BUSINESS MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

CITY HALL
COUNCIL CHAMBERS
SACRAMENTO, CALIFORNIA

FRIDAY, OCTOBER 30, 1981
10:00 A.M.

RONALD J. PETERS, CSR
License No. 2780

PETERS SHORTHAND REPORTING CORPORATION
7700 COLLEGE TOWN DRIVE, SUITE 209
SACRAMENTO, CALIFORNIA 95828
TELEPHONE (916) 385-3801
MEMBERS PRESENT

Kenneth Cory, Chairman, State Controller
Suzanne Morgan, representing Mary Ann Graves, Director of Finance, Commissioner
David Ackerman, representing Mike Curb, Lieutenant Governor, Commissioner

STAFF PRESENT

Mr. William Northrop, Executive Officer
Mr. James Trout, Assistant Executive Officer
Mr. R. C. Hight, Staff Counsel
Ms. Diane Jones, Secretary
Ms. Jane Smith, Secretary
Mr. R. S. Golder
Mr. Les Grimes
Mr. W. M. Thompson
Mr. David M. Hadley, Staff Counsel
Ms. Jane Mochon, Staff Counsel
Ms. Betty Louie

ALSO PRESENT

Mr. Jan S. Stevens, Deputy Attorney General
Mr. N. Gregory Taylor, Assistant Attorney General
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Public Comment

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- Mr. Dick Stevens
- Mr. Harrison W. Hertzberg
- Mr. Kilpatrick
- Ms. Melissa Jones
- Mr. Larry LaBow
- Mr. George Scott
- Mr. Clancy Leland
- Mr. Joseph Sabad
- Ms. Joanne Swan
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CHAIRMAN CORY: We will call the meeting to order. And in terms of some housekeeping items before we get together, there are forms that I think have been passed out, like this, for anybody who wishes to say anything at this meeting. I particularly have some indication that there are some people who wish to speak on Item 54, which is the Catalina item.

We have had a public hearing in the area on the matter, and so we are not looking for a great deal of lengthy discussion this morning. We will make available an amount of time if those of you who wish to speak could please fill out the forms so we can try to figure out how to allocate so that each of you have at least some time of the available time to speak.

We plan on concluding the agenda here this morning and we plan on proceeding with some alacrity. So, to the extent that you can get together to avoid duplication amongst yourselves, that would be helpful. If that can't be done, we will arbitrarily allocate the time available to the number of people and each person will be given an equal amount of time. And that's the way we will proceed.

We will go ahead and proceed with our business as per the Calendar.
There are certain items that have been taken off calendar. Calendar Item 32, Calendar Item 53, and Calendar Item 48 have been removed from the calendar, so if there is anybody here on those items, they are no longer on the Calendar.

Are there any corrections or additions to the minutes of the meeting of September 29?

Without objection, the minutes will be approved as presented.

The report of the Executive Officer: Mr. Northrop.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, thank you. Mr. Chairman and Members, today I would like to introduce Mr. George Wakayama. George, would you stand up?

George is retiring from the Commission after more than 25 years of being on the Long Beach staff.

George is the Commission's Senior Subsidence Engineer. He has played a large role in the compromise settlement with the City of Long Beach, reached in 1976. That settlement included $7.6 million in claims for 36 Expenditure Projects. Twelve such projects are now under consideration, under construction or awaiting final review by Long Beach or the State. The potential deduction from tideland oil revenue is measured in many millions of dollars.

George, you have earned the respect of all those with whom you have worked, including the Attorney General's
Office, and surprisingly, the Long Beach City Attorney's Office, and the Long Beach City Engineer's Office and the Harbor Department.

The Commission staff will miss your smile and your cheefulness and the cooperative input that you have put in for the last 25 years. I want to express my personal gratitude and wish you best wishes for a long and happy retirement. Thanks, George.

MR. WAKAYAMA: Thank you.

(Applause.)

CHAIRMAN CORY: We appreciate the kind of work you did, particularly with making sure that there was a fair, just and equitable settlement on the Grand Prix parking lot.

(Laughter.)

EXECUTIVE OFFICER NORTHRUP: That concludes my report, Mr. Chairman.

CHAIRMAN CORY: Okay. The next item is the staff report on the State Coastal Commission. Mr. Golden.

MR. GOLDEN: Mr. Chairman and Members of the Commission, I am going to be very brief this morning because of the length of the agenda.

You have in front of you my staff report. I am going to just briefly summarize it. There have been some changes in the membership. Quite a few new members have come on the State Coastal Commission and the Legislature has
changed some of the charges and has taken off some of the real controversial items.

We have been working primarily in the area of acquainting those new members with public trust considerations, primarily in the areas of Malibu and Redondo Beach.

Also, we have been working on some questions relative to the sand mining operations in Monterey, which have come to the commissioners. Thank you, Mr. Chairman.

CHAIRMAN CORY: Thank you. Any questions from Commissioners?

ACTING COMMISSIONER ACKERMAN: No.

ACTING COMMISSIONER MORGAN: No.

CHAIRMAN CORY: The next item is the Consent Calendar items, which are prefixed by the letter Cl through C19, and they will be taken up in one motion unless there is someone in the audience who has an objection to the proposed staff recommendations on that item. Is there anybody that has any objection to any Consent Calendar items?

Without objection?

ACTING COMMISSIONER MORGAN: I approve.

ACTING COMMISSIONER ACKERMAN: None.

CHAIRMAN CORY: The Consent Calendar will be approved as presented. These are items Cl through C19.

Item 20. This is the Wickland Oil Terminals.

This is a ratification of the Executive Officer's approval
of a security agreement for the lenders on Wickland Oil
terminals.

And this morning, as that was explained to me,
there is a relatively short time fuse of notice that, if
there is default, we are given 24 hours, given a list of
proposed bidders, and we have to either reject any of the
proposed bidders that are unacceptable to us within 24 hours
of them telling us. And then, after they had opened the
bids and decided on who is the winning bidder, when they
are cutting their losses at the bank, we have one hour to
approve them.

I have some serious problems whether or not the
State Government, given our holidays and the like, can in
fact conform to, in essence, a 25-hour time frame on
approval of a new lessee.

And I don't know where we are with this problem,
but I just can't in good conscience agree to that. I
understand that the bank wants a quick and rapid decision on
that, but I don't see how anything short of probably two
working days of the State is realistic.

EXECUTIVE OFFICER NORTHERN: Mr. Chairman, that
was negotiated by Mr. Dave Hadly. Perhaps he could fill
us in.

MR. HADLY: Mr. Chairman, we did discuss at
length, with attorneys from both Wickland Oil and the lender
in this case, Crocker Bank. There are three banks involved in this agreement. There are two possibilities.

What we have given the oil company is, we have allowed a security interest in the lease issued by the State. Now, if the lessee defaults on the loan to the lender, doesn't make the payment, then the lender is faced -- well, they have to decide what to do and they have to decide whether to replace that lessee with somebody else who is more responsible.

Now, the first thing that they will try to do is to find, instead of foreclosing and having the sale through the deed of trust, they are going to try to locate another responsible party.

In that case, the State has at least two days, and it is more likely going to be a longer period. Their intent is to have a list of potential lessees and give that to us well in advance of a decision.

CHAIRMAN CORY: What does the contract call for? I don't care what they intend. What does the contract obligate us to perform?

MR. HADLY: Okay. The contract calls for two days --

CHAIRMAN CORY: Two calendar days or two State working days?

MR. HADLY: Two business days. In other words,
if there is no foreclosure, if they don't foreclose, which
is the case 95 percent of the time, 99 percent of the time,
these matters do not go to foreclosure. There is somebody
else put in in place of the lessee without a foreclosure
sale.

It's very very unlikely that a foreclosure sale
would ever happen.

So there are two business days for in lieu of
foreclosure.

CHAIRMAN CORY: Who's business, the bank's or
purs?

MR. HADLY: Our working days and the bank's,
I believe, are on the same schedule. They are working a
five-day week.

CHAIRMAN CORY: Not always. And that's why we
have got to be clear that we are talking about two State
working days because there are days that are bank holidays
and days that are State holidays and they don't coincide.

What I don't want to get into is a position where
the bank is working and we are not and the thing is
approved by nobody even knowing that it exist(s).

MR. HADLY: Okay. The contract says that the
State shall have at least two business days. That is the
business days of the State. In other words, the days on
which the State conducts their business.
CHAIRMAN CORY: Okay. Now, what is the other thing on the 24 hours?

MR. HADLY: The other possibility, which is, again, very remote, is if a foreclosure pursuant to the statute takes place. Now, what's going to happen in that event -- first of all, we will have notice in 90 days prior to -- we will have notice of a default and then it will be at least 90 days before they can schedule a sale.

So what we will have is a lot of time. Within that time, again, the bank will try to locate responsible lessees to take the place of the party in default.

If there is a sale, there will be 20 days notice of the sale to a formal notice. They will continue to try to ascertain the likely purchasers or potential bidders in such a sale.

It's very likely they will have a list of those parties interested, because the parties will inquire. They will want to know and they will inquire as to what is entailed in the lease and they will want more information before they can make a bid. We are going to probably know the identity well in advance of the sale.

There is one possibility that is extremely remote. If it comes down to the day of the sale -- well, first of all, when you get within the day of the sale --

CHAIRMAN CORY: Is there or is there not a
requirement of a 24-hour limitation on our time frame, and
if so, when is that operative?

MR. HADLY: Okay. That is operative if there are
no parties identified, if the parties decide to go to the
foreclosure sale and have not previously identified them-
selves. In that case, the State must make a decision. If
someone shows up at the sale who is previously unidentified,
the State must make a fairly rapid decision. The problem
is that the statute does not provide -- it just provides for
a sale. It doesn’t say that you can hold up the sale.

There is one qualifier in the sale where the
parties can be checked for their financial capability, as
far as responsible bidders. We will know the identity,
in other words, the day prior to the sale on that matter.

But if somebody shows up that is not previously
identified, which is very unlikely, then we have to make a
decision the day of the sale.

CHAIRMAN CORY: I think that is something the
State cannot live with if we are talking about somebody
that nobody has ever heard of in that position.

I don’t know how to solve the problem, but on the
day of the sale, if somebody shows up, then we are stuck with
a new lessee.

MR. HADLY: Mr. Chairman, I think what was
contemplated, we have run into a number of these security
agreements in which it is hard for the State to react because we have to have a monthly meeting and it has to be brought to the attention of the Commissioners what the identities of these parties are, but if we had a delegation of that to the Executive Officer, I feel that would be one way of solving it.

Again, that decision can be made very swiftly.

CHAIRMAN CORY: David.

ACTING COMMISSIONER ACKERMAN: Have conditions like these ever been placed upon the Commission by a lender in other circumstances?

MR. HADLY: No. The previous security agreements have been executed. The lenders have not asked for -- they have really not been filled with a lot of uncertainty. These banks are trying to fill in a lot of uncertainty in the security.

ACTING COMMISSIONER ACKERMAN: It almost gives me the feeling there is a high likelihood already that Wickland Oil is going to back out and we are already trying to approve a stopgap arrangement.

MR. HADLY: The problem is that the banks are very conservative and they are afraid if they conduct the sale, they want to honor the provision that says that the State has to identify or approve the identity of any lenders or any new lessees.
But if they have an extremely remote possibility of a sale with a new party showing up that hasn't indicated an interest, then we'd have to make a decision. But that's a very remote situation.

ACTING COMMISSIONER ACKERMAN: Is there anyone from Crocker Bank here?

I just wondered if this was not approved as a condition of the financing agreement, would Crocker Bank pull out?

CHAIRMAN CORY: As I understand it, this was not originally a part of Crocker's deal, but when Crocker sold it and established their group for the financing, some of the other banks have put this in. Is that the case?

EXECUTIVE OFFICER NORTHROP: Mr. Trout has some familiarity with that.

ASSISTANT EXECUTIVE OFFICER TROUT: Well, Mr. Chairman, perhaps we could ask Davey here, to respond, but my understanding is that the problem is with the statutes on foreclosure and on the giving of notice and not within the province of our own lease.

MR. HADLY: That is the problem, Mr. Chairman. Usually on a foreclosure sale, people just go up and bid.

CHAIRMAN CORY: No. You are giving away part of the Commission's ability to approve the lessee to accommodate a lender. I don't see that this Commission has an obligation...
You know, I think we have to move with speed, make decisions in a reasonable time, but I think that 25 hours in a worst case is inappropriate to agree to a contractual thing to convenience a lender. If the lender is that unreasonable that they require that, then I think we should look for another lender.

I don't want to get into it, but I just don't see how we can agree to be able to respond within 25 hours because in the worst possible case, government doesn't move that quickly. I think we ought to face that reality rather than to try to hide from it and say, "Well, gee, it may not happen."

If they can't accommodate that, without leaving out that specific requirement, then I think we are contracting away some of our options.

ACTING COMMISSIONER MORGAN: May I ask a question?
CHAIRMAN CORY: Go ahead.

ACTING COMMISSIONER MORGAN: What is the timing on this?

MR. HADLY: Well, the banks have committed to an $8.5 million loan based on this agreement.

ACTING COMMISSIONER MORGAN: How long is that loan good for?

MR. HADLY: I don't know how long they would leave that commitment based on this not being approved. I can't
answer that.

ACTING COMMISSIONER MORGAN: Would you advise us to approve what is before us absent by and removing that section that is objectionable or would you advise us to defer the matter?

MR. HADLY: I think perhaps you should defer it. The major problem has to be worked out as to how the banks can, if there is a security agreement, how they can foreclose according to the statute. That's their big problem. They have to be able to do that in order to protect their security, and they may not feel they are able to do that.

CHAIRMAN CORY: Well, I find it hard to believe that all the other lessees that we have dealt with at the State Lands Commission have been able to deal with their lenders and haven't had this problem. I mean that's where I have difficulty with having a great deal of sympathy with their side.

MR. HADLY: Well, one interesting point is that we have had this agreement with several other banks. I honestly don't think they have looked at what the potential consequences are, in other words, as far as going to foreclosure.

CHAIRMAN CORY: Dave.

ACTING COMMISSIONER ACKERMAN: Is Wickland Oil
in that shaky a position in this case?

CHAIRMAN CORY: Well, I would not imply that from this. I just think that --

MR. HADLY: This is the banks.

CHAIRMAN CORY: I think this is a deal that has been over-lawyered, frankly.

(Laughter.)

ACTING COMMISSIONER ACKERMAN: Is there any major downside for putting this over?

What are we going to gain from putting it over?

CHAIRMAN CORY: Well, the lawyers might be able to work out another agreement if they inform the lenders that there is some reluctance on the part of the Commission to go along with the 25 hours.

MR. HADLY: Mr. Chairman, may I ask is there a time frame that would be agreeable, a longer period?

CHAIRMAN CORY: I don't think it takes much time, but I think you need like two working days, the same as you got in the other, two State working days. Then I think the State can respond to it and live with the consequences.

MR. HADLY. In other words, two working days, if there were any sale, the State, if we could get them to agree, would have two days to approve the purchase of it?

CHAIRMAN CORY: I think two working days to approve a new lessee. But for some guy who walks in off the street.
with a wine jug and a cashiers’ check, to give him a lease on 24 hours notice, and the sale may be occurring God knows where, I mean I don’t think that is unreasonable for us to expect.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, would it be acceptable to the Commission to consider approval, giving them that caveat you just suggested?

CHAIRMAN CORY: I can move that.

ACTING COMMISSIONER ACKERMAN: That would be fine.

ACTING COMMISSIONER MORGAN: That would be fine except that this man advised us that he would prefer to have it put over.

MR. HADLY: I guess that’s up to the Commissioners.

ACTING COMMISSIONER ACKERMAN: What if we just approve it that way and then we can bring it up again for further amendment if we need it?

CHAIRMAN CORY: Fine with me.

