor Department can't speak for itself. They have
supported me on this issue for 25 years, and now all of a
sudden feels that -- in the letter here, it intimates that
they don't want me present.

I want the public to hear this. I have no
objection if the press would be allowed to sit in on these
meetings -- I'll stay away. You cannot deny the press their
right to hear the true story.

CHAIRMAN CORY: We will not be a part of denying
information to the public.

ASSEMBLYMAN THOMAS: Will they be admitted to the
meetings?

CHAIRMAN CORY: At some point, they are going to
have to know what's going on. It's going to be done in an
open meeting. I'm not going to obligate the staff to notify
the press for each and every individual session, but it will
not be a private covenant arrived at secretly.

ASSEMBLYMAN THOMAS: In closing this, if the
Attorney General representatives will make a statement as to
what their feelings are, I will stick with him. I just want
to hear what the Attorney General's office has to say.
Gentlemen, this is 30 years of an issue.

Mr. McCausland: If I might, Mr. Chairman, before the Attorney General's office speaks, it seems to me that the Legislature is still grappling with the question of the openness of matters relating to negotiations precedent to litigation. I'm not quite convinced that we should use such a difficult and complex set of negotiations, where the fact-finding process is, as you say, not all that clear as a test case to guide the Legislature in its deliberations on that entire question.

Litigation is a very complicated discovery process, and I'm not certain that the State Lands Commission has to be the forerunner in trying to decide for the Legislature how we should handle these negotiations. I'll defer to the Attorney General on that.

Assemblyman Thomas: I'm not interfering with the State Lands Commission authority. But, I just want you to read the Charter Amendment that was amended in 1970. I'm not saying that you haven't been diligent, I would be making a mistake. But, the Legislature said in 1970 right in the Charter -- in the grant, that the Lands Commission should report to the Legislature on the funds of L.A. grant its revenues, expenditures, every December of each year. That hasn't been done.

The law says violation in the same grant, that the
Attorney General "shall" take immediate action. So, I am willing to forego the interpretations. But, I'd like to hear what they have to say because this thing is, as I told you, unless someone settles this issue it's going to be a taxpayers' lawsuit, and I don't want to be the plaintiff.

CHAIRMAN CORY: We will be here forever.

Kathy or Greg, who is up on this one?

MR. TAYLOR: Mr. Chairman, our position of the matter as it now stands is set forth in an opinion which we issued to Mr. Thomas, which the Commission has copies of, where we have concluded that based upon the evidence we have seen to date, the City is in violation.

That's subject to receiving additional evidence, or for whatever further consideration or argument that the City wishes to make on it. We had some additional information supplied to the Attorney General directly by Mr. Piper. I can't recall whether it was Mr. Piper's signature or over Mayor Bradley's signature, but I think it was over Dr. Piper's signature. Response went to him reaffirming our position set forth in the opinion to Mr. Thomas.

We have indicated -- I think the view is also shared by your staff, to the extent that we have reviewed it. I think, I guess, there are two problems at this time: One is, is there really any give in the City's position, and we really haven't had any feeling for that at all at the present time.
And what we are trying to explore in these meetings is whether there is that. I think the feeling of everyone is, the bottom line of the City is, as previously stated, that they want the money for the General Fund.

That may be incorrect, but we haven't seen any evidence to the contrary.

Anyway, that's where we are at the present time. We are certainly willing to consider additional evidence on that subject.

Mr. Chairman, in light of your request for a motion, I think that the motion that would be appropriate to express your feeling is that Item Number 1, where the "shall" is in the first line, should be changed to "is authorized to."

MR. McCausland: Is that on page 3 of the calendar item?

MR. Taylor: Yes.

Executive Officer Northrop: Page 3.

MR. Taylor: Yes. 46a, page 3 of the calendar item. It is resolved: "That the Executive Officer is authorized to."

And the last line there, "by Public Resources Code Section 6110," strike the period there and insert, "and Section 13, Chapter 1046 Statutes of 1970."

Item Number 2 would stand as written. Item Number 3,
the word "shall" shall be changed to "may," with the
understanding there that no lawsuit would be commenced
without informally checking with the Commission before such
an action was started.

Item 4 would be out; it would be eliminated.

CHAIRMAN CORY: Yes.

MR. TAYLOR: Item 5 would remain and become the
new Item 4.

This resolution would be with the understanding
that the Executive Officer would have discretion as to when
he evoked the authority that's being conferred, and that the
Attorney General's office in consultation with the Executive
Officer and his staff, and with the Commission, would have
discretion as to when to bring a lawsuit.

I believe that would embody your suggestion,
Mr. Chairman.

MR. McCALUSAND: I so move, Mr. Chairman.

CHAIRMAN CORY: We have a motion --

MS. SMITH: Second.

CHAIRMAN CORY: -- and a second.

All those in favor signify by saying aye.

(Ayes.)

CHAIRMAN CORY: Motion is carried.

ASSEMBLYMAN THOMAS: What's the next meeting?

MR. HIGHT: March 31st.
MS. SMITH: 31st.

ASSEMBLYMAN THOMAS: In other words, they have to come back by March 31st and give you some concrete evidence?

CHAIRMAN CORY: Or, if things break down in the meantime and they are irretrievably broken down, they can go ahead and proceed.

ASSEMBLYMAN THOMAS: Suppose they aren't broken down, but coasting along, will it go on?

CHAIRMAN CORY: No, it will not.

Mr. Thomas, I am getting very tired of this issue. I think the other Commissioners are getting very tired of this issue. And what we are trying to say to the City, we appreciate your concerns with your time pressures, but if it has to be resolved in litigation, that litigation is likely to commence rather quickly.

If there is some reason to hold out and not litigate it, the burden is on the City of Los Angeles to prove to us that that's not the way, and that's to be pounding on the table and arguing back and forth in realistic arguments about what the issues are in trying to proceed to resolve this. I think that's what the real purpose is on this, and there seems to be some question as to what the facts are and what the intent is, and that the administrative hearing mechanism is authorized, if necessary, so that that record can be created before the next hearing
so that we can have, not opinions of people, but their views
under oath.

MR. HOFFMAN: Just as a point of clarification,
was it the Commission's intent on passing the motion to
require the Executive Officer to report back to you at your
next meeting as to the result of any negotiations or any
hearings they conduct -- in other words, are we on a 30-day
time line now to report back by the next meeting?

CHAIRMAN CORY: And it may be quicker than that.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman.

CHAIRMAN CORY: You better have a negotiated
settlement in 30 days or --

EXECUTIVE OFFICER NORTHROP: Or administrative
hearings.

MR. HOFFMAN: Realistically, it is unrealistic
to do all three at once. We can't do all three at once.

CHAIRMAN CORY: I think the City has been
extremely unrealistic in resolving this issue for the last
30 years, and we are saying we are tired of waiting. And I
think that's what we said previously, and I think the City
has not appeared to proceed in total good faith. And I am
getting sick and tired of having calls from high level
friends of mine who are not being told, apparently, the truth
of the position. I've got better things to do with my time,
and I think the other Commissioners have better things to do
with their time. And I think that's really where we are at.

Now, if my staff is screwing around, they clearly understand that they're going to be dealt with. I have no control over the City of Los Angeles' staff. But, I have better things to do with my time, and I think the other Commissioners do. And I have told them very privately, and I'll tell them publicly, that they are to negotiate with good faith, they are not to give away the store. They have the trust responsibility. If the issue can be resolved, I expect them to proceed in that. But, if not, so be it. Let the issue be resolved in Court.

I hope that's not the case. But, if there are impediments to negotiations, fine. But, arguments over what the facts are or personalities -- life is just too short. It's been going on for 30 years, it's time to put an end to it.

MR. TAYLOR: Mr. Chairman, just for clarity of the record, I believe that the resolution which was passed gives a discretion to the Chairman to take any appropriate action within the confines of that item, subject only to informal notification to the Commissioners as to whether there's a problem with that, or whether the Commission would want it brought back to a public meeting before we proceeded.

MR. TROUT: You mean the Executive Officer.

MR. TAYLOR: The Executive Officer, excuse me, has
the authority to proceed and indicate all parties mentioned in the calendar item -- have authority to proceed only going back informally to the Commission to check as to whether or not the Commission wants this matter brought up for further hearing before the Executive Officer would take that authority.

The second item relates to whether or not the press would be present at negotiations. Our position on that has been that the Brown Act does not cover the situation, and for certain amounts of negotiations, it would be inappropriate for the press to be present. That does not mean, however, if there is an agreement or if there is something which has appropriately come before the Commission for action, that the press would be included in that. So, not only would they be included in that part of that, they would be included in any public hearing included under the authority of this, but certainly notice would be given and that would be a public meeting. But, for negotiating sessions, the Brown Act does not include that. And it's been our position that in order to keep an area of exchange of information, that the press would not be invited to informal meetings, trying to exchange information and conduct negotiations.