Without objection, it will be so approved.

ACTING COMMISSIONER MORGAN: Fine.

CHAIRMAN CORY: Okay, if you can get two working days. If not, bring it back.

Item 21, amendment of a boundary settlement between North Coast Village and the City of Oceanside. This is just a redefinition of a boundary.

Any questions from the Commissioners?
Anybody from the audience on this item?

Without objection Item 21 is approved as presented.

Item 22, authorize the execution of a lease of the Hayward Land Bank or undivided percentage interests therein to the East Bay Regional Park District for marsh restoration and preservation.

Is there anybody in the audience on this item?

Questions from Commissioners?

ACTING COMMISSIONER MORGAN: No.

CHAIRMAN CORY: Without objection, Item 22 is approved as presented.

Item 23, exercise an option under a previous title settlement agreement to which the State will patent to the Port of Oakland and terminate the public trust easement on lands at the Oakland Airport Business Park and Distribution Center in exchange for a 26.87 percent interest in the Hayward Land Bank Parcel.

Is there anybody in the audience on this item?

Are there any questions from the Commissioners?

Without objection, Item 23 is approved as presented.

Item 24. The staff wants authorization for coordinating a multi-agency compilation on the cultivation of Jojoba and --
EXECUTIVE OFFICER NORTHRUP: Guayule.

CHAIRMAN CORY: -- Guayule in the desert.

Is there anybody in the audience on this item?

Any questions from Commissioners?

ACTING COMMISSIONER ACKERMAN: I have one. The Calendar item says that this will be done at no cost to the Commission. I can't believe that something like this can be done at no cost.

CHAIRMAN CORY: It certainly should be done at no cost.

(Laughter.)

ACTING COMMISSIONER ACKERMAN: How much is this costing?

EXECUTIVE OFFICER NORTHRUP: In dollars?

EXECUTIVE OFFICER NORTHRUP: Well, it could be in Jojobas and Guayules.

ACTING COMMISSIONER ACKERMAN: How many man-hours on this?

MR. GRIMES: Mr. Chairman and Commissioners, one land agent working perhaps two half days a week. It is primarily --

CHAIRMAN CORY: For how long?

ACTING COMMISSIONER ACKERMAN: For how long?
MR. GRIMES: I think the target date for printing this thing at no cost through the University Extension Facilities --

CHAIRMAN CORY: I hope the Reporter is getting these chuckles.

(Laughter.)

MR. GRIMES: -- is this December. It is going to be a compendium and not an original work.

CHAIRMAN CORY: And what does it cost to defend the copyright infringements?

ACTING COMMISSIONER MORGAN: What do we know about this?

MR. GRIMES: We know only that a lot of people are interested in cultivating not only Jojobas but Guayules.

CHAIRMAN CORY: And a lot of other things, too, but I am not going to get into that.

ACTING COMMISSIONER MORGAN: Are we the experts?

MR. GRIMES: No. The Governor is vitally interested in doing this, and we are the land owner. We have people coming in and they want us to tell them how to grow Jojoba beans, and of course we don't know how.

(Laughter.)

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think it is fair to point out that much of the desert land that we have currently returns no revenue to the State at all.
It is suitable for the cultivation of Jojoba and Guayule, so if we are going to put it out, we should at least know what we have got to lease and make sure we are leasing an area that is correct.

CHAIRMAN CORY: Do you mean to tell me that people are really willing to come in and lease that land to grow these things on?

EXECUTIVE OFFICER NORTROP: Yes, sir.

MR. GRIMES: Yes, sir.

EXECUTIVE OFFICER NORTROP: It has been done.

ACTING COMMISSIONER ACKERMAN: Is it our responsibility to give them that feasibility study, how to do that?

EXECUTIVE OFFICER NORTROP: I think it is our responsibility, Mr. Ackerman, to know whether the land that we have to lease is suitable for this kind of cultivation, and not attempt to lease it when it's not suitable.

ACTING COMMISSIONER MORGAN: I think the staff ought to do it.

CHAIRMAN CORY: Well, you want the staff to do this and you are going to have it done by December?

MR. GRIMES: Yes, I believe that's the target date.

ACTING COMMISSIONER MORGAN: Could they give us a report at our December meeting?

CHAIRMAN CORY: No, I would prefer that you would
proceed on nonobjections of the Commission. I am willing to
go along that far with you.

Is that okay?

ACTING COMMISSIONER MORGAN: Yes, I really am
interested.

MR. GRIMES: Thank you.

ACTING COMMISSIONER ACKERMAN: I abstain.

CHAIRMAN CORY: Mr. Ackerman abstains. I am
willing to allow the staff to proceed on a nonobjection basis
That's something out of the Long Beach 138 contract.

MR. GRIMES: Thank you.

CHAIRMAN CORY: Make sure that you don't engage
in any other form of cultivation out there.

Item 25, negotiated subsurface oil and gas lease
located in the Grays Bend area of the Sacramento River
involving 80 acres of tide and submerged land in Sutter and
Yolo Counties.

This is a negotiated thing to give access, is that
it?

EXECUTIVE OFFICER NORTHROP: Yes, that is correct,
Mr. Chairman, there is no State-owned access with
accessibility.

CHAIRMAN CORY: Is there anybody in the audience
on Item 25?

Any questions from Commissioners?
Without objection, Item 25 is approved as presented.

Item 26. Aminoil wishes to replace an access trestle located in Elwood Field, Santa Barbara County.

Is there anybody in the audience on this?
Any questions from Commissioners?
Without objection, Item 26 is approved as presented.

Item 27. This is a request for an award of a Geothermal Resources Lease of 800 acres in Lake County to the Central California Power Agency. The high bid was 70 percent of net profit.

Is there anybody in the audience on this item?
Any questions from Commissioners?

ACTING COMMISSIONER MORGAN: I have a question.
How many bidders are there?
EXECUTIVE OFFICER NORTHROP: There were three bidders on that one.

ACTING COMMISSIONER MORGAN: How close were they?
EXECUTIVE OFFICER NORTHROP: Seventy percent was the high, 62.3 was the second bid, and the third bid was 30 percent of net profit.

CHAIRMAN CORY: Any further questions?
Without objection, we will approve the high bidder, Central California Power Agency.
Item 28 is another award of a Geothermal Resources Lease. The high bidder was Central California Power Agency at 80.1 percent of net profits.

Is there anybody in the audience on this item?

Any questions from the Commissioners?

ACTING COMMISSIONER MORGAN: Were these all the same bidders?

EXECUTIVE OFFICER NORTHROP: Yes, appreciably the same bidders. There were three bidders. The second bid was 36.7 against the 80.1, and the third was 18.67.

CHAIRMAN CORY: Further questions from Commissioners?

Without objection, Item 28 is approved as presented.

Item 29, award of a 440-acre parcel of geothermal land in Mendocino and Sonoma Counties.

The high bid, submitted by Central California Power Agency was 97.5 percent of the net profits.

Is there anybody in the audience on this item?

Any questions from Commissioners?

ACTING COMMISSIONER MORGAN: What are the other bids?

EXECUTIVE OFFICER NORTHROP: The other bids were 38.7 percent and 20.3 percent.

ACTING COMMISSIONER ACKERMAN: Why did they bid
so high?

EXECUTIVE OFFICER NORTHROP: They need power, apparently.

ACTING COMMISSIONER MORGAN: How does this compare to other geothermal bids we have had?

EXECUTIVE OFFICER NORTHROP: We have been approximately in the high sixties, low seventies, in that general area on the other bids.

ACTING COMMISSIONER MORGAN: Okay.

EXECUTIVE OFFICER NORTHROP: This is an exceptionally high bid on the last one.

CHAIRMAN CORY: Without objection, Item 29 is approved as presented.

Item 30, authorizing competitive bidding on another parcel in Sonoma County, geothermal land.

Any questions from the Commissioners? Anybody in the audience?

Without objection, authorization is granted.

Item 31, Engineering Specialties Inc. wants a non-exclusive Exploration Permit in Shasta County on Latour State Forest.

This is seismic?

EXECUTIVE OFFICER NORTHROP: Yes, sir.

CHAIRMAN CORY: Any questions?

Any comments from anybody in the audience?
Questions from Commissioners?

Without objection, Item 31 is approved as presented.

Item 32 is off calendar.

Item 33. This is a proposal of a sale, right?

EXECUTIVE OFFICER NORTHROP: Yes, this is a proposed sale, right, Mr. Chairman, about 270 barrels a day.

CHAIRMAN CORY: And you are thinking of going to bid when?

EXECUTIVE OFFICER NORTHROP: I believe we are about in March, early March is what we are looking at. That will give us a test of the market at that time.

CHAIRMAN CORY: Anything from the audience on Item 33?

David.

ACTING COMMISSIONER ACKERMAN: Since the market is rather soft right now, does the Commission have the option of rejecting bids or do you have to take the highest?

EXECUTIVE OFFICER NORTHROP: We are just going out to bid, and when we bring the bids back, of course, we have to accept or reject at that time.

ACTING COMMISSIONER ACKERMAN: Do we have an obligation to take the highest bid?

EXECUTIVE OFFICER NORTHROP: No, we can reject all the bids.
CHAIRMAN CORY: No. And we have got the March time, as I understand it, is the OPEC change. We are trying to see what the Saudis do with total production. In March we might get some movement in the marketplace by then.

ACTING COMMISSIONER MORGAN: How long will this bid process take?

EXECUTIVE OFFICER NORTHROP: What is it, Moose, thirty days after the bids are received?

MR. THOMPSON: We should have the bids in in December.

EXECUTIVE OFFICER NORTHROP: Bids in in December and we will award it in March.

CHAIRMAN CORY: You are talking about requesting the bids in December for award in March, or are you talking about requesting in March for awards the following December.

MR. THOMPSON: It is presently a sell-off contract that expires March 1st. We expect bids back in December. We will bring them back to the Commission at that time. You can decide whether you want to accept that bid and extend it from March 1st on.

EXECUTIVE OFFICER NORTHROP: Or let it go back to basic price.

MR. THOMPSON: The OPEC countries agreed yesterday to a ceiling, but we still don't know about the production, when the cutback will be on that from the Saudis.
CHAIRMAN CORY: Okay.
Without objection, the proposed selloff is approved.

Item 34, Third Modification of the 1981-82 Plan of Development and Operations of the Long Beach Unit, Wilmington Oil Field. As I understand it, we are just turning $1.3 million around within the budget, no increase in total cost, but moving it from one place to another.

MR. THOMPSON: Yes.

CHAIRMAN CORY: Any questions from Commissioners? Any questions from the audience on this? Without objection, 34 is approved as presented.

Item 35, expenditure for construction of street improvements for Long Beach.
Anybody in the audience on this item? Any questions from Commissioners? Without objection, Item 35 is approved as presented.

Item 36. This is a termination of the new price mechanism, leaving out the retroactive issue.

EXECUTIVE OFFICER NORTHRUP: Yes, sir.

CHAIRMAN CORY: And this will change the mechanism by which we price the dry gas?

EXECUTIVE OFFICER NORTHRUP: The purchasing of dry gas at absorption plants has just about disappeared, so
we needed to settle on a new price formula.

CHAIRMAN CORY: Anybody in the audience on this one?

Any questions from Commissioners?

Without objection, 36 will be approved as presented.

Item 37. Mr. Hight, you are going to tell us that you have settled a Mcor V. Knob Hill lease, Knob Hill lease, is that correct?

MR. HIGHT: That is correct, Mr. Chairman.

CHAIRMAN CORY: And this is Seahawk?

MR. HIGHT: This is Seahawk and Mcor Oil, which is a controversy in access that arose several months ago.

CHAIRMAN CORY: So you worked out a settlement with which everyone can live with and we start collecting money forthwith. How much a day?

MR. HIGHT: About $13,000 a day.

CHAIRMAN CORY: We are taking out $13,000 a day rather than spending two or three years litigating?

MR. HIGHT: Correct, Mr. Chairman.

CHAIRMAN CORY: Anybody in the audience on this item?

Questions from Commissioners?

Without objection, Item 37 is approved.

Item 38, approval of proposed boundaries relative
to annexation of tide and submerged lands to the City of
Laguna Beach, Orange County.

Is there anybody from the audience on this?
Any questions from Commissioners?

ACTING COMMISSIONER ACKERMAN: This is just a
recognition of the boundaries, but not an approval of the
annexation?

MR. HIGHT: It is an approval of the legal
sufficiency, but not an approval of the annexation.

CHAIRMAN CORY: Without objection, Item 38 is
approved as presented.

Item 39 is an authorization for a disclaimer in
the lawsuit of the United States of America against a
section of land in Sacramento County. No involvement?

MR. HIGHT: Correct, Mr. Chairman.

CHAIRMAN CORY: Without objection, 39 is approved
as presented.

Item 40 is 1.56 acres of land and 2.51 acres of
land in Trinity County.

MR. HIGHT: That's for a road easement,
Mr. Chairman.

CHAIRMAN CORY: A road easement. Without
objection, Item 40 is approved as presented.

Item 41 is 4.8 acres in a U.S. lawsuit in Yolo
County.
Any problems?

Without objection, 41 is approved as presented.

Item 42 is a disclaimer on .32 acres of land in Yolo County. Another road?

MR. HIGHT: This is for part of the Central Valley Project.

CHAIRMAN CORY: CVP Project.

Any questions from Commissioners?

Without objection, 42 is approved as presented.

Item 43, 280 acres of land in Trinity County.

Any questions from Commissioners?

Without objection, Item 43 is approved as presented.

Item 44 is 49.21 acres of land in Trinity County, a U.S. lawsuit. We have no involvement.

Any questions from Commissioners?

Without objection, it will be approved as presented.

Item 45, .18 acres of land in Yolo County.

Any questions from Commissioners?

Without objection, Item 45 is approved as presented.

Item 46, .45 acres of land, again in Trinity County. This is a U.S. lawsuit without any involvement.

Any questions from the Commissioners?

Without objection, Item 46 is approved as
presented.

Item 47 is a disclaimer on 1.69 acres of land in Yolo County. There is no involvement and no questions from the Commissioners?

Authorization is granted.

Item 48 is off calendar.

Item 49.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, on Item 49, for the record, at 3:55 p.m. yesterday, Kevin Pedrotti from Assemblyman Wally Herger, called and requested that Item 49, adopting water levels in Lake Tahoe, be pulled from today's agenda because of the concern of several constituents. Assemblyman Herger has not had sufficient time to review this item and has requested that the item be pulled. Thank you.

CHAIRMAN CORY: Jan, can you fill us in on whether we can put this over or what we would be jeopardizing if we did so?

MR. STEVENS: Mr. Chairman, I'd recommend against putting it over because there is a need for an interim position to implement the California Supreme Court's decision in the Lyon and Fogerty cases. They held, of course, that the State owns fee to low water and that there is a public trust to ordinary high water on non-title, navigable waterways.
At Lake Tahoe, which is what Item 49 is addressed to, the State has been leasing for many years at the low-water level, which is recommended that the Commission reaffirm today, at 6,223 feet above sea level by Tahoe data.

By the same token, the high level which is recommended has been utilized by the regulatory agencies at the Lake, by the Corps of Engineers and by the local governments, as we understand, for some time as well.

There is pending litigation which cannot wait for another 30 days, because of various statutory limitations in which the State is involved and in which settlement is very close.

In addition, of course, the existence of all these leases would be thrown in some confusion if the Commission did not make it clear that it reaffirms the levels which have been recognized these many years, to let us go forward toward a final adjudication of these matters. The Court eventually may have a different idea about what the proper lows and highs are, but in the meantime, life must go on, and we need an interim operating position for litigation and for asing purposes.

I think we haven't had an opportunity, of course, to talk to Mr. Herger or his aide, but I think it should be made clear that these lines would be adopted solely for those
purposes, solely for the present ongoing programs of the Commission, and as the basis on which to continue toward a final resolution of the levels in the trial court, which, of course, is going to be necessary.