I just want that clear in case there is any -- because I know members of the press are here. That has been our position and that remains our position.
ASSEMBLYMAN THOMAS: Can I have my position clear on where do I stand? Can I get my position?

CHAIRMAN CORY: Mr. Thomas, you are always welcome. The City seems to think that you are welcome, too.

ASSEMBLYMAN THOMAS: Am I going to participate or --

CHAIRMAN CORY: Vince, the negotiations, I think, you clearly understand, has to take place between the Lands Commission staff and the City. And to the extent -- I'm not offended by your sitting in the room. I think your presence has a great therapeutic effect on all of us to do our best. If you are interfering with the process -- which I am not suggesting that's the case -- but for Los Angeles' viewpoint if they want to use that as the stumbling block, I am going to say that if Vince is sitting quietly in the corner we're not going to throw him out.

ASSEMBLYMAN THOMAS: I've been representing the Harbor Department for 30 years now. The issue between the Harbor Department and the City -- now, I'm the spokesman for many years. I don't know about this Commission, but all the way back since 1933, I have been speaking for the Harbor Department in my District. Now, does that eliminate me from participating?

MR. McCausland: If I might, Mr. Chairman.

CHAIRMAN CORY: Sid.

MR. McCausland: As I understand the law -- and I am
glad the Attorney General is here to correct my ignorance --
as I understand the law the State Lands Commission is
responsible for administering the public's interest in its
granted tidelands. And the State Lands Commission cannot
delegate or give up the responsibilities associated with that
authority.

Now, as I understand the requirements which you
brought to us originally, it's the job of the State Lands
Commission to look out for the public interest and conduct
the State's side of these negotiations. Now, if you are
officially there as a spokesman for the Harbor Department
or any other body --

ASSEMBLYMAN THOMAS: No, no, no.

MR. McCAUSLAND: -- I'm certainly not going to
suggest that you can't do that.

ASSEMBLYMAN THOMAS: They haven't voted anything
that I would be their spokesman because they have an attorney,
and they have a Manager, and they have a Commission. Here's
one gentleman that represents the Mayor, City Council, Harbor
Commission, the CAO office. I've never seen such a setup in
the City like that. And I think I'll get an opinion on
whether or not that's a violation of the law. You can't
have two hats representing the two different principals.

MR. McCAUSLAND: But that's exactly the words I
was going to use.
(Laughter.)

ASSEMBLYMAN THOMAS: Well, I have no quarrel. But, I just want to make this statement. I will turn over all evidence I have to the Attorney General of the Lands Commission for their use and their documents. And I want the document to be scrutinized, to be part of the proceedings, because as I said, unless you've got evidence there's no use of negotiating. I think the law is clear on the violations, and take all of the legislative council's opinions, all of the opinions of the City Attorneys -- they should be reviewed, and let's look at the law. That's all I ask. Regardless of what your decision is, as long as the final decision -- when you say this is the law it's been violated, or whatever it is, I am satisfied, so I can go back to the people in my District whom I've represented for 36 years, and I can tell them that that's your decision.

MR. McCausland: We know you are going to make us do a good job on that.

MR. HOFFMAN: Thank you.

CHAIRMAN CORY: We have a clear understanding?

EXECUTIVE OFFICER NORTHROP: Yes, sir.

CHAIRMAN CORY: The item has been disposed of on our Agenda.

The next item is Item 19, proposed authorization of a 15-year industrial lease of the Holyl Corporation for a
fuel loading facility, Contra Costa County.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think Mr. Trout wants to give some detail on this.

MR. TROUT: Mr. Chairman and Members, this item is primarily on the Commission's Agenda at this time because of a request of an attorney representing Holly Corporation who, in effect, indicated that he felt he could not any longer negotiate with the staff and wanted this matter brought before the Commission.

Mr. William Bode was supposed to be here today. Mr. Northrop received a telephone call from Washington, D.C., so we assume he is not here. There may be another representative.

CHAIRMAN CORY: Is there a representative of the Holly Corporation in the audience?

(No response.)

CHAIRMAN CORY: We've got nothing to talk about, then.

MR. TROUT: If not, Mr. Chairman, we recommend that the Commission make findings that are on page 50.