CHAIRMAN CORY: So that we would have the flexibility of changing this if it was causing particular grief to somebody?

MR. STEVENS: Definitely. We have to have a line to work with from day to day. This is what it comes down to. These are the lines that we have been, in fact, utilizing. The Commission has been utilizing for many years a low-water line, and this simply calls for a reaffirmation so that everybody knows where we are today with respect to Lake Tahoe. We think it's necessary in terms of the pending litigation.

CHAIRMAN CORY: Commissioners?

ACTING COMMISSIONER ACKERMAN: How many cases are pending that require this decision today?

MR. STEVENS: At least three at Lake Tahoe and, four, if the lawsuit pending with Nevada in Incline Village is added to it.

ACTING COMMISSIONER ACKERMAN: Those are cases that would be decided within the next 30 days?

MR. STEVENS: There's only one that will be decided within the next 30 days, but that is the case in which...
the five-year mandatory dismissal was extended by the Court
on the sole condition that it go to trial within the next
30 days. And if we are going to resolve that one, it's
going to be necessary to have some kind of line to call our
own.

ACTING COMMISSIONER ACKERMAN: So, in other words,
if we postponed this for 30 days, technically we would --

CHAIRMAN CORY: Lose the lawsuit because we
don't have a boundary.

MR. STEVENS: And, de facto, I think this
Commission has to have a line in any event, because if it
took the position that it didn't, until every line resulted
in the litigation that is pending, its leases would be
thrown into considerable confusion.

CHAIRMAN CORY: Okay.

MR. STEVENS: Ultimately it will have to be
resolved in court, and the private parties who are objecting
through Mr. Herger and otherwise will certainly have a full
opportunity to litigate and to present their views. We hope
they will be resolved soon.

ACTING COMMISSIONER ACKERMAN: What is the
interface between this item and the one that was pulled
off the calendar?

MR. STEVENS: The one pulled off is a general
policy item containing a number of recommendations with
respect to how the public trust should be treated by the Commission, how the Commission should deal with consistent and inconsistent uses, what the Commission should do in terms of giving people findings that their projects are consistent with the trust in that zone, and it is a much more complex policy matter that I know deserves a good deal of study.

And other persons, the Director of Fish and Game, for one, has requested that he be given an opportunity to meet and discuss it. It justifies being put over, certainly.

The Clear Lake and Tahoe items simply represent the setting of specific lines for now, which we have to use in leasing and in litigation, with the understanding that ultimately a court will have to make this resolution.

We'd like to put it over, but we don't think we will be any further a month from now than we are now.

CHAIRMAN CORY: And the other problem is for one lawsuit where the Court is saying that you can go to trial within 30 days and we will try to work that way.

MR. STEVENS: That is right.

ACTING COMMISSIONER ACKERMAN: Are there any similar situations with Clear Lake?

MR. STEVENS: Yes, there are. The county, of course, is a grantee at Clear Lake, but the State is
necessarily a party in litigation as to the title at
Clear Lake, and there are some cases which are hanging fire,
at least two I can think of now, in which the parties are
pressing for immediate summary judgment and disposition in
the next 30 days.

They have waited for us as a courtesy because
we wanted to come back and touch base with the Commission
to get the accepted lines reaffirmed.

ACTING COMMISSIONER ACKERMAN: I understand that
this morning a petition for rehearing was filed on the
entire case. Does that have any impact on the Commission
taking action this morning?

MR. STEVENS: Yes, a petition for rehearing was
filed, I understand, in the U.S. Supreme Court. The
Court previously denied it. We still are obligated, of course,
to follow the California Supreme Court's decision, which is
final, and it is essential for us to have a position in the
meantime.

The only alternative would be to suspend all of
our programs, operations, and positions in litigation until
every last petition for rehearing would finally be resolved
and I think that would be a long time down the line.

CHAIRMAN CORY: I am inclined to go ahead and
adopt the level with the understanding that it is the sort
of existing governmentally agreed to boundary which is subject
to change by the Court and subject to change even by the Commission if there were facts that were brought to us at some time.

ACTING COMMISSIONER ACKERMAN: Jan, could we adopt this as an interim position on behalf of the Commission for a period of 90 days or something like that, or come back at a subsequent date with the final declaration? Because, administratively, I think we should go forward and not hold up anything, but yet I am concerned that an appeal for rehearing has been filed, and to my way of thinking, the issue is not final yet, and I certainly don't want to prejudice anyone.

MR. STEVENS: It could certainly be adopted as an interim position and pending final disposition of the petition for rehearing, which the private parties have just filed.

ACTING COMMISSIONER ACKERMAN: Let's do that.

CHAIRMAN CORY: I am not so sure. I am just wondering if we shouldn't have at each of our meetings a report to us on the status of this, rather than tie it just to the rehearing, because there might be other things that are coming up in terms of various lawsuits. I would feel more comfortable about adopting this, but instructing the staff to, in essence, have a report for us, at every meeting, of the current status.
MR. STEVENS: I would be delighted to.

CHAIRMAN CORY: This way there will be an item on the calendar that we can deal with at any subsequent meeting rather than pugging it just to a petition for rehearing. That may sound silly, but I am not sure what other issues might come up, rather than having somebody get ground up in the mill somewhere, and it shouldn't cause us that much grief to have it printed on the calendar, so that if there is something that needs to be dealt with, we can act.

MR. STEVENS: We never tire of talking about our cases, Mr. Chairman.

CHAIRMAN CORY: It is called billable hours.

(Laughter.)

MR. CHIDLAW: Mr. Chairman, may I make a comment?

CHAIRMAN CORY: Yes.

MR. CHIDLAW: Mr. Chairman, my name is Bill Chidlaw, and I represent shore owners at Lake Tahoe. It is true that there were two petitions for a rehearing filed in two Lake Tahoe cases before the U.S. Supreme Court this morning. So, therefore, I think it is premature to act on either one of those matters at this point. But, listening to Mr. Stevens talk, it seems to me that we could improve the situation we are in today in a couple of ways. One would be to make this item relate only to the
one that you appear to have a five-year statute difficulty. As I understand what he said, there are no other cases that there is a 30-day time limit on.

So it isn't necessary to do that to the other pending matters.

And secondly, my principal problem with the two agenda items, the Clear Lake and the Tahoe items, 49 and 50, was that in the Clear Lake description of what you are asked to adopt, it clearly relates to a position to be taken and authorized in litigation.

In the Tahoe agenda item, it simply is in the abstract. It just simply is an attempt by the Commission to set high and low water marks at Lake Tahoe without any discretion as to what the purpose of that setting is.

I think it could be improved in that respect.

CHAIRMAN CORY: I am not sure. I hear your words, and I understand that they have a subject and a predicate, but I don't understand what you are telling us. I'm sorry.

MR. CHIDLAW: If you look at Item 49, the recommendation of what you adopt, at Lake Tahoe it simply asked you to adopt an elevation for the high water and an elevation for the low-water mark period. It doesn't say why.

In the Clear Lake agenda item, which is Number 50, you not only are setting a high-water mark at Clear Lake,
but you are relating the purpose of that setting to litigation.

CHAIRMAN CORY: Will you feel more comfortable if we deleted the purpose out of the second item?

MR. CHIDLAW: No, I'd feel more comfortable if you put in the purpose in the first item.

CHAIRMAN CORY: Given where we are, and what your business is, and what our business is, I think our interest is better served by not putting a reason in there.

MR. CHIDLAW: Well, there's no reason for an inconsistency between the two items.

CHAIRMAN CORY: I am prepared to delete the reasons in the second item unless the staff can give me a reason why we need to state those reasons.

ASSISTANT EXECUTIVE OFFICER TROUT: There is a difference in the two items, Mr. Chairman, because one, the Commission is directly responsible for the lands in Lake Tahoe, and the Commission is kind of in an oversight condition in Lake County, because the lands have been granted to Lake County and we have to deal through the County.

So the position is that we are leasing directly at Tahoe. In the Clear Lake case, we are dealing with the County and the County officials, and the litigation in which pursuant to Code we must be involved.

ACTING COMMISSIONER MORGAN: I don't grasp the
significance of that.

CHAIRMAN CORY: In terms of how do we get the reasons, if we are going to adopt a plan which is adopted for administrative, court or whatever and have it on the calendar at each subsequent meeting, whether we can deal with the changes as they come up rather than get us into a box as to why we have adopted.

MR. STEVENS: That's fine. I think it's clear in the Tahoe item that we are adopting it solely for the purposes of the Commission's programs and litigation.

Certainly the Commission wouldn't have authority to make an adoption extend beyond those things. That's all we are asking, really, that the record should be clear in that respect.

ACTING COMMISSIONER ACKERMAN: Jan, the gentleman did ask, could we approve an approval of the high water and low-water marks pertaining only to the case that is pending in the next 30 days. Is that appropriate?

MR. STEVENS: I'd be afraid that if that happened, that Mr. Chidlaw or somebody else would come back tomorrow and say, "Well, this means it doesn't apply to my client's lease."

I think it has to be answerable to every program of the Commission as an interim position.

CHAIRMAN CORY: Or in that particular case, if I
were handling that case, I would come in and argue equal
protection, that why have you done it here and nobody else
have you imposed this boundary on.

MR. STEVENS: It's difficult making any kind of
distinction why.

CHAIRMAN CORY: It's not like this is precipitating
the lawsuit. I just don't want to foul up the lawsuit.
That's why I wanted to have it on the calendar item so that
we can deal with it if something's gone wrong. I would feel
more comfortable with the deletion of any reasons out of the
next item when we get to it.

ACTING COMMISSIONER ACKERMAN: Ken, does our
approval of this, if we approve it, just simply suspend the
statute of limitations on the one case yet pending in the
next 30 days?

MR. STEVENS: Basically it gives us the necessary
standard to go ahead and settle that case.

CHAIRMAN CORY: Or to litigate it.
MR. STEVENS: Or to litigate it, exactly.

ACTING COMMISSIONER ACKERMAN: So what if we
come back and subsequently then make a change in our
procedure. Does that go back and affect that case?

because I don't want to put someone at a
disadvantage because we act today and then change the rules
three months from now.
MR. STEVENS: I don't think so. I think there is going to be a judicial determination of this in any event, and that's really where this question belongs. I really don't think that we can litigate the proper place between low and high before this Commission. It's going to have to be decided by the Court.

CHAIRMAN CORY: Pardon me. Did you not mean the proper place of low and high rather than the proper --

MR. STEVENS: The proper location.

CHAIRMAN CORY: Of low and high rather than between low and high.

MR. STEVENS: Yes.

CHAIRMAN CORY: Because, as I understand it, in this case we need to have both of them adopted to conform to the Supreme Court's decision. Those are relevant boundaries.

MR. STEVENS: That is right.

CHAIRMAN CORY: The problem is that we can end up getting a case thrown out maybe even with prejudice if we don't foresee, and it seems to me that we have to go somewhere, and that's why having it on the calendar, if somebody is getting done in or if we have to go back and make an equity settlement later on --

ACTING COMMISSIONER ACKERMAN: We can do it.

CHAIRMAN CORY: We can do it.
With that understanding, I'm going to go ahead and not comply with Assemblyman Herger's wishes.

ACTING COMMISSIONER ACKERMAN: Yes.

ACTING COMMISSIONER MORGAN: Yes.

CHAIRMAN CORY: So we adopt as requested in 49 and request the staff to have both of those items back on subsequent calendars?

Without objection, 49 will be approved as presented.

Item 50. We'd like to amend to delete any reference to reasons, which I hope that is not an agenda preference for the rest of the meeting and we will not state any reasons in that, but we will adopt the high and low-water lines for whatever purpose.

ASSISTANT EXECUTIVE OFFICER TROUT: Then, on page 180, in Recommendations 2 and 3, it appears that the intention of the Commission is, in 2, on the third line, after "Clear Lake", to strike the rest of the recommendation.

And on Recommendation 3, the next to the last line, put a period after the word "grant", and strike the rest of the recommendation.

CHAIRMAN CORY: Well, with the record reflecting that the deletion of that should not be taken in any great significance by anyone other than to provide bilateral symmetry with Item 49.
MR. STEVENS: Incidentally, we have been told by the Lake County counsel, that their supervisors are delighted with those two lines, Mr. Chairman. Somebody is happy at least.

CHAIRMAN CORY: Okay, with those amendments in, we will adopt Item 50 and also ask the staff to include that item on subsequent meetings unless further noted.

EXECUTIVE OFFICER NORTROP: Yes, sir, Mr. Chairman, we will take those steps.

CHAIRMAN CORY: Item 51, approval to readopt modifications to the Commission's regulations concerning surface use and the environment.

These are the Office of Administrative Law.

EXECUTIVE OFFICER NORTROP: My staff tells me that from a very bad start, we are now moving very well with the Office of Administrative Law.

(Laughter.)

CHAIRMAN CORY: The only way to get along with that agency is to get rid of it. To have more bureaucrats looking after you bureaucrats isn't doing those folks sitting out there any good.

(Applause.)

CHAIRMAN CORY: I hope somebody from the Office of Administrative Law is here. They are costing the State of California $10 million a month on a welfare beef that
the State can't afford. That is just absolutely outrageous.

Is there anybody that would like to speak to Item 51?

Any questions from the Commissioners?

Without objection, very reluctantly, I will vote to make the changes to accommodate that group of idiots.

Would the other Commissioners want to go along, or do you want to disassociate yourselves from my outrageous comments?

Okay. Without objection, Item 51 is approved.

Item 52 is likewise a modification for the OAL on geothermal.

Any questions?

Without objection, Item 52 is approved as presented.

Item 53 is off calendar.

EXECUTIVE OFFICER NORTHP: Yes, sir.

CHAIRMAN CORY: Okay. Item 54.

Would somebody please bring me the filled-out forms? We will see what we are looking at in terms of any -- is there anybody in the audience who wishes to be heard that doesn't have one of these?

ACTING COMMISSIONER ACKERMAN: There is 300 coming up from the audience.

(Laughter.)
(Thereupon a short discussion was held off the record.)

CHAIRMAN CORY: Okay. Could we have some order in the room. We have now 56 requests from people who wish to speak. If each of you wish to speak, the calendar item is there, the staff report is available, and I presume that all of you have copies of that.

If you have not made any arrangements amongst yourselves to group that, you are each going to get 60 seconds, one minute.

We can take you in order that way. If you want to group your interests and share time, we have got an hour before lunch, and we will take the testimony.

If I don't hear anything specific, then we will start through the list as we have them here and crank them off. You have got 60 seconds. When your time is up, your time is up.

MR. CARPENTER: Does that refer to the principals also?

CHAIRMAN CORY: I assume every taxpayer is a principal, Mr. Carpenter.

I don't know who is out there. I don't know who's there. There's not a great deal of coordination and I don't know how I can impose my views as to who speaks for whom.
If you people want to do that amongst yourselves, if you want to take a five-minute recess to do that, then we can. But otherwise, I think we are going to be here forever.

ACTING COMMISSIONER ACKERMAN: It would be beneficial to us, I think, at least for myself. First off, I am willing to be here as long as necessary to hear it.

(Applause.)

ACTING COMMISSIONER ACKERMAN: But secondly, good bedside reading was the testimony from the hearing held in Long Beach, and I read that well and I think it has been fairly clearly summarized in the staff report. I think that testimony should be at least condensed so that we don't have one person after another saying the same thing. I think that the Commission should be exposed to each separate idea and each separate interest, however the parties wish to present that to the Commission, but I think, Mr. Chairman, that 60 seconds is a little unreasonable.

MR. KILPATRICK: May I offer one suggestion?

CHAIRMAN CORY: Yes, sir. And you are?