CHAIRMAN CORY: What was the phone call?

EXECUTIVE OFFICER NORTHROP: He called after I left to come to the Commission meeting and asked me to return the call after the meeting. He apparently wanted to know what the decision was going to be. He did not ask to be called
prior to the meeting.

MR. TROUT: Primarily, the issue resolved some of the things that we have already gone over before the Commission. They involve the application of throughput rental rates. They are quite upset that the rental rate may run from the existing $1300 a year to something many times that, which we think is well justified.

And therefore, we do recommend the findings. They have filed a formal protest with the staff and asked for this hearing. It's all discussed in the calendar item, but we would recommend to you that their protest and contentions have no merit, that the volumetric rental rates are applicable, and very reasonable and appropriate in this case --

CHAIRMAN CORY: We find the defendant guilty as charged in his absence, then, and proceed, is that what you have in mind?

(Laughter.)

MR. McCAUSLAND: I have one question, Mr. Chairman. In passing yesterday, you mentioned that in our search of the files you came across an additional letter related to this matter. You don't happen to have that letter here for me to look at?

MR. TROUT: Yes, we do, sir. Would you like for me to read it, or I can bring it up for you to take a look
MR. McCausland: I don't think it's necessary to read it into the record.

It just sounded like it was further collaboration of my view.

Do you think it is necessary to read it into the record, Counsel?

MR. Taylor: No, just identify it.

MR. McCausland: Maybe it should be read into the record. This is a letter from William H. Bode, Attorney, to Leslie H. Grimes, Assistant Manager, Land Operations, State Lands Commission; dated September 2, 1976:

"Dear Mr. Grimes, On behalf of the Holly Corporation, I'd like to thank you and your staff for your attentive consideration of the corporation's response to the proposed lease terms at the Ozol Terminal facility.

"We are looking forward to working with you on this matter and are optimistic that an agreement can be reached which the Holly Corporation can meet and which serves the interests of the State of California.

"Pursuant to your request, please find enclosed a copy of the contract between the Defense Fuel Supply Center and the Holly..."
Corporation which provides a fixed fee for receiving and storing Government-owned aviation fuels.

"Very truly yours, Bill Bode."

I'd suggest, Mr. Chairman, that this letter suggests that the counsel was aware at the time of writing of this letter that he did not yet have an agreement with the State of California, and consequently that the staff conclusions are founded.

And I'd like to move adoption of the staff recommendations.

CHAIRMAN CORY: Motion.

MS. SMITH: No second.

CHAIRMAN CORY: Just for discussion, I'll second it.

You've got some hesitancy.

MS. SMITH: I don't know why counsel isn't here, but I prefer to hear from counsel before moving on the item.

CHAIRMAN CORY: Okay. What are our options?

Normally, these things are negotiated with the staff, and then a completed lease is presented to the Commission for ratification.

MR. TROUT: That's generally the way the Commission has directed the staff to work. We've tried not to unilaterally impose rental rates on any lessee, but to consider each case
individually, the property individually, the environmental
effects individually, and present -- after some level of
discussion present a negotiated agreement to the Commission
for approval.

So, we've been totally unsuccessful in negotiating
with the Holly Corporation.

CHAIRMAN CORY: And at this point they are still
using the facility?

MR. TROUT: Yes, sir.

CHAIRMAN CORY: And they asked to have the item put
on the Agenda, it was their request, not yours?

MR. TROUT: That's correct.

CHAIRMAN CORY: And did they receive notice?

MR. TROUT: Yes, they did. In fact, Mr. Bode
talked with the Executive Officer within the last couple of
weeks, including an exchange of correspondence regarding this
matter.

MR. HIGHT: Mr. Chairman, if I might clarify, the
staff recommendation just provides that throughput is an
applicable rental rate, and directs the staff to continue to
negotiate. It does not, I think, in any way, prejudice
Mr. Bode or his client.

CHAIRMAN CORY: We're not imposing this specifically
on him or seizing his assets in any way, shape, or form?

At this point we are just saying we are here, we were ready to
talk, you didn't show up.

EXECUTIVE OFFICER NORTHRUP: We wanted to make sure --

MR. McCausland: Let me make a suggestion. The staff recommendation is divided into three parts. The first is to find that Holly's protest and contentions are without merit. Let us delete that. I don't believe that that's a finding of fact that is necessary to make.

Then, I think you might be able to live with the second two, which find that volumetric rental rates are applicable and are appropriate, and to direct the staff to remain available for negotiations.

Is there any objection?

MR. Taylor: On the, one, find that Holly's protest and contentions are not agreed -- are disputed by the Commission?

MS. Smith: Dispute.

CHAIRMAN Cory: Yes.

MR. McCausland: That's part of my motion, Mr. Chairman.

MS. Smith: Second.

CHAIRMAN Cory: Okay. We have a motion and a second.

All those signify by saying aye.

(Ayes.)
CHAIRMAN CORY: The motion is carried.
Okay. Item 20, adopt for approval Administrative Code changes. This is trying to conform our regulations to the intent and purposes of the Coastal Commission.

EXECUTIVE OFFICER NORTHROP: That's right.

CHAIRMAN CORY: And you have discussed this with the Coastal Commission staff.

EXECUTIVE OFFICER NORTHROP: Yes. Mr. Joe Bodovitz, the Executive Director of the Coastal Commission, has sent a letter, and I quote in part, quote:

"We applaud your initiative and look forward to working together with you on all matters of mutual interest to our respective Commissions."

In addition to this, we have held four statewide hearings from San Diego to San Francisco, and Los Angeles and Long Beach area, and in Sacramento.

CHAIRMAN CORY: Betty raised the question, while we were sitting here waiting to get things started, that there is some involvement in tanker regulations there, and we have conducted some hearings on.

EXECUTIVE OFFICER NORTHROP: There is an area for tanker regulations that are not included in these regulations. However, there is an area which we will probably expand at some later time for adoption by the Commission on tanker regulation. We have not inserted tanker regulation at this
time, but there are provisions for it.

CHAIRMAN CORY: Okay.

MR. HIGHT: The regulations contain provisions almost identical to the Coastal Act, regulations relating to tanker. The regulations also provide that the Commission will at a later time adopt tanker regulations.

CHAIRMAN CORY: I hear your words, and they've got a subject and a predicate, but what do they mean?

MR. HIGHT: It means that at the present time there is provisions for tanker regulation included within the Coastal regulations, but the majority of the provisions will not become effective until the Commission adopts tanker regulations.

CHAIRMAN CORY: Is that in what, 2512, protection against oil spills?

MR. MILLS: 2542.

EXECUTIVE OFFICER NORTHRUP: It would be an expansion of 2542. It includes "with specificity."

MS. SMITH: Do Sections 2512, 2541, 2542, 2543, and 2544 repeat the language of the Coastal Act of 1976?

MR. MILLS: 2541 is, basically, an expression of the policies in the Coastal Act. 2542 is not. 2543 is. 2512 is not. However, 2512 represents existing Commission policy which has been in effect since about 1973.

Well, in 2512 there's referencing to several
operating procedures which the Commission has approved in
the past that we have required of all our lessees.

MS. SMITH: And 2544?

MR. MILLS: 2544 is, basically, a restatement of Coastal Act policy.

CHAIRMAN CORY: 2542 is entirely new?

MR. MILLS: It is entirely new.

CHAIRMAN CORY: And the genesis is not in the Coastal Act?

MR. MILLS: No, it is not.

MS. SMITH: When you say the regulations as proposed are a restatement of the Coastal Act, are they an exact restatement or are they more restrictive, do they require more than the Coastal Act?

MR. MILLS: In certain instances, they do require a little bit more. These instances are instances in which our policies in the past have required a little bit more.

In other words, before the Coastal Act we've had policies and have required certain data, certain criteria be met. These are really a restatement of our policy, the Commission's policy.

MS. SMITH: Okay.

EXECUTIVE OFFICER NORTHROP: Incidentally, Mr. Chairman, that is Steve Mills of our staff.

CHAIRMAN CORY: I thought he was from the press.
MR. McCausland: I probably should make a comment for the record. At previous meetings, I have suggested that we shouldn't adopt these until we have met with the Coastal Zone Commission and did a number of other things.

I have discussed the rules and regulations with the Coastal Zone Commission staff. I have read the entire -- I believe the entire correspondence file commenting on the draft plans, and I've satisfied myself that we have done the best job we can in meeting most of the concerns and objections.

So, I support their adoption.

MS. Smith: I second.

Chairman Cory: There is a motion and a second.

Without objection, they will be adopted.

MR. Taylor: I think this is the first agency to adopt a regulation implementing coastal policies other than the Coastal Commission.