MR. KILPATRICK: My name is Kilpatrick and I am a lawyer in Long Beach.

If the time were divided, whatever the time is given, between those who support the staff recommendations
and those who opposed them, we might find out and we might
get a better distribution of time.

FROM THE AUDIENCE: Why don’t we vote for for
and against?

CHAIRMAN CORY: I think we ought to establish,
first of all, that the votes are here on this side of the
table and we have got an agenda to go through, and we are
going to get through it.

There is a time problem and the problem with that
suggestion is I am not sure the issue falls that cleanly
as to whether people are for or against, because I don’t
think that on this side of the table there is a clear belief
that we are going to adopt a staff recommendation in toto.

There has been numbers of hours of hearings to
gather testimony, and I don’t wish to engage in further
gathering of testimony replowing the ground.

We will recess for five minutes. At 11:10 we will
reconvene and we will commence. If there are any suggestions
as to how you people wish to allocate time and group together
we will try to proceed. But I don’t think that we can from
here impose constraints upon people as to segregating the
one position or another, because it seems to me that there
are a multiplicity of positions. That’s my difficulty with
it.

If you wish to group yourselves, fine. We stand
in recess until 11:10. We are in recess until 11:10.

(Therupon a short recess was taken.)

CHAIRMAN CORY: Okay. We will call the meeting back to order. Have we got any ways to start attempting to get us down to a reasonable working frame?

MR. CARPENTER: Mr. Cory and Members, my name is Dennis Carpenter representing the Santa Catalina Island Company Conservancy.

I have a purchased air time, Mr. Cory, from 15 or more people, who's names I have on this list and whose names will not have to be called from your draw.

All right.

CHAIRMAN CORY: Okay.

MR. CARPENTER: This is the one occasion, Mr. Cory, where your well-known sense of fair play broke down.

CHAIRMAN CORY: We have made some progress, though.

MR. CARPENTER: Perhaps. I should like to make a few comments on behalf of my clients.

CHAIRMAN CORY: Can we have the list?

MR. CARPENTER: Yes, sir. It's right here.

CHAIRMAN CORY: Because I want to make sure that everybody does, in fact, get a shot at it.

MR. CARPENTER: Yes, some of them got their sheets back.

CHAIRMAN CORY: I want to be very sure that we
don't leave somebody out. Go ahead with your time.

MR. CARPENTER: Yes. There are some statewide organizations who, I hold, ought to speak for themselves and put forth their point of view. I think all of you are totally familiar with the information contained in the staff report, and so I would, in the few minutes I have, appreciate the opportunity to address what I consider to be the most salient points in this issue.

In addition to representing the Conservancy, which is 86 percent of the land mass of Catalina Island, and the Island Company, which is the rest of it with the exception of the city of Avalon, I also am a user of the Island and the water facilities around it for some 30 years plus.

As you know, there are already the capabilities here for the arousal of strong feelings about that segment of California's population in Southern California which has only one place to go primarily for that type of a boating experience, and that is Santa Catalina Island.

I want to go through, if I may, point by point, the issues that I think in this time limitation we should address, that come from the staff report and these recommendations which set forth properly that the best interests of the State of California are those which are your obligation as a Commission to undertake, and that the
best interests in our recommendation is to negotiate a lease
with the littoral owner, which is the Island Company and the
Conservancy on the historical basis, on the basis of past
performance, and on the basis of fairness, and on the basis
primarily of what is the best interest of the State and its
people, and particularly those who are users, and future
users of the tidelands in this context.

Historically I would like to submit to the
commission, and if the staff feels this is inaccurate,
perhaps they can enlighten you otherwise at an appropriate
time, that in the State of California, I don't believe over
there has been a tideland interest leased to other than an
upland owner or a littoral owner, without first negotiating
with that owner to determine whether or not it had an
interest and whether or not it would fairly compensate the
State for its interests and therefore treating it in a
natural sense that the upland or littoral owner was the
primary person in interest, even though all tidelands are
property, albeit granted originally by the Federal
Government, of all of the people of California through the
Tidelands Law, as administered by the State Lands Commission.

So it seems that the natural thing to do in this
case would be to turn to those who have been operating it
and who are the littoral owners as set forth in the analysis
of the staff. And so that is my first point, that I believe
should be given considerable weight.

The question might then arise, why negotiate otherwise? You have options set forth here by the staff, one of which isn't really an option. It is to postpone this matter a year or so and to let the current lessees continue to operate it during that course of action. And you might say, why don't we jump at that?

Fine. We can do that. The difficulty with that problem is that we know who is here in these seats now. We have seen the attitude of the public and the users, and demonstrated here, and even more emphatically down south, and we feel that the postponement of it is not a necessary thing to undertake. Obviously, we will live with it if we have to, but we don't think it is an appropriate step to take.

The public users of the tidelands issues here, principally as it relates to mooring and anchorage areas, and according to your own Commission's staff and your report, and I think by common knowledge of all of you, agree that the Island Company and its handling of the mooring situation for an extremely long period of time has been exemplary. They have been involved in it for some 60 years, although the current lease, obviously, has not run for that long, and have done a magnificent job in my opinion as a boater and in the opinion of the boaters who are involved.

I can't tell you that there is nobody in the
world who has been unhappy because we are unhappy in the first place because it is a limited access area anyway. This is a monopoly that you are talking about that is in the hands of the Lands Commission that cannot be granted to everyone because there isn't enough to go around.

Therefore, you have been fortunate, in my opinion, to have a family operation originally, and now a company with the small holdings and the Conservancy with a public use orientation and public access of the lands to continue that use, to continue it as it has been because it has basically been a nonprofit operation.

Your staff has audited the books of the Island Company and the Conservancy, and of the Island Company's subcontractor, Bombard Enterprises, and found that obviously they have run in the Black. But, with the exception of Mr. Bombard, who makes a living doing it, and the benefits that ultimately flow to the Conservancy, which are not enormous, that the Island Company has done it out of an act of not just love, but their interest in the overall Island properties that have been theirs for so long.

And so why change it? When you have got a good operation and you have no one complaining about it except the other potential bidders --

(Applause.)

MR. CARPENTER: I assure you, Mr. Chairman, that
that in not orchestrated and anticipated by me, and I am not used to that sort of thing, as you know.

(Laughter.)

CHAIRMAN CORY: Having heard you speak, I can understand why.

(Laughter.)

MR. CARPENTER: I will reserve my usual sense of humor as it applies to you, Mr. Cory. You have me at a disadvantage.

(Laughter.)

CHAIRMAN CORY: It is so seldom that I have you at a disadvantage.

(Laughter.)

MR. CARPENTER: Thank you.

To speak further on this question of why negotiate otherwise, with regards to SCI, the Island Company, and the Conservancy, they together own all of the uplands that are involved here, since the mooring areas adjacent to Avalon are not subject to these tidelands and are in the control of the City.

It has the facilities required to operate these things which your own staff has recognized in their proposed lease terms are absolutely essential, a place to dump the trash, the place for emergency landings, and emergency service and service to the boats, a fuel supply,
et cetera, et cetera.

These things all go with the ownership of the uplands and make it convenient, I think absolutely necessary, that they should occur that way. They own the moorings currently. They own the boats and the equipment and the shoreside facilities to do this properly.

And no one has any complaint ever about the handling of the moorings and their mechanical perfectness and so forth. This is a good operation by everyone’s admission.

What is someone else going to have to do who comes in and takes them over? I hope it would not be anticipated by the Lands Commission that the Island Company would be swept out and the Conservancy would be swept out, and would graciously leave one more gift to the people you anoint them to take over the operation with a good profit motive.

No, they would have to go out and start from scratch. They would not have any shoreside facilities or any rights to any uplands adjacent, except some 20-some miles away, which would be inconvenient and more costly.

They would not have the boats. They would have to purchase those. The moorings themselves are $1500 to $2,000 apiece. And with several hundred of them, we would anticipate that you are looking at a two or three million dollar capital outlay just to start up a minimal operation.
Where would they dump the trash that is now picked up? If people want to dump their trash, for instance, at the Isthmus, they can come in free and can dump that trash. The alternative is that they throw it in the ocean. They have a service that goes around and collects it for two bits, 50 or 75 cents, depending on the distance from the shore from the boats out there, a very nominal fee, to keep the water clean and protect the environment and the enjoyment that everyone has.

These will be difficult things, if not impossible, for some other stranger to come in and operate. So I think that the capital outlays is an important fact, which I will dwell on a little further in a moment, in talking about why I think the current lessees are the appropriate ones.

Thirdly, the facilities issue and the dump itself become very important. There is a dump on Catalina Island, incidentally. The City of Avalon uses it for one, but it is not a public dump. It is on the Santa Catalina Island's private property, a lease, which I might point out to you, also ends at the end of 1981. And I think that that should be borne in mind.

(Laughter.)

MR. CARPENTER: The mooring space itself is an interesting one. As I said before, this is a monopoly,
because there isn't enough to go around. So it is a question of how is this segment of the public going to enjoy itself in this form of recreation under the State's control?

In the first place, the issue of very little profit has been brought up here, and a new lessee who comes in is going to have to, just as we propose and we expect to make a significant increase in the contribution of the State of California over the obviously too low, almost insignificant rental, of the past lease, which is not your fault or the Island Company's. It is a different ball game now.

And so that is one factor. Everybody is going to expect that increase.

The next thing is that even if the State or some other public agency did this itself, or any private bidder did, it would have to come up with the private capital outlay which has to be recouped and recovered and interest paid on.

And thirdly, the other people can only be doing it for one reason, and you don't often hear me criticize that reason, except that we are talking here about a public facility, and that can only be to make a profit.

So, when you add those three things together, you are asking for, and submitting the people who are the users on the State tidelands here, an enormous increase in the cost
of operations to use those moorings.

So I think that the State's public interest
may be served by a slight increase in income, and you and I
know that this is not the solution of the State of
California's problems. If you increase the rental here
tenfold, it won't be noticed in the large cracks in the ship
of which you are a significant part.

Yes, sir?

CHAIRMAN CORY: Seven hundred moorings, roughly?

MR. CARPENTER: Yes, sir, 711.

CHAIRMAN CORY: So if we can get a million apiece

per year --

(Laughter.)

MR. CARPENTER: Strangely, this leads directly
into my next point.

If you put this in the hands of someone, and
incidentally, if it is going to go to a public bid where
high bid gets it, I'm going to get in the action myself,
because if you are going to anoint some corporation or
some citizen with the ability to rip off the public to make
a profit, I can relate to those things and I want to be a
part of it.

(Laughter.)

(Applause.)

MR. CARPENTER: But that brings me, Mr. Cory,
to, I think, a very important point here, and that is if you
do that, and a private operator for profit comes in who is
going to undertake this, and I expect him to go for the top
dollar on it, what you are really going to do, then, is to
decrease the ability of those who are in boating, yes,
that have the lower cost and smaller boats and so forth,
because the guy who can afford to pay the biggest price is
going to have the rights to the moorings. And a lot of that
happens now in the subleasing procedure about which I have
talked to your staff, and I know everyone else has, and they
have some questions about, that we don't get involved in as
a lessor, because there are transfers of these things, and
leases and sales that do amount to a lot of money.

But the object, in our opinion here, and we
submit it very strongly to the State, should not be to
maximize totally the dollars involved here which are not
that significant for the State, and should not be to shut
out everybody unless he happens to own a 200-foot $5 million
yacht, because those guys can get a mooring and they can buy
their own island.

(Laughter.)

MR. CARPENTER: So finally, I think that the best
interests of the State are to increase its income, which we
are prepared to do, through negotiations or bidding, if that's
necessary, but not that that should be the major consideration.
The State here has absolutely no capital investment. You don't have a dime in the tidelands. You won't have on the continued leasing operation. It's strictly income.

The management required is nil. You have to audit, if you choose to do so, you have to cash your checks and things like that. Basically this is not a management problem for the State.

You have happy users in the public, which is not something I can say about everything that relates to the State Government. The people who use these tidelands and who moor and anchor over there are delighted with it.

(Applause.)

MR. CARPENTER: Incidentally, you have good environmental protection, which is a consideration I put last year, but in this type of operation, I don't think it's the overwhelming consideration.

But there is something in the staff report that indicates that the least environmental impact comes from anchorages rather than moorings. Gentlemen, that is patently not the case. A mooring is sunk there, and it is there underground and the disturbance of the bottom is minimal. It's whatever happens when you put the mooring there unless you move it. Where you have anchorages, you have the flukes going into the mud or the rock or the flora and fauna on the floor of the ocean in different places
and shifting all night long and slopping around. They cause much more damage. There is certainly no environmental impact from moorings, but there is a good deal of impact in anchors.

CHAIRMAN CORY: You almost sound like a posey plucker.

(Laughter.)

MR. CARPENTER: That's not the way you remember me, is it, Mr. Cory?

(Laughter.)

MR. CARPENTER: Well, I am, I am a fanatic posey plucker on the floor of the ocean around Catalina Island, Mr. Cory.

And so I think the environmental question is important.

Another point is that, and your staff points that out here --

(Thereupon an automobile siren interrupted the proceedings.)

MR. CARPENTER: I didn't think I said anything that overwhelming.

(Laughter.)

MR. CARPENTER: Staff points out here that if you make any significant changes in this operation, you may very well invite back into this consideration the California
Coastal Comission, the CEQA requirements and the Corps of Engineers and who knows what other agencies to reevaluate and perhaps mess up something, which is their general history, which has been functioning very well.

Finally, on the question of the lease proposal of format that you have put in here, and I think we get down to another gut issue here, we support the conditions that your staff has put in here with regard to surety bonds, financial ability, shoreside capability, safety factors, et cetera, et cetera.

But we think that there are a couple of things that ought to be added and I thought that they would be, because I understood your staff to have a concern about them. First of all, there ought to be the allowance that the public could continue to use these moorings when they are not in use. As you know, during the week, very often, and during the wintertime now, when I like to go, there are deserted coves and so forth. And I think that's something that's not a problem. It's pretty much the way we do it right now.

CHAIRMAN CORY: I am not sure.

MR. CARPENTER: Well, there isn't coverage to collect day rent on moorings in every cove where there happens to be a mooring, and we think that's something where you could expand the lease a little bit to ensure public access when the owners, that is the lessees, of the moorings
are not there, and it's not in an area where there happens
to be a rent check collected daily.

Secondly, and finally, and we think most
importantly, when you look at the lease over there, and I
think this might maybe have a little impact on the interest
of some of the other bidders here, but I want to make sure
that you understand it does not impact the Island Company
and especially the Conservancy, but either one of them, that
there should be a provision in any lease here that in the
tideland mooring area, that none of the moorings involved
here should be tied to any real estate development or
available for bulk utilization in the sales --

(Appause.)

MR. CARPENTER: And I want to emphasize that that
goes for any such project on Catalina Island, which will
only be under my clients' jurisdiction, because they own
all the land, and on the mainland of the United States,
because anybody who wanted to do it over there could find
this a useful sales tool and it should not be. And I think
that's a very strong point to make, because I think that
is the best way to cut down and eliminate public access to
an already limited resource that we just can't afford to
undertake in California.

What we need is more islands and they aren't
likely to show up during our current lifetime.
CHAIRMAN CORY: The earthquake is coming.

(Laughter.)

MR. CARPENTER: I have read that.

In closing, I want to thank you for your courtesy, and I didn't realize that I was going to have a cheering section here, but it makes me feel even more confident that you will weigh these considerations. We would be happy to undertake negotiations, as we suggested, that we think are appropriate. If you find the Island Company-Conservancy, with whom you have done business for 60 years, and who are not only popular with the people you serve but with your staff, so unwilling and incapable to make an appropriate arrangement with the State, then this hearing and the process of bidding would make much more sense, and I think would better serve the people of California.