Chairman Cory: Item 21 is a commercial lease with Walter M. Harvey. For anybody in the audience, I want you to know that that is not the Walter Harvey that works for me.

This same before us and there was some tension between the City and the proposed lessee previously. Those,
I understand, have been resolved.

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

CHAIRMAN CORY: The City is now happy with Mr. Harvey and Mr. Harvey is happy.

EXECUTIVE OFFICER NORTHROP: We have made substantial changes in the design motif and in the size of Mr. Harvey's ship.

CHAIRMAN CORY: Bureaucracy prevails.

Any questions from Members of the Commission? Anybody in the audience for Item 21?

Ready to approve it?

Without objection, it is approved as presented.

Item 22. This is authorization for the Attorney General of the staff to proceed with a trespass against Albert H. Balkwill from state-owned tide and submerged land adjacent to Fig Island in Potato Slough, San Joaquin County.

Is there anybody in the audience on Item 22?

Comments from the Commissioners?

Prepared to move on this item?

MR. McCausland: Yes, sir.

CHAIRMAN CORY: We're going to stand up forthright and protect Potato Slough.

Without objection, authorization is granted.

MR. McCausland: I was more interested in Fig
Island. You can have the Potato Slough.

(Laughter.)

CHAIRMAN CORY: Item 23, permit for Trinidad Island Homeowners Association in Huntington Harbour, $1412 per annum, with a five-year anniversary date alteration. Are there any questions from anybody in the audience? Anything from Members of the Commission?

Without objection, Item 23 will be approved as presented.

Item 24, Harbour-Pacific, Limited. Again, this is a Huntington Harbour lease for a commercial marina.

Anybody on Item 24? Commissioners, ready?

Without objection, 24 will be approved as presented.

Item 25, authorize an interim extension of gas storage lease. This is McDonald Island, which will extend this from March 31st to August 31st, '77, for negotiations to continue whatever the renewed terms will be effective, March 1, '77. The lessee understands that and is agreeable?

EXECUTIVE OFFICER NORTHROP: Yes.

MR. HIGHT: Yes.

CHAIRMAN CORY: And this is one of our early volumetric leases that has been imposed previously?

EXECUTIVE OFFICER NORTHROP: Up for renewal.

MR. McCausland: Why don't you make a little report to the Commission on the history of this volumetric throughput
lease, Mr. Northrop, so we can have it in the record.

MR. HIGHT: Mr. McCausland, this lease was originally a gas-producing lease on all the gas being removed from the field. Pacific Gas and Electric desired to store gas in the area, and in 1959, the Commission entered into a lease for storage of gas in that area for one cent per cubic Mcf, and that lease now has expired. And we have collected over $400,000 since then for the storage.

EXECUTIVE OFFICER NORTHROP: The values involved had nothing to do with the value of the land, but rather the value of the product that flowed in.

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

Item 27.

Oops. I'm sorry. We approved Item 25. I misspoke myself.

We now have Item 26, which is Long Beach Operations. Moose, can you take us through those?

MR. THOMPSON: All right. In the annual plan and budget for the Long Beach Unit, there is an economic projection showing expenditures of anticipated revenues. We revise this quarterly and report back to the Commission.

In time for the first quarter to report back, we were in a stage where the FEA were revising their regulations, so we had to bypass that particular modification. Now, we
are coming into, in effect, a six-month modification. During that time, the FEA has changed their property definition, and we also have a gravity differential, potential for crude oil pricing. The main gist of this is the reflection of the extra $17 million that will result from the increased crude oil prices.

CHAIRMAN CORY: Any questions from Commissioners? Glad to have the money.

Approval is granted as suggested on Item 26.

Item 27.

MR. THOMPSON: Because it's so good, in the Sixth Modification, we'd like to ask you for a $600,000 augmentation of the budget. We always give you the good, and then get some back.

All we are going to do here is buy a small workover rig for the unit. There's about a two and a half year payout on this, so it is a question of our owning the equipment and paying it off ourselves, and having it for use in the unit. There would be continued use for it for the next 25 years.

CHAIRMAN CORY: All right. Any questions on that? We're going to let you spend 600 grand for your new toy.

Item 27 is authorized as presented.

Item 28.