But until that time, we'd strongly urge that the Lands Commission take the recommendation that the littoral owner, the Island Company and Conservancy be negotiatory with the Commission for a new lease, and that this will be the course of action you take.

Thank you so much for your courtesy.

(Applause.)

MR. CARPENTER: Where were they, Mr. Cory, when I was running for office?

(Laughter.)
CHAIRMAN CORY: Here you get paid and applause too.

It hardly seems fair.

MR. DICK STEVENS: Mr. Cory and Members of the
commission, I am Dick Stevens. I came in with the black
hat, and, as always, I am awed and in great admiration of my
friend, Denny, and I am not sure that he isn't running for
Governor, too, the way he is putting on today.

Denny is a good friend and an articulate spokesman.
I will keep my comments short. I don't have a stock of
proxies here because most of mine are out there with the
people at work who are taxpayers of the State of California.

(Bows.)

CHAIRMAN CORY: Moving right along.

MR. DICK STEVENS: This is the first opportunity
we have had to tell anybody why we are involved, and I think
that the case that the Island Company, and I say the Island
Company, because that's what we are dealing with, has done
a great job in raising all of the fear elements, the great
things that might happen, the terrible things that are going
to happen to yachtmen in the State of California, and the
ecology. I say that is baloney. The fear elements, the
issues that have all been raised, can be handled and handled
well by the staff constraints on the bidding, and I think
that it is in the best interests of the State of California
that these issues be bid and brought out, because certainly,
the Island Company has done a reasonable job through Doug Bombard, who has a separate company out there and who has done a reasonable job, but who knows that there isn't a better way to do it? Who knows there isn't a better way to serve the yachtsmen and the public at large, and not just from a monetary standpoint?

I am really here because I am sore. We expressed an interest in bidding on this lease because we have had a long standing interest in Catalina and in recreation in boating in water oriented activities. We honestly feel and felt that a better job could be done and that a little competition to the Island Company might be very very healthy indeed.

The reason I'm mad is because we have been subjected to a vicious round of criticism, letter writing, speech making, throughout the state, and I would like to quote from Mr. Propst who purports to be the president of the Conservancy.

In his letter, it said, "This occurred because of the intervention of several firms who heretofore have no connection with the interior of Catalina Island. We can't help but feel that their interest in leasing the submerged lands around Catalina is in the pursuit of their own financial gain at the expense of the boaters, and with little or no respect for Catalina as a natural area."
This same Mr. Propst in 1974, when he worked for the Island Company, wrote a letter to the County of Los Angeles that says, "We, as the land owner, should receive a proportionate share of the fees charged at the county-developed campgrounds and other recreation on Catalina Island."

The Santa Catalina Island Company felt it was essential that the public pay for the recreation services offered on Catalina while under the terms of the agreement the Company reserves the right to develop the airport, the middle ranch, the stables, and areas where the lodge, the hotel and other similar public accommodations, beginning after 1979.

Now, that came about by the formation of the Conservancy. And the Conservancy, and it bears a relationship here, because the Conservancy was formed as a tax boondoggle to avoid having Mr. Wrigley avoid to have to pay $250,000 in taxes.

Now, I'd like to quote from Baxter Ward, then supervisor, who stated, "We got sold a bill of goods by the Santa Catalina Island Company. There is a loss of tax money and a great limitation on access to the coast."

My point here is that the Island Company, and I put the three of them together, I think as you dig into it and as anyone would dig into it, you find out that they are interrelated and they in fact act as one entity, and if
talk about development on the land side, I couldn't agree
with Mr. Carpenter more, but it is of interest that the
local coastal plan, which is an appendix to the staff
report, shows that there is 127 acres of residential
development scheduled in the area that the Island is
supposedly protecting, and it is my understanding that there
is active negotiations for condominiums on the land side
right now in that area. What's the importance of it? I can
stipulate and agree that we, as a bidder, will not have an
interest in it, but I also put forth that it is in the vital
commercial interests of the Island Company to maintain control
of those moorings and do whatever is necessary to continue
that control.

We don't think that is healthy. We don't think that's
healthy for the public and we think that a good, fair, honest
competition is deserved here.

First of all, in terms of the public sentiment
here, obviously these people behind me are emotionally
involved. If you had paid $40,000 for a mooring --

(Boos.)

CHAIRMAN CORY: Okay. Look, we are going to try
to keep the room quiet so people can say what they have to
say and get through what has to be done. Susanne has to leave
here to go to a Public Works Board meeting that has to take
place today. It is extremely important as to whether or not
the State of California is going to be able to pay its bills.
There are other problems elsewhere in government, just as this is a serious problem.

This is a public meeting. I think it is important that we try to move ahead and take in as much information as we can in the limited time that we have available, but we have Commissioners that must attend other meetings. And if we are going to have all the Commissioners here to make a decision, we need to get on with it as rapidly as possible.

Now, if you would get on with it as rapidly as possibly, please.

MR. DICK STEVENS: I will. My point is that it is no secret that there has been an exchange, a major exchange, of dollars that goes with the yearly mooring leases and anyone who contests that I would be very happy to take them around to show them some moorings that have been recently sold.

No one is going to throw out yacht clubs. No one is going to throw out the people who have existing moorings. All that we are asking is a fairer price and a fair chance for competition on public tidelands.

I think the State staff has done a magnificent job in pulling together their proposals and the options available, and under it I would add several comments with specific suggestions under bidding. And they are, one, that
-- well, first, a general comment. There was a great deal
of concern raised about the relocation of moorings, of
piers and so forth. As a practical matter that isn't going
to happen.

The guy in Newport Beach who has a mooring out
there is not going to pull up his concrete block and move it
somewhere else. So there is going to be a logical negotia-
tion between a successful bidder and the people with moorings
to acquire them where indicated.

The second thing is I think Doug Bombard does
a good job. I think he needs some fresh ideas, some fresh
capital and perhaps a little more supervision, but that's
a subjective opinion that I think that if we were the
successful bidder, we would logically go, as the first
individual, to go to Doug Bombard Enterprises and say, "We'd
like to contract with you."

Now, as a free, independent, sublessee of the
Island Company, he would be crazy not to negotiate in good
faith with the successful bidder because what is he going to
do, not open his restaurant to the public and not let people
land on the shore when he charges a landing fee? Absolutely
not.

So I would fully anticipate that Doug would
continue to provide the services for whoever wins.

As far as the level of services is indicated that
the staff reported that Doug Bombard does provide, I would say it is stretching the point a bit. He does provide shore and boat services, but not down to some of the remote harbors and coves and so forth on the Island. And I think that whole area of services is a very complicated matter.

Now, in terms of the staff recommendations specifically, I would like to speak to a couple of concerns. One was that the open coves be left open and excluded from the lease.

I think that they should be included in the lease for a couple of reasons.

One, it may prove out to be over a period of years that the relocation, and not addition, but the relocation of certain moorings to other locations would not only be in the public benefit, but be better environmentally.

Secondly, that by extending, including those open anchorage coves, you provide services to them by making it mandatory that the lessee or sublessee, in fact, provide those services.

So, I think, in terms of their recommendations, A-1 should be changed to include the entire existing parcels and coves that are in the existing lease.

A-2 is fine.

A-3, that tidelands be maintained as open space, I just talked about.

Now, when you get down to the recommendations
B, B-A is fine.

B-B, "transfers of individual mooring subleases will not be permitted." I agree with that.

So, in Paragraph III, where they say "Staff recommends that the Commission adopt options IA1, I merely say that should be opened up to the entire area that is presently leased. IB2 relates to the bid mechanism. I am against having the only definitive financial criteria in the bid being a percentage of gross. I think it inhibits creative proposals, and I think it is in the State's best interests. While it may provide some complications in sorting out the various numbers, I think that we should try to be as broad and open so that creative ideas can be expressed and can be brought before the State and the community at large.

So I feel that IB2 should be expanded so that the bids relate to an open minimum against an open percentage and that any other financial considerations that the lessor, proposed lessee, wishes to offer be included, and then the staff can sort that through and come up with the winning bidder.

(Thereupon a short discussion was held off the record.)

CHAIRMAN CORY: Will you please conclude your remarks?

MR. DICK STEVENS: Yes, this is my last point.
I think that the desire timewise to effect this and enter into a definitive lease agreement by January 1 is very ambitious. I would suggest that the successful bidder be granted an exclusive option to negotiate a definitive lease document with the staff and be brought back to the Commission for approval.

I think you can tighten up on the time for monetary bidding because all the parties involved, I think, have pretty well in mind what their plan is. We could come back with a bid in two weeks. You could grant a 30-day option to the successful bidder to work out the details of a very complicated lease.

I know that our position is controversial and I know that there are people, including good friends of mine, in the audience, who disagree with me, but it's the American way of life.

And I think that to stifle that would be wrong for the people of California.

Thank you very much.

CHAIRMAN COZY: Dave, do you have a question?

ACTING COMMISSIONER ACKERMAN: Dick, one question.

MR. DICK STEVENS: Yes, sir.

ACTING COMMISSIONER ACKERMAN: Will you support Mr. Carpenter's suggestion that a prohibition be put in any lease to tie the moorings to any one --
MR. DICK STEVENS: Absolutely. But I think you have to -- we would in our bid, but I think you have to identify whether the bidder on the other side is the Island Company, the Conservancy, or Bombard, or all three as one entity. But we would.

CHAIRMAN CORY: Okay. Mr. Hertzberg?

MR. HERTZBERG: My name is Harrison W. Hertzberg, and I represent Pioneer Take-Out Corporation. I will try to be brief. I know that this is a little bit of galloping justice. I am an attorney and I realize how hard it is to be brief.

Mr. Ackerman, on behalf of my client, I would support the same anti-tie-in arrangements you just referred to.

Since the last speaker did aptly state, and we agreed too, that is that the matter should go out to bid. We feel that that is the American way. I'd like to be as definitive as I can and as accurate as I can as to what I feel it should contain. First of all, I agree with the open bidding --

CHAIRMAN CORY: I am trying to work with elapsed time here. Your position is you prefer bidding. If you could just give us a quick thumbnail of the type of bidding you think it should be, then, after we hear from everybody, if we make a decision, at that point if we decide to go to
bidding, we, as Commissioners, are likely to have some
questions that we will be asking people who have indicated
an interest in the detail at that time rather than having to
get through a definitive --

MR. HERTZBERG: I will be fast.

CHAIRMAN CORY: Go ahead.

MR. HERTZBERG: Open bidding, different
percentages on different commodities. You can't pay the
same thing on food, ice, beer, that you pay on moorings.
So, open bidding as to percentage.

Number two, you need open bidding because of the
competitive effect. If you are going to extract from
Exhibit B, the tidelands and submerged lands for the piers,
then you are going to have competition. The winning bidder
is going to compete with those people. Are they going to
have the percentages?

If they don't have those percentages, then you
have got a real difficult competitive problem. All right.
That's the bidding situation.

Number two, what are you bidding on? Number
one, the Isthmus. They have exempted a channel, 100 feet
wide, which now turns out to be closer to 300 feet wide
and 11,500 feet in length. That's for the Long Beach boat
to come in and out. It isn't necessary for that wide of
a channel. It only takes 60 feet.
Number two, Cat Harbor, 12.8 acres, at Ballast Point. Why was it exempt from the lease? It wasn’t exempt from the last lease. It is submerged lands. It is tidelands.

Number three. They have exempted the following coves which were in the 1966 lease which they had. Now, why were these exempted from this lease? Marine Preserve, Willow Cove, Empire Landing, Smeltz Cove, Little Harbor, Doctor’s Cove, Ripper’s Cove, Cabrillo Harbor, Parson’s Landing.

Incidentally, I am as much a boater as anybody in this audience.

ACTING COMMISSIONER ACKERMAN: I have a question to the staff. Do any of those coves have moorings or are all of those free anchorings?

ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Ackerman, if you will look at the chart. The coves with the red lines under them are coves that are improved with moorings. The other coves, which are in the 1966 lease but which do not have the red lines under them, are unimproved coves. They may have a clorox bottle or something, but they do not have an established mooring, buoy system in those coves.

MR. HERTZBERG: So I pose the question to this Commission, why were they in the 1966 lease and why were they in the 1950 lease and why are they being excluded now? Should not this bidder have the same alternatives that the
prior lessee had?

Number three --

ACTING COMMISSIONER ACKERMAN: Why do you feel they should be included?

MR. HERTZBERG: For the same reason that Mr. Stevens stated, that there may be in the future the need to move some of these buoys around. Maybe you will take some of them out of one cove and put them in another cove. But we should be free to do that.

ACTING COMMISSIONER ACKERMAN: Okay.

MR. HERTZBERG: Now, number three, continuing obligations under the lease, the duty of the tenant.

Garbage pickup. I think it has to be more accurately delineated. What coves is it going to be picked up? I go to Cat Harbor all the time and I have never had my garbage picked up there.

Patrol boat service. There is no patrol boat service in Cat Harbor. I have moored in the Cat Harbor at any hour of the day and I have never seen a patrol boat there. The only one that comes around Cat Harbor is the one that comes to collect the money. Then they come around the next day.

Anchorage and mooring systems. Fine. Let's define it more accurately. Fine. All these items and obligations which are continuing obligations of this lease,
have to be negotiated and defined properly.

Now, you have exempted the piers from the lease, together with 10 feet on each side of them. Yet you have required the lessee to supply fuel. How is he going to supply the fuel if he doesn't have the piers?

I submit, and it's in your recommendations, I submit this as a thought for this Commission. You have exempted the tidelands and the submerged lands underneath the piers so the piers can remain. It has been told to us here that how are we going to run this without access to the land? You have the power, this Commission has the power, to extract joint use of these piers, so that everybody, us and everybody else who wants to bid, can bid equally, competitively.

We are almost here in fear of blackmail in such a bid because they say, "Hey, you can't win it. You have no access to the land."

You have the power to give every bidder equality, and I think you should do it in all sense of fairness.

Thank you.

CHAIRMAN CORY: Okay. Mr. Kilpatrick, representing Mr. Fennie.

MR. KILPATRICK: I may need more than one minute, but I won't need more than two.

I have three points to make. I represent a
Mr. Fennie, who does business as Seaway Company of Catalina and Catalina Freight Lines.

You should know that he has 17 years working with the Santa Catalina Island Company, working with Mr. Phillip Wrigley. One of his jobs is the allocation of rentals on these moorings. You should also know that Mr. Fennie has shoreside facilities, so the point that Mr. Carpenter makes, that nobody but the Island Company is in a position to service these moorings does not fly at all to Mr. Fennie. He is in a position —

CHAIRMAN CORY: Question, Dave.

ACTING COMMISSIONER ACKERMAN: Does Mr. Fennie lease those facilities from the Island Company?

MR. KILPATRICK: Yes, he has a long-term lease.

ACTING COMMISSIONER ACKERMAN: How long?

MR. KILPATRICK: Forty years, if I remember correctly, 35-plus years. And Mr. Fennie, with his two companies, is in a position to provide all of the services that would ever be required by any of the moorings.

My next point is that the staff’s suggestion on page 2 that it has been suggested that the Lands Commission, the people of the state, may obtain additional rentals from competitive bidding, that’s more than a suggestion. It is a demonstrated fact. And I want you to understand why it is demonstrated.
In January of this year the Commission set about
to negotiate a new lease with the Island Company. And
remember, Mr. Carpenter made the comment a littler earlier,
that everybody recognizes that we need a drastic increase
here.

I have a copy of that lease with me. It shows
a rental of close to $40,000. My understanding is that it
was raised to $60,000 during negotiations, but I don't know
whether that's true.

But the proof of its inadequacy and unfairness
and the Island Company's position with respect to the
State, can be demonstrated by the fact that Mr. Fennie could
come in, and in writing, offer to double the $60,000 rental,
and that's where your staff now comes up with a proposed
minimum rental of $125,000 per year.

Because of the inadequacy of negotiations and the
basic unfairness of the Island Company's position, which
was demonstrated by what happened in those negotiations
earlier this year.

My next point is this. There is a great deal of
fear expressed here by the people of this room of exorbitant
rates. I do not see how it would be possible to have a
situation where there is in the way of exorbitant rates being
charged than that which exists today when people are paying,
as one of the speakers before me pointed out, in excess of
$40,000 and $50,000 for a mooring which consists of nothing more than a buoy and an anchor line and a piece of cement on an annual permit from the Island Company.

That produces the worst of all possible situations. You have no rent to the State from those huge prices. You have exorbitant amounts being paid by wealthy boat owners, and you have large opportunities for private gain from undisclosed cash payments involved in those transactions.

I am not going to tell you that there have been any. I will only tell you that anybody with the experience in government that you people have knows of the opportunities that are available in a situation like that.

One more point and I'm done. The minimum is said to be based on estimated gross fees, but nobody has really an accurate estimate of what the gross receipts are at the present time, notwithstanding present audits.

For instance, the staff tells us that there are 714 moorings. At Moonstone Bay, there are said to be 33. A direct personal count within the last two weeks demonstrates that there are 40 there. We really don't know what the number of moorings are accurately and we don't know what the revenue is accurately.

And my suggestion to staff earlier, and I repeat it here, and it's my last point, is you ought to have a thorough audit and you ought to know from the experience of
Island Company and from the present rate being paid, just as you would if you were leasing a State building. You ought to know what the real situation is so that you know whether the competitive bids that come in are fair.

I'm not going to go into any details on bids. If you decide to go to bid, I'm prepared to say some things on that.

CHAIRMAN CORY: Any questions from Commissioners?
Mr. Hertzberg, does Mr. Kaufman wish to speak?
MR. HERTZBERG: No.
CHAIRMAN CORY: Melissa Jones.
MS. JONES: I am representing Pete Dangermond.
MR. DANGERMOND: Ken, I'd like to yield my time to one of the boating organizations that represent a lot of these people, Barry Labow.
MR. LABOW: Thank you.
Mr. Cory, I trust that since the last three speakers took in excess of 35 minutes without any yield, I sincerely hope that you are going to go beyond your one-hour time limit that you set up originally.
I am going to give Mr. Northrop copies so that you can have this in writing.
My name is Barry Labow. I am representing Boat Owners Associated Together.
B.O.A.T. is a non-profit corporation organized
to foster the recreational use and development of California's waterways. B.O.A.T. was founded in 1968 and represents more than 30,000 boating families from areas throughout California.

I am mandated to make this statement by the unanimous vote of 18 directors, 9 from Southern California and 9 from Northern California.

Obviously, your decision on the lease of the moorings at Santa Catalina Island will affect the thousands of boaters and their families who use these moorings.

My purpose in being here today is to ask you to consider the interests of the recreational boater as you reach your decision in this matter.

It is essential that these moorings continue to be available to recreational boats, especially to those boaters who can rent a mooring only on a daily basis from time to time.

We are also concerned that these moorings be available with the high level of quality of maintenance that is currently provided.

It is also important that the services provided to those who lease the moorings be maintained. I'm talking about such services as garbage pickup, tow service and emergency services.

"Maximizing" the income to the State may appear as a desirable route. However, if that is your decision,
you will effectively be eliminating the majority of the
boaters from use of these moorings. It will become a rich
man's area. That is a result that appeals to no one,
except perhaps a rich man.

It is not the business of the State to bleed the
person who wants to use these facilities. The State has not
adopted a policy of maximizing income on other recreational
facilities such as parks and campgrounds.

The State Recreational Trails Program administered
by the Department of Parks and Recreation is operated at a
substantial cost to the State and produces no revenue. The
current Catalina lease does not cost the State anything and
produces revenue. We submit it should remain that way.

We are very troubled by the staff report which
indicates unanimous public support of our position and
yet their recommendation fails to take heed of the very
substantial boating input at their recent hearing in Long
Beach, California.

The importance of this issue is evidenced by the
fact that the recreational boating community has more
representation at this hearing than at previous hearings in
Sacramento on any boating related matter. And I want to
tell you that that should mean something to you.

We feel this should mandate your Commission to
arrive at a solution that meets the needs of the boating
community as well as the State of California.

Thank you.

(Applause.)

CHAIRMAN CORY: How is the public served by granting a lease at all? A lot of what you say seems to indicate that by not granting anyone a lease anybody can use any part of the bays and coves on their own since they belong to all the people of California. Why not make it continuously available to all the people without fees to anyone?

MR. LABOW: Mr. Cory, I served as a member of the National Boating Safety Advisory Council, which is an advisory group to the Boating Safety Branch of the Coast Guard. Nothing is greater in my mind than boating safety.

If a lease was not granted, and anybody could come and anchor at will, we would have not only utter chaos, but we would have the darndest safety hazard you have ever seen. Some of these open anchorage areas that have been mentioned, and to be specific, Little Harbor, is constantly a problem.

All we need is just a little bit of a seaway and it is utter chaos in there, because you have various levels of experience, and it does tend to be dangerous.

CHAIRMAN CORY: Are you then saying that we shouldn't have any open coves?
MR. LABOW: Negative, no sir. I think that there is a fine balance at this moment between moorings and coves, because the inexperienced boaters tend to be fearful of operating in those open coves and therefore tend to go in and lease moorings on a daily basis. And I might say that that is done at low cost because the major cost of that is being paid by the person who leases it.

CHAIRMAN CORY: Questions from the Commissioners?
Thank you.

MR. LABOW: Thank you.

CHAIRMAN CORY: George Scott, Mayor of Avalon.

MR. SCOTT': The City would like to read to you what the Council has proposed.

"At our general meeting of the Avalon City Council, held on October 27th, 1981, the matter of the tidelands around Catalina Island was discussed by the Avalon City Council.

"Avalon is the only incorporated city on Catalina Island.

"After lengthy considerations, the Council determined to support the last paragraph of staff report Exhibit A, which appears on page 13 of this Exhibit.

"The first sentence of this
paragraph provides 'staff also

recommends that the two Pebbly Beach

sites described in the introduction

of this Staff Report be excluded

from any new lease or agreement for

recreational boating purposes because

ey they are removed from the remainder

of the parcels geographically and

by type of use.'"

I don't know if the Commission is familiar, but

the County and the City are trying to build an airport in

this and we do have a grant for feasibility study in this

area. Once time, they were trying to build an airport before.

The airport was, the design, everything was ready to go

and something came up which I don't know what it was, but

something came up to stop it. And always something comes

up to stop things that the people are trying to do or the

Councils are trying to do.

And why we would like this to be this way, we

would like -- the County and the City would like a protec-

tion so if, when we do have a feasibility study, there is

the possibility that we can go ahead with an airport which

is vastly needed.

I believe you read in the papers about the heli-

copters, the trouble we have had, and the F.A.A. closed them
down. Also, the City, we discussed this, but if the
tidelands do go out to bid, we discussed proposing to the
Lands Commission that the two public entities form a
partnership sharing all things equally, expenses, profits,
planning and so forth. That's the Commission, the Lands
Commission, and the City of Avalon.

This would be public lands run by public entities
for the benefit of the public.

Now, the City of Avalon, we have the boats, we
have the men and we have the interests of the Island in
keeping them down for the boaters.

Thank you very much.

CHAIRMAN CORY: Clancy Leland.

MR. LELAND: Jerry Cunningham is also here.

CHAIRMAN CORY: Do you speak for both?

MR. LELAND: Yes.

CHAIRMAN CORY: Fine.

MR. LELAND: Members of the Commission, my name
is Clancy Leland, representing the Board of Supervisors of
Los Angeles County. The Board proposal for your consideration
is one of the alternatives that was listed in your staff
report and would provide the County of Los Angeles with
a management agreement to operate these mooring sites.

The County has a long history of supporting
recreational and boating activities at the Island and
currently operates a number of recreational boating and safety activities at the Island, and is the logical agency to manage these resources in the best interests of the public.

Currently, the County of Los Angeles, at Santa Catalina Island, operates patrol boats, a paramedic team at the City of Avalon and the Isthmus, plus lifeguards at public beaches and operation of public facilities in the over 41,000 acres managed by the Island Conservancy. In 1980-81, the county will expend approximately $500,000 to maintain these activities on the Island.

The County's proposal to adopt such a management agreement is partly due to some of our background that we have in the operation of the Marina del Rey on the mainland. At the Marina, the County provides over 6,000 boat slips for wet storage, and additional dry storage facilities. These facilities are operated by private lessees who developed and operate the facilities and leases that are administered by the County Department of Small Craft Harbors.

These lessees contain strong public use provisions and are operated for the benefit of all the public in the County.

CHAIRMAN CORY: David, do you have a question?

ACTING COMMISSIONER ACKERMAN: Would the County's position be that if the Commission entered into a management
agreement with the County, that it would in turn then lease out the operations of Catalina Island?

MR. LELAND: That is correct, under the control of our Small Craft Harbor Department.

ACTING COMMISSIONER ACKERMAN: Why don't we just adjourn this meeting to the Board of Supervisors Chambers down there?

MR. LELAND: The Board is interested in pursuing it along the operations of the Marina del Rey.

(Boos.)

CHAIRMAN CORY: Everybody is entitled to their view.

MR. LELAND: In terms of the proposal, the State Department of Parks and Recreation, I believe you have received a letter from the Director that, in effect, supported the County's position of entering into this management agreement with the Commission for these lands and facilities.

Basically, the last sentence in the letter by the Director stated, "Finally, Los Angeles County has shown a long-term stewardship approach to managing Santa Catalina Island. I think that public interest in protecting important natural resources such as Catalina Island, could be better served by the County than by a private interest."

Our position is for the County to enter into
an agreement, a management agreement, for these facilities, and we would strongly urge your consideration.

CHAIRMAN CORY: Any questions from the Commissioners?

Thank you.

Mr. Joseph Sabad.

MR. SABAD: Mr. Chairman, I don't need to be heard from at this time.


MS. SWAN: Yes.

CHAIRMAN CORY: Go ahead.

MS. SWAN: My name is Joanne Swan and I am representing the Angeles Girl Scout Council.

The Angeles Girl Scout Council leases some property on Catalina Island and uses White's Landing.

We operate an organized camp for youth. We serve approximately 3500 girls and adults from a wide section of communities in Southern California. Southern California to us is Bakersfield to San Diego and Santa Barbara to Riverside, and all spots within.

We do want to say that we have found the Island Conservancy to have been very diligent in providing a safe place as far as the Cove is concerned for the very unique opportunities we are able to provide those girls.

We not only need, we need to guarantee to the
girls that the kind of experience they have at Catalina
is safe and that it is secure and that we can provide this
kind of unique program. I also wanted to say that we do
have a pier and we do need that pier, not only to get to
the land that we lease, but also to use as part of the
program activities that we provide.

   Thank you.

CHAIRMAN CORY: What size access do you think
you need in terms of previous comments?

MS. SWAN: We need the same kind of pier we have
had.

CHAIRMAN CORY: I know, the existing pier, but
what kind of access? Are there other moorings in the harbor
that the pier is in or not?

MS. SWAN: Yes, there are some, but the access
that we have right now is on the shoreline, which is where
we need it, and we really don't need any additional. We need
what we have and we certainly do not need additional any
closer in.

CHAIRMAN CORY: And that's at White's Landing?

MS. SWAN: White's Landing. We also, may I say,
need access to get from Long Beach to Catalina, and we need
enough for the same kind of boats that it now provides,
if not longer.

MR. CARPENTER: That's 300 feet, Mr. Cory.
MS. SWAN: I mention that specifically because we were talking about, the girls were talking about 150, and so we are not talking about a small boat. We are talking about a larger boat that provides that kind of passenger transportation.

CHAIRMAN CORY: I have got a person here from Tierra del Oro Council. Is that a separate person?

MS. SWAN: No, that's also part of our group.

CHAIRMAN CORY: And is Barby Pulliam going to speak also?

MS. PULLIAM: No, I relinquish my time to Joanne.

CHAIRMAN CORY: Questions from the Commissioners?

ACTING COMMISSIONER MORGAN: Are you the representative who spoke in Long Beach?

MS. SWAN: No, I'm not. Our President spoke in Long Beach.

ACTING COMMISSIONER ACKERMAN: Is there anything that is contained in the staff recommendation on lease provisions which you disagree with?

MS. SWAN: Our particular interest is in making sure that we can maintain the same kind of facilities and the same kind of lease arrangements that we now have.

We have found this to be very satisfactory with the current lessee and we assume that this would be the same.
A'TING COMMISSIONER ACKERMAN: Okay.

CHAIRMAN CORY: Okay. Thank you.

Carl Meseck.

MR. MSECK: I'm Carl Meseck, General Manager of the Glendale YMCA.

I have my statement that I will read and make it more easily understandable.

The issue before us today is who should control the future of boating and the water activity on Catalina Island. Let's examine some of the background of Catalina Island through the eyes of a leaseholder since 1924.

I refer to Camp Fox at Buttonshell Beach, owned and operated by the Glendale YMCA. Most people are not aware of the long history of conservation practiced by the Wrigley family long before it became popular vogue for ecology groups, environmentalists, legislators, or bureaucrats.

For the first approximately 30 years on the Island, we, along with other nonprofit camps, did not pay one penny for our lease on Catalina Island. The Wrigley's believed in our product and were happy to make the site available to us.

Along came the elected officials who decided that the island should be assessed for its highest potential use. It didn't matter that the Wrigley's, holding a major
piece of real estate, were practicing conservation on it
for many years at no expense to the government.

Some staff people made up their minds to move
in this direction, and subsequently convinced the necessary
elected officials. The end result is that everyone has had
to pay for that decision ever since.

To alleviate this problem, the Conservancy was
formed, and has been doing an excellent job under
extremely difficult circumstances without the benefit of
the tax dollars.

I would like to point out to the State that
without this history and attitude of the Wrigley family,
Catalina Island would have been plucked off by the vultures
a long time ago.

We are now concerned with putting the Island out
to bid. You may say, no, it's just the tidelands.

Gentlemen, the two are inseparable -- lady and gentlemen,
excuse me.

What you do with the tidelands affects all of us
on the Island, especially those of us who are dependent
upon the water to conduct our activities. The State
spends millions to develop recreational sites in this
state. We buy mountains for hiking that are used by
relatively few people.

Here, in Catalina, we have a natural resource,
the tidelands, that has not cost the State one penny. And if these rights to govern are passed on to anyone other than a contiguous land owner, it will destroy what the State on the other hand has spent millions of dollars to achieve, and that is recreational pursuits for their residents.

The people managing the land, in this case largely the Conservancy, understand our problems. Take our cove as an example. We have a limited number of moorings approximately 10, that are leased. We have several moorings for our own use in connection with the camp which we have never been charged for because they realize this is a necessity and part of the land-tideland-water relationship.

The amount of moorings in our cove has been predicated upon usage of our camp receipts. These moorings that are in the cove were only put there after consulting with us, the tenant on the land.

We have over 10,000 who use that camp every year, in excess of 34,000 camper days. However, without the free access to the remaining tidelands, the site would be useless. The Conservancy knows our needs best, they own the land, and if we are going to provide maximum use of the land to over 10,000 annually, you can't stifle the program by dropping in mooring cans all over the place.

If you didn't have that kind of relationship between the land owner and tideland operator, do you think
that he would really care if 20 or 30 more moorings were
dumped in our cove? The private enterprise would only look
at the bottom line which is dollars and cents. It doesn't
happen to be dollars and cents in our business. It is the
lives of the kids. And we have the complete cooperation
of the Conservancy in trying to achieve this objective.

I don't see the tradeoff of 20 moorings with what
will be pretty well-healed citizens.