MR. THOMPSON: Item 28 is just additional review on Parcel A which is another tideland property. The revenue
will be about the same. We're still in litigation on some potential additional revenues, as pointed out here, and this is litigation that's tied up in other suits. And I imagine the Attorney General will want to talk about that later on. It's just an informative calendar item.

CHAIRMAN CORY: We accept your information.

Item 29, the Micellar-Polymer project.

MR. THOMPSON: This, again, is reporting back on an enhanced recovery project we have with another contractor in tidelands there. It's just a progress report. We are running a little bit behind schedule because we are trying to do some investigative work on actually using our own Wilmington crude as part of the material we inject in the ground. Since we have to inject about two million dollars worth of material, we would like to be assured of some degree of success in the project.

So, the delay, although it looks bad, is really a meaningful thing.

CHAIRMAN CORY: This is where we are trying to use indigenous crude oil instead of trying to import the product?

MR. THOMPSON: Right, because of the fact of trying to inject a $20 a barrel product to recover crude -- makes it kind of iffy. If you can use your own crude, then the economics are much better.

CHAIRMAN CORY: Any questions?
MR. McCausland: No.

Chairman Cory: Thank you.

Item 30.

Mr. Thompson: Item 30 is the City giving us an intent to expend tideland oil revenue, the sum, $89,000. The total project is $1,389,000 for a 117-slip marina in Downtown Long Beach. They are going to obtain a $1,300,000 loan from DNOD, and the payback of the loan is to be from the revenues from the marina. So, we are not committing any future tideland or revenue funds.

This, again, is nondiscretionary. The main thing the Commission has to find is this is within the scope of Chapter 138, and a small boat harbor is one of the provisions.

Chairman Cory: Any questions?

Approved as presented, without objection.

Item 31.

Mr. Thompson: This is prior approval for expenditure of monies for subsidence cost.

What's happened here is they have a sprinkler system, and the underground portion of it has gotten down into the groundwater, because the area subsided about ten feet. So, there is corrosion in there, so really, they don't really have an adequate fire protection system. They want to replace it, and this is part of Chapter 138 -- subsidence cost are to remedy the cost of subsidence.
The State gets a credit here of $10,000 for the value of existing systems that will be replaced.

CHAIRMAN COPY: Any questions?

MR. McCAUSLAND: No.

CHAIRMAN CORY: Item 31 will be approved as presented.

Item 32, the Executive Officer wants to rip off some of our power on our dredging permits.

EXECUTIVE OFFICER NORTHPROP: OPR and Senator Marks -- OPR has suggested and Senator Marks, I believe, carried some legislation last year for the Executive Officer to be delegated the authority to do dredging permits so it speeds up dredging permit applications.

The calendar item calls for a limitation on the Executive Officer to .0,000 cubic yards, and a further communication caveat that he report back to the Commission every month on those permits he issued.

MR. McCAUSLAND: My only question is do you have any idea what percentage of the permits you process that would come under that procedure?

EXECUTIVE OFFICER NORTHPROP: Frankly, it would be a guess of --

MR. WILLARD: About one-third.

EXECUTIVE OFFICER NORTHPROP: One-third, okay.

That's better.
MR. McCausland: I'd be inclined to go along with this recommendation, Mr. Chairman. It could well be we might want to also discuss criteria for a second level of permits, where only the major dredging permits came to the full Commission. If he does a good job with this one, we could expand his powers a little more.

Chairman Cory: That's dangerous with a fascist like him.

(Laughter.)

Chairman Cory: Okay. We can trust him with 10,000, but not 10,001.

Mr. McCausland: I should say that practically every comment we got from the State agency on the Coastal Zone rules and regs had to do with our mismanagement of the dredging operations, so I certainly hope we do a good job.

Executive Officer Northrop: That's been OPR's -- well, I won't get into it. That's all they have been able to find out what's wrong with us, is how we operate dredging.

Chairman Cory: Who are the dredging contractors?

Executive Officer Northrop: I don't know. I'm going to find out, though.

Mr. Chairman, we have a piece of legislation on this subject informative, that we think well may be the answer, and that is to license dredgers for the State Lands...
Commission, and have them operate with a dredging license so they can report to us what they dredge. We really don't want to get into the police business, but that way a dredger -- we would know everything that is being dredged by dredging reports, because of the miles and miles of rivers and bays and areas that can be dredged. Right now, our application for dredging permits -- the enforcement of it is just less than what we would like to have to make it workable.