I have read in the newspaper, which I realize
isn't always reliable that Jack Fonnie was willing to
double the fee that has been set here. Jack now knows, and
I don't want to say anything bad about Jack because we have
been friends for years, but he knows how a monopoly works.
He has had one for years and naturally he can double the
fee and simply pass it on to the users.

The state spends millions in maintaining these
parks and beaches. Why are we discriminating against the
boater by charging him another tax to park in the ocean
on a mooring maintained by someone else?

This is one place the State is coming out like a
bandit anyway, because of providing recreational opportuni-
ties for thousands annually at no expense to the State.

We are not even wearing a highway out as we go
to and from our recreational sites. If the State ever had
a reason to say to the land owner, here, take it for a
dollar a year and continue to serve thousands without any cost to the State, this is it.

If this is not the case, I want to see every hiker in our wilderness area pay a fee.

(Applause.)

MR. MESECK: Why try to develop a revenue on a discriminatory basis? Just because it has been done for years, doesn't make it right today. What the real bottom line for most of us on the island is serving people so that they can enjoy their recreational pursuits. It is unfortunate that we are using a few instances of someone paying a ridiculous amount for some chain and anchor so that --

CHAIRMAN CORY: Sir, this seems very similar, if not verbatim, to the transcript that we have all read to the Commission on the testimony at the hearing.

MR. MESECK: If you have all read it, it's great.

CHAIRMAN CORY: We have all read the transcript. We are aware of that. If there is any changes that you have got comments on, we want to hear that, but we have tried to do our homework, and this is where we are. We have gone over that for the purpose of this hearing. So, try to make some changes and then move forward from there.

MR. MESECK: My suggestion is, in reference to
the matter of the 10 feet under the pier, or the 10 feet
from the pier, and so forth, is not sufficient in our
particular cove to bring in a boat that's a 500 to 700
passenger boat. There's no way you are going to maneuver
in between moorings without leaving an area in that area.

CHAIRMAN CORY: What size?

MR. MESECK: I think that ought to be checked
out with the boat people, and if they say 300 feet, it
ought to be 300 feet, whichever is safe. But that's something
that needs to be addressed for a complete access into that
area.

CHAIRMAN CORY: What size vessel in your particular
case are you using?

MR. MESECK: Well, we are using the Long Beach-
Catalina Cruises, that holds 500 passengers, so I don't know
the exact size of the boat.

CHAIRMAN CORY: And you are at what?

MR. MESECK: Buttonshell Beach.

CHAIRMAN CORY: Any questions from Commissioners?

MR. MESECK: Thank you.

CHAIRMAN CORY: Thank you.

(Applause.)

CHAIRMAN CORY: I am not sure whether Bob Sorem
wishes to speak or he wishes to represent Mr. Bombard or
he wishes Mr. Bombard's representatives to speak.
MR. SOREM: I yield to Mr. Bombard. I am in support of his position.

CHAIRMAN CORY: Is Mr. Bombard here?

MR. BOMBARD: Yes, Mr. Denny-Carpenter has already expressed for us.


ACTING COMMISSIONER MORGAN: While he is coming forward, maybe it would be helpful if I restated, or added to the record, my feeling by saying that we consider previous testimony that was taken in Long Beach plus the letters that have been written to us to be part of the record and part of the process in making the decision in this issue.

MR. NICHOLS: Thank you.

Mr. Chairman and Members of the Commission,

I did plan to yield to the submittal I made in the Long Beach hearings. The only thing that I would like to add to our hearings is that I am representing 700 companies who are in the recreational boating industry here in California, and that boating industry is having a very very rough time right now due to lack of berthing and mooring facilities.

Let's not attempt to add to this problem through throwing this thing open to open bid whereby the average
boater in our judgment is going to end up with no mooring
at all.

(Applause.)

MR. NICHOLS: And please understand that the
guts of the boating industry of California is not the very
few large yachts, but it's in the 20 to 30-foot class is
what our boating public is all about. And it's very
difficult to understand in the eyes of the industry how
anything that goes out to bid could end up for the consumer
at a cheaper price than we are now getting it.

It's very very reasonable for the average boater.

So we recommend, again, strongly, a status quo in the
continuance of the relationship with the Conservancy.

Thank you.

CHAIRMAN CORY: Thank you.

Mel Richley. The next person after that will
be Mr. Geiger.

MR. RICHLEY: Mel Richley, Yacht Racing Union
of Southern California.

We represent approximately 9,000 members who
generally have medium-sized yachts, about 18 to 25 feet
in length average.

The reason I am here is that I attended the meet-
ing in Long Beach several weeks ago. I was impressed that
the meeting was announced on the front page of our local
paper in Orange County. It was announced as a public meeting, not a boaters' meeting at all. The public was there and the public spoke.

There wasn't a single person who was there to speak against the continuation of the existing situation. At 3:00 o'clock in the afternoon there was an adjournment. After that the Chairman of the meeting asked if there was anyone there who would care to speak against. No one came forward. I was there that evening from 7:00 till 9:00. Again, no one spoke against.

You have heard from the public, not the boating public, but the public. They want the continuation of the existing situation. There may be some adjustments in rental that is appropriate, but the existence of the Conservancy and Catalina Company is appropriate. Thank you.

(Appause.)

MR. GEIGER: My name is Ronald A. Geiger, and I represent the Blue Water Cruising Club and myself and my family. My family has been boating in the Catalina area for over 60 years. My father is the namesake of both Big and Little Geiger Coves.

Over those years, we have come to know the Santa Catalina Island Company as being extremely fair and concerned about the quality of Catalina Island. I am told that acts speak louder than words, but I am hearing other
words. You don't know what we will get. We do know what we have now.

We think it's important also to keep the County out. There seems to be a general feeling that there should be less government in our private lives and the private sector has done an excellent job of managing Catalina Island.

I also feel that we should keep the empty coves empty. The large percentage of us who use those coves that prefer to anchor, don't wish to pick up lines and prefer to anchor for free. I support the negotiations with the Santa Catalina Island Company.

CHAIRMAN CORY: Just a minute. We have a question on that.

ACTING COMMISSIONER ACKERMAN: I have a question on that. The questions raised earlier about leasing the coves which apparently do not have mooring facilities in that. Staff has recommended that those be left unleased.

MR. GEIGER: That's right, and I agree with them.

ACTING COMMISSIONER ACKERMAN: There is also a recommendation, I believe it was from Mr. Stevens, that they be leased, not for the purpose of putting in buoys, but for maintaining security and other services that the sublessee would be required to maintain for boats that charge to anchor.

MR. GEIGER: If it is specified in the lease that
they will never have a mooring fee, then that would be acceptable, but the way he stated it in the next breath was he would like to then at the same time put moorings in and perhaps move them from another location. This is nothing more than an attempt to close those off to anchorage as well as the other ones.

So, at any rate, I support negotiations with the Santa Catalina Island Company and the Conservancy, and I must add that as a voter, I would never politically forgive anyone who causes the loss of Catalina Island.

(Applause.)

CHAIRMAN CORY: You speak for Mr. Martin as well?

MR. GEIGER: I believe Mr. Martin would like to speak for himself.

CHAIRMAN CORY: Mr. Martin.

MR. MARTIN: Yes. My name is Charles Martin and I represent the Blue Water Cruising Club, having been one of the originators of this club. We are long-standing tenants of the Island Company. We have had the cove since about '52.

Our relationship with the Island Company has been eminently fair, and a pleasant association. We have chosen to, as Ron Geiger just told you, we have chosen to use this as an anchorage area because that's the way we
like to do it. Not necessarily because it's cheaper, but
it's the way we like to do it, and it enables us to,
when we have parties, that we can get quite a number of
boats in the cove that we couldn't possibly do if we had
moorings there. They would have to be so spaced that it
just wouldn't be satisfactory.

CHAIRMAN CORY: Which cove is it that you are
talking about, a specific cove itself?

MR. MARTIN: It's the one that a long time ago
was called Smaltz Cove and it is now called Big Geiger
Cove, named after his father.

CHAIRMAN CORY: Okay.

MR. MARTIN: We feel, as he said, we know what
we now have and we are pleased with it. We do not know
what we would have with some new owner, new lessor. So
I would like to put in my pitch to have the thing continue
as it is.

It couldn't be any better. Thank you.

CHAIRMAN CORY: Mr. Leisk, L-e-i-s-k.

MR. LEISK: Yes. Thank you. I am Bill Leisk
and I am the Executive Secretary of the California Marine
Parks and Harbors Association, Incorporated.

I just want to say that we have submitted to
you a letter and now one has just come in from our
State President which you have, so I will not elaborate
on that.

A couple of things have come up which I would like to present to the Commission so that they know what California Marine Parks and Harbors is. Most of the boating organizations and other parts of the Legislature really understand CMPHA because for 30 years, CMPHA has endeavored to, and very successfully given, direction and help and considered judgment to those parts of the Legislature on boating matters. Since our meeting in Long Beach, I have been directed by our membership and our Board of Directors, to resubmit in a very short term what our position is, and it is very very simple. It says to maintain the status quo.

We feel that there is no need, after considered looking at the entire situation, we cannot in any way determine that there is a need to change the existing situation. It's been adequately presented by many of the people here that this present situation is more than satisfactory. So why change it?

There is a special case that was brought to our attention since the Long Beach meeting, in that the Long Beach meeting was held at a place where moorings have recently been put by a private organization. I refer to Queensway Bay.

If any of you, either the staff or any of the
people in this room, have been by Queensway Bay recently, and looked at the moorings that are placed there by a private organization, they will see chaos and an unacceptable sort of thing for the boating public. The moorings are in bad shape and they have just been recently put in. They are not very well maintained. The management is almost -- it's inconceivable the way the management has handled them. I have been in there in my own boat. I would like to put that as a representative display of what another uninitiated operator might do to the State.

In conclusion, I would like to say that California Marine Parks and Harbors says maintain the status quo.

Thank you.

(Applause.)

CHAIRMAN CORY: Okay.

Mr. Ewell.

MR. EWELL: Yes, my name is John Ewell, Mr. Cory. I really don't believe that it could fail to be obvious to everybody in this room that our moorings at Catalina Island next year and the year after that is going to cost a little more money.

I think most of us, at one time or another, have sat down and talked to our families about it and rationalized that well, gee, you know, maybe we could pay a little more money. What I would ask you to consider in
your Committee is this. It's fairly obvious that there's going to be an increase in fees that is going to go to the State. At least it is to me. I just wish that you would strongly think about giving the lease back to the people who know what they are doing.

Mr. Bombard back here has been there forever. He understands what is going on. He is an expert in his field. If you want the job done right, you hire an expert.

This young fellow right over here with the mustache, not a pretty face until you are in the middle of a storm. He runs the harbors there. If you have got a question as to how many moorings are in one of those locations on your map, ask him. He sees all of them almost every day.

So does Mr. Bombard. I see him every morning going by my boat, that I am at the Isthmus, in one of the shore boats, and he doesn't need to drive that shore boat. What he is doing is making sure that everything is all right, that everything is as it should be. He is probably checking to make sure that everybody has paid, too. But he is out there.

An absentee landlord, which is what we are going to get with Wrather or Fennie or the chicken people or whoever it is, is not going to work out.

And there is a certain point where you are going
to ask for too much money out of the general boating public.

I can't understand for the life of me where these people were, who spoke for 15 or 20 minutes here, when we were all in Long Beach waiting for them. There was a whole bunch more people there.

(Applause.)

MR. EWELL: Again, Mr. Cory, let me ask you. I know I have offended you a couple of times from the wall over there --

CHAIRMAN CORY: I don't get offended very easily.

MR. EWELL: Well, I could, I think.

(Laughter.)

CHAIRMAN CORY: It's your time to use as you see fit.

MR. EWELL: Well, I really don't want to waste my time on this. I just wish you would strongly consider leaving it in the hands of people that we all have faith in, that we all trust and that we all know and know what the hell they are doing.

(Laughter.)

CHAIRMAN CORY: Mrs. Barbara Schuster.

MRS. SCHUSTER: It has already been said, sir. You have my letter and my paper. Thank you.

CHAIRMAN CORY: John Reinhold.

MR. REINHOLD: I yield to Mr. Bombard, support
him totally.

CHAIRMAN CORY: John Lonergan.

MR. LONERGAN: Mr. Chairman, my name is John Lonergan. I live in Los Angeles at 1103 Bel-Air Place. I am a sort of a retired lawyer and I'm speaking, however, for myself. I am a sublessee of a mooring at Moonstone Cove, and I should reveal it, but I am not speaking for them, I am a member of the Newport Harbor Yacht Club.

Santa Catalina Island is unique. It's full-time residents are almost all property owners and tenants of owners at Avalon. The major landowner is the Catalina Island Company along with the easement-owning Conservancy, considered as one.

Avalon Harbor is the major and only real port. Avalon City fronts on it. The State controls the tidelands and submerged lands surrounding the Island. Until now the State has leased Avalon Harbor and those other areas of its lands surrounding Catalina and which are useful for boat moorings and anchorages, to the Company, and it in turn, through its agent, Bombard, has provided for the parcelling out of moorings and anchorages as well as the provision of services so necessary to the boating community.

All has worked exceedingly well up to now.

Aside from the harbor at Avalon and a relatively small company -- Bombard leased area at the Isthmus -- upland
areas are owned by the Company and are occupied and operated
by the Conservancy as a tax-exempt nature reserve.

The Conservancy, created and vested by the
Company with its easement title granted since the
effective date of the present State lease to the Company,
has the major interest of preserving and protecting the
lands and the proper, cooperative and supportive use of
the adjoining water areas covering submerged land of State.

It is the policy of the State of California to:

First, develop and maintain a high-quality
environment now and in the future, and to take all action
necessary to protect, rehabilitate, and enhance the
environmental quality of the State -- which includes
Catalina and its state-owned submerged lands;

Second, take all action necessary to provide
the people of the state with the enjoyment of aesthetic,
natural, scenic, and historic environmental qualities;

Third, to preserve for future generations represen-
tations of all plant and animal communities and
examples of major periods of California history;

Next, to ensure that the long-term protection of
the environment shall be the guiding criterion in public
decisions.

It seems to be that legislation requires
governmental agencies at all levels to consider qualitative
factors as well as economic and technical factors and to consider alternatives to proposed actions affecting the environment. That is Public Resources Code Section 21001.

The Legislature has also declared that it is the policy of the State that public agencies should not approve projects as proposed if there are feasible alternatives or feasible mitigation measures available which would substantially lessen the significant environmental effects of such projects. That is Public Resources Code Section 21002.

There is, indeed, a feasible alternative to a lease to one who will use it for profit as must be expected of any private lessee other than the Company and the Conservancy.

The economy of this Island is entirely related to its recreational and environmental features. Its major ownership has wisely and generously created the Conservancy to preserve, promote, encourage and protect the environmental qualities of the Island, to provide the people of the state with enjoyment of these qualities, to preserve plant and animal communities, to do all of the things which the Legislature has stated as its responsibility is a public policy of the State officials to carry out.

Next, the State Lands Commission is required by Section 21001 of the Public Resources Code to consider the
qualitative factors as well as economic ones. Section 2002 of the Administrative Code, and I am sure you know this, expressly permits leasing to littoral owners without inviting bids.

This is what seems to me should be done. These are wise statements by the Legislature.

This seems to be a situation in which an environmental study and report are required by the California Environmental Quality Act (CEQA). Such a study and report could reasonably have been expected to point out all of the Legislature's pertinent enactments and policy declarations and to have recommended something along the line recommended by the speakers who are representative of the Catalina Island folks and the boating community.

It seems to me that there is one thing that needs more to be pressed here.

There should be no restriction, in my view, on a transfer by a sublessee, that is a mooring lessee, if you will, when using the mooring. Boats are sold, boats are traded. People are inclined to go from a little boat to a larger boat to a larger boat. Once in a while they go back to some smaller boat, but quite often they sell the boat, and that's the second happiest day. It's impossible, it seems to me, for groups that support the Conservancy to maintain their uniform protective policy and practices.
for the benefit of the Conservancy when they are faced with
the upcoming renewal of a lease, which is a sublease, forgive
me, which would be organized for profit.

If the subleases, and I mean the leases to the
mooring users, are transferrable, sure, maybe they are
for money, but whatever, the sublease is going to be more
valuable. The income to the State's lessee is going to be
more valuable and your percentage of rental will be greater
in amount.

It seems to me illogical to say anything else.

There is nothing in the staff report to support its
recommendation of a prohibition of sublease transfers other
than the suggestion that the State might get a transfer fee.

To my way of thinking, if the State doesn't provide
services, and it would not in such a case, there is no
basis for such a transfer fee and the State Commission here
should open up its mind, regardless of the staff report,
to permit transfers.

I will file some copies of what I have said in
a little bit greater length. Thank you very much for
listening.

(Applause.)

CHAIRMAN CORY: Okay.

Mr. Roberts.

Burton Buser.
MR. BUSER: My name is Burton Buser and I am representing Fy-Tek Industries. We agree with the staff recommendations, and if the staff recommendations are accepted, we wish for you to consider two very important areas of concern to alleviate potential problems.

The first area that we are concerned about is the trash disposal. There needs to be access to the uplands in order to alleviate the major trash problem. The second is the question of pier access. We are not concerned about access to the piers of any of the coves or harbors except the Isthmus Cove and Catalina Harbor. There is a need for a base of operations. The weather over at Catalina can be serious at times and we are very concerned that if there is not a land base or at least a pier base that we can work off of, there may be some serious problems with hazardous conditions for our employees.

That is that.

CHAIRMAN CORY: Dave.

ACTING COMMISSIONER ACKERMAN: One question for the staff. How many interested inquiries have we received from parties expressing an interest in the bid?

EXECUTIVE OFFICER NORTHROP: Jane Mochon can address that.

MS. MOCHON: I'd say about 10 or 12, approximately.
CHAIRMAN CORY: Mr. Bloch.

Alfred Bloch.

Henry Snyder.

MR. SNYDER: Mr. Chairman and Members of the Commission, I will be very brief because I did write a long letter to the Commission. But some things have come up that I think I'd like to address.

First of all, I represent myself. I am one of the owners of the 165,000 boats that are registered in Southern California that pay almost $17 million in taxes. We total approximately three-quarters of a million people who use the facilities in Southern California.

We have no water facilities, as you see here in Sacramento, for our recreational boating. Catalina is our only place.

We had a hearing in October, on October 15th, in Long Beach. There were over 500 people who came to that meeting. I attended the meeting and I heard no one speak in opposition to maintaining the status quo with the Conservancy.

We have heard nothing from any bidder, any prospective bidder, as to what their program might be. And despite all the positive presentations that have been made in favor of the status quo, and the Conservancy and the Catalina Island Company, despite the lack of any public...
demand or support for developers or commercial interests, despite any show of interest of intentions by any of these developers as to what they propose to do with Catalina, and despite the proven record of performance in both the public and private interests by the Conservancy, the staff has made a recommendation that this now go to public bid, and undoubtedly the commercial bidders will be able to outbid the Conservancy.

I can understand the desire to increase revenue, but not to the point of opening the Island to exploitation.

I was going to say, and I guess I might as well say it, we can expect a Pioneer Chicken franchise on a barge in every cove, or the Queen, too, when it is put in mothballs, moored in front of Isthmus with the Spruce Goose as a tender. But that is not what we are talking about.

Members of the Board, I must say that no matter how tight you make the lease conditions, the commercial operator will find a loophole to overuse the property. This is evidenced right now in Marina del Rey in the so-called under-the-counter subleasing of slips, of moorings. It is evident in the fact that it costs $8 sometimes to find a mooring in Marina del Rey, and 10 or 12 in Newport Beach.

The boat owners have been paying through the nose for many many years, and it's getting much worse. The
nonprofit Conservancy, which is motivated only by its
public interest and by its concern for the environment,
is the only place for the maintenance of the Catalina Island
facilities.

I was going to talk on the matter of the transfer
of moorings. I started going to Catalina 25 years ago.
In 1964 I was able to buy a one-fourth interest in a mooring
and we paid a total of $3500 to get the mooring.

In 1972 --

ACTING COMMISSIONER ACKERMAN: I have a
question. Whose name is that mooring in? Is it all four
names?

MR. SNYDER: It is in three names. There were
three of us involved in it. It was in the names of the
three of us.

In 1972 I was able to purchase another mooring
which I now own for $10,000. I have no interest in selling
that interest. I don't intend to ever sell it. I want my
children to use it, just as they have for the last 25
years, but the fact that a few people have made some money
on these moorings should not make me set up another way
to figure out a loophole.

I can assure you that if you put a provision
preventing transfers, you will never see moorings transferred

For example, in Cat Harbor, where slips are in
great demand, I know a boat that for four and one half
years has been waiting for a slip. And when slips come up,
they just don't get them, even though they are at the top
of the list. Because Cat Harbor has set up a rule that the
first priority goes to the members of the yacht club.

So, when a boat is sold, the broker has the
buyer join the yacht club and he immediately takes priority.
There are so many ways that people can get around rules
that I don't see how you can do anything except perhaps a
transfer fee. There's no way you can restrict transfers.

Thank you, gentlemen. I thank you for the time.

(Applause.)

CHAIRMAN CORY: Jordan Saunders.

MR. SAUNDERS: My name is Jordan Saunders. I
am a boater and I am a mooring owner in Cherry Cove.

I bought my mooring and we paid a total of
$18,000. I have a mooring partner. We used that mooring
a total of 26 days last year by actual count. That mooring
is free for anybody to pick up and use at no cost to them
whatsoever. My partner and I, we paid the mooring fees,
which is about $600 a year, and it's free to the public,
They don't even have to pay the $8 because we don't allow
our mooring to be leased out by anybody else. We feel that
we will just let anybody use it when we are not. And there
is a lot more of us that do the same thing.
I notice you raised your eyebrow when it was said, Mr. Cory, that Catalina is the only place for us to go. It is.

We try to take our boat to Newport or we try to take our boat to San Diego. It's very costly, because private moorings down there are very expensive. In Catalina, right now, if you really care about the boaters and you care about the people of this great state of ours, they can now rent a mooring in Catalina for $8 to $10 a night. That's what the average boater can do. But if this is put out on public bid, of course they can get more money, the State can get a little more money, but what will it do to that $8 or $10?

Let's work backwards. Why don't you put a restriction on any bid, if you decide to put it out, what is the total income? Say the mooring would be $14 or $12. That would be the price that the boater would pay. Now, let somebody bid on it and give all the services and do all the things that are being done now that it won't be an increase of cost to the general boater. And that's what you really are talking about. You are talking about what is it going to cost the boater?

Sure, somebody that has all the money in the world can pay $25 a night, $50 a night. That's fine. But if you really care about the boater, what is the boater going to pay?
I don't want to take too much of your time more. 

I just got a few more points.

Really, the income to the State is a small part of what you are doing for the general public.

Oh, yes, I have to comment on Pioneer Chicken.  

Pioneer Chicken said that they could bring a boat in a 60-foot channel. Now, these are the people that want to bid on this mooring. They want to bring a 60-foot channel to bring in a boat that will hold 500 people. Now, if the wind blows just a little bit, there's no way that you can do something like that.

Right now the channel is 300 feet.

And I just had to comment, because these are the people that want to run the mooring. We were over there in a Santa Ana. I don't know if you know what a Santa Ana is, but the wind blows the opposite way. Doug Bombard was out on a patrol boat, himself, pulling boats from going to shore, doing the little things that are a necessity for the boaters for the life and the safety of the people.

I am sure Pioneer Chicken, I am sure that the Wrather Corporation and I am sure that anybody that is doing this just for money are not going to be out there. Maybe they will hire somebody to do it, but do you think they are going to do what the Island Company is doing now?

I think you are making the gravest error in your
political life by not listening to the people. You listen but you don't hear. The people are satisfied. The boaters are getting what they want. The County is getting what it wants. And maybe you will get $100,000 more a year. But you don't hear. The people are satisfied. They want what they want, and they are getting what they want. The boaters are satisfied. The people are satisfied. You listen politically through the boaters, not by listening to the people.
By. I'm not going to belabor that point. However, today was the first chance that I had to hear the propositions from the other bidders, and that's why it was so important to open up this meeting to the public.

You cannot accept at face value some of the statements that were made by Wrather Corporation, Pioneer or Fennie because they are just not accurate.

Let me point out that Mr. Stevens spoke in generalities during his whole presentation. He gave no specifics whatsoever. I was surprised that none of you asked him how specifically was he going to handle any of these that you specified in the lease, the services that the lease must include?

Incidently, I object to his slur that all boaters either don't work or don't pay taxes. I am a hard worker and I pay taxes and I took time off from my work today to come and speak before you.

I contest his statement that many moorings change hands every year at exorbitant fees. That's just not true and I contest him to prove it. I'd like him to show us how many moorings changed hands this year outside of Avalon, which does not have anything to do with this present lease.

I have been trying to obtain a mooring for my family for the last three years. I can't afford to pay any amount of money, but so far money or not, I have not been able
to find one. I know of only three that have changed hands
in the Cherry Cove and Isthmus area in the last year.
I would like to know of more. I don't know where I'm missing
the boat.

I also would like to echo the fact, and it is
a shame Mr. Stevens did not show up at Long Beach so his
views could have been checked out before we had this
meeting.

As for Pioneer Corporation, I also show my
dismay at the total lack of Marine knowledge of the gentleman
that said that a 60-foot wide channel was sufficient.
If he thinks that, I'd like to put him in a dinghy out
there in a 60-foot wide channel when the Queen comes in
and see how he reacts. It's a very very unsafe situation.

As he is going to find out, as Pioneer Corporation
is going to find out, the big ocean is far different than
Lake Arrowhead. It has far more problems that they know
nothing about.

He asked that certain changes be made in the lease
city requirements so he would be free to move moorings from cove
to cove. Your staff has also pointed out that moving
moorings would probably change the ecological balance that
come under CEQA and the Coastal Commission's scrutiny. I,
for one, since I am not required by the lease to move my
mooring, would hold firm and challenge anyone to move my
mooring for me.

CHAIRMAN CORY: Pardon me. Do you own a mooring now?

MR. REDLER: Yes, I do. I have one now for myself and I am trying to find one for my kids. I know many others who have two also.

Incidentally, let me speak specifically about that mooring. My mooring was used exactly 24 days during this year so far by actual count. And, as you will note in my previous testimony, almost every other day it was utilized by other boaters at either no cost or at a maximum fee of $3 per night. And that's the way all the moorings work.

And I do not intend to sell my mooring ever as the previous speaker mentioned. If I can't find another mooring for my kids, then I will be very happy to let them use mine after my demise.

As for him, he also mentioned that there is no patrol boat in Cat Harbor. I wonder what phantom came to my assistance at 2:00 a.m. in the morning when my boat careened at low low tide and was helpless when the Harbor Patrol came and assisted me in getting off the mooring before I did damage to my spreaders and to the boat next to me.

That must have been some figment of my imagination. That boat is always there. It's always on patrol. The only
time it isn't is during the winter months at times when there are very few users.

As for Mr. Fennie, he said that he would provide all the services that were provided at present. Where is his base of operation? Where is he going to obtain the services, from Avalon? How is he going to service the coves and the Isthmus and Cat Harbor if he doesn't have a base of operations?

Incidentally, I am not certain, but I think Mr. Fennie owns moorings in Avalon, and the mooring owners in Avalon are amongst the worst offenders, but they do not come under your restrictions.

As far as the County of Los Angeles is concerned, and this is my final word, I am a resident of Los Angeles County, and my boat is slipped in Marina del Rey. From my experience, I am positive that if the County had anything to do with the operation of the tidelands area, the overall revenue to the State would go down. The boat owners would be gouged and the existing services, which are handled so well by the private enterprise, that is the Island Company, would certainly lack any quality.

I know nothing about Fy-Tek. This is the first time I have heard. I'd be interested in knowing who Fy-Tek is.

I wonder if Fy-Tek would seriously expect the
upland owners to grant access for services for which they have really no remuneration or reason to provide.

    Thank you very much.

    (Applause.)

CHAIRMAN CORY: Dave.

ATING COMMISSIONER ACKERMAN: One person who has so far declined to testify is Dave Bombard. He was gracious enough to host me on a tour of the Island down there almost six months ago. I wondered if our purposes might be well served, since Doug probably knows the island and its operations better than anyone, since he is the on-site manager, if he might comment on the staff recommendations.

    Because, I have noticed, as we are going through this, that we are getting further and further away from any specific comments on what is recommended and what is really before the Commission. And Doug, I think, is in a better position than anyone in this room to comment directly on whether or not the staff recommendations will work. And I value his judgment.

    So, if the other Commissioners would agree, would it be proper for Doug to come up here?

    (Applause.)

CHAIRMAN CORY: It is a question of when. We have seven or eight other people here. It is a question of when, if Doug is willing to respond.
MR. BOMBARD: I will stick around.

CHAIRMAN CORY: Patricia Mendel. Patricia Mendel.

MS. MENDEL: I will defer, thank you.

CHAIRMAN CORY: William Davidson.

MR. DAVIDSON: Mr. Chairman, I'd like to make two comments in relation to the staff report. First, the staff report comments on the income to the State side of the equation, in setting the minimum annual rental on the percentage. I would ask that you also consider, as one of the previous speakers have mentioned, the outflow to the boat owner. What is the price that he is going to have to pay to generate these minimum rentals?

Currently you can go to a business area and rent one for $7 or $8 or $10 a night. If we up the rentals significantly, what is that going to do to the income flow, because the money has got to be there to have a gross profit to pay the State.

So I would ask that you include in the lease, whether it is with the Island Company or somebody else, a requirement that sets a formula or standard for what the rentals are going to be for different mooring sizes so that we don't price the individual boater out of the market.

The second point is that there has been much concern expressed over private ownership of moorings at
Catalina. It has been whispered that fortunes are secretly being made and that the State has been cheated. Well, I have to admit to being one of these black hatted mooring owners, but I want you to consider that maybe we are not as bad as you might think.

I pay an annual lease, which includes a contribution to the land lease and the maintenance of the mooring. That costs me $400 a year. I evidently don't get there as often as the others. I used my mooring 10 nights last year. So it costs me $40 a night.

The rest of the time it was available to anyone who came on a first-come first-served basis.

And that person, for a 30-foot size boat that my mooring holds, pays $7 a night. If I had not put out the $400 to maintain the mooring, the public that was using it the great majority of the time would have had to pay a higher fee to cover those annual maintenance costs and land costs.

So I think, in effect, the private owners are subsidizing the public interest rather than hurting it.

Your staff report recommends no transfer --

(Applause.)

MR. DAVIDSON: -- rights to the private mooring owners. This doesn't bother me particularly because I have lived in California all my life and plan to stay here.
However, I have a good friend who purchased a mooring just this year and then got transferred to Chicago. I don't know where the equity is in there for a person who is about to lose his entire investment.

I don't think it is right that private individuals make a big profit off the public trust tidelands, but I think you can come up with a formula that either you can transfer it only at your original purchase price or that you pay a large transfer fee. Avalon has a transfer fee, but it's really not very big.

Something that allows some equity to the people that have been paying a price to keep their moorings maintained and let everyone use them.

I'd just like to close by quoting a comment that was made by one of the speakers in Long Beach, where he was speaking about your charge as a Commission to promote the public benefit. He summed up the thoughts of many with this statement, which I think deserves careful consideration. He said, I don't know why you want to generate more revenue, for