And we are working on legislation, and staff now will recommend that the Commission support that with licensed dredgers, so dredgers would report to us where they were dredging and how much they were dredging.

CHAIRMAN CORY: Okay. You've got your permits. Come back to us with the thing, and consider the criteria at a second level at some point along with the progress report of that as Sid has suggested.

Item 33, litigation.

MR. TAYLOR: Mr. Chairman, this is a settlement of another one of the East Beach cases in Long Beach. These matters are on appeal. We have reached agreement with the private party similar to the ones that were listed there before.

I think this is now the third or fourth that you have approved, and it is identical to the others.

EXECUTIVE OFFICER NORTHROP: Two or three previously.
MR. TAYLOR: Previously.

CHAIRMAN CORY: Questions.

Without objection, then, Item 33, authorization is granted.

Item 34, this is the case on oil pricing which is moot because the contract has expired, is that correct?

MR. HIGHT: The contract will expire on May 1st.

CHAIRMAN CORY: This will enable us -- Without objection, ratification.

Okay. The next meeting is Thursday, March 31st, '77, at 10:00 a.m. in Sacramento some place.

Are there any other items to come before us in the public session?

MR. TAYLOR: Mr. Chairman, there are three or four items I might point out while we are still in public session.

We have filed seven more Santa Monica lawsuits, bringing the total -- six more -- bringing the total to 27. There are five remaining lawsuits which have not been included in the litigation. Before filing those actions, we are going to try to see if we can't settle them because they are in the diminimus category if they agree with our contention about the line.

The Morro Bay litigation, which was authorized some time ago by the Commission, has now been filed as to one-third of the mile of the waterfront of Morro Bay. A
number of parties were named in that action.

We filed the brief in Exxon versus the State Lands Commission, the Appellant’s opening brief here in the District Court of Appeals in Sacramento. The Exxon response should be in in 30 days, unless they ask for an extension.

I'd like to bring up a matter with regard to that in Executive Session, which I had forgotten.

I believe we had already mentioned that U.S.A. versus Union Oil, the Federal geothermal case, came down, and that was to the effect that -- or the footnotes were to the effect that geothermal energy is a mineral. That's in the Ninth Circuit.

A $2.7 million claim has been filed against the Commission in connection with San Elijo Lagoon, which was one of the preliminary reports which was issued by the Commission. Settlement negotiations with the staff are under way, and we are assured that we believe we have a settlement. The filing was necessary because the statute was running. If negotiations aren't successful, that would be part of their basis for a lawsuit against us.

I believe those were all of the items of litigations that have occurred, except that Jan Stevens would like to introduce a new member of the Land Law section in the Sacramento office.

MR. STEVENS: Mr. Chairman, Members, Margaret Rodda
has joined our staff in Sacramento representing the Lands Commission. Margaret is a graduate of McGeorge this year, and is already deeply immersed in the problems of interstate boundaries of Lake Tahoe and Clearlake.

I think you have already met Allan Goodman, who transferred from Los Angeles to our office up here, to have the opportunity of working with the Commission as well. Allan is dealing with the very complex problems of the Delta and the Lake Tahoe boundaries between private and public lands.

MR. McCausland: What's Mr. Stevens doing now?

I thought he came back from legislative duties to do those things.

MR. STEVENS: My role is as protocol.

(Laughter.)

CHAIRMAN CORY: Let me suggest that I could not pass your introduction of the new Attorney Rodda who has joined our staff without commenting on the brilliance of that class from McGeorge.

(Laughter.)

CHAIRMAN CORY: The caliber of personnel that that individual --

MR. McCausland: Why don't you save that for Executive Session?

(Laughter.)

CHAIRMAN CORY: I want this on the record for my
wife.

(Laughter.)

CHAIRMAN CORY: Okay. Are there any other items to come before us?

If that is all, I think we will ask that the room be cleared so that we can dispense with the executive items right here and still get to lunch.

(Thereupon the meeting of the State Lands Commission was adjourned at 11:40 a.m.)

--000--
STATE OF CALIFORNIA  ss.
COUNTY OF PLACER  

I, DIANE LYNN WALTON, C.S.R., a Notary Public in and for the County of Placer, 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, Diane Lynn Walton, 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 23rd day of March, 1977.

DIANE LYNN WALTON, C.S.R.
Notary Public in and for the County of Placer, State of California
C.S.R. License No. 3067

PETERS SHORTHAND REPORTING CORPORATION
26 NESS COURT
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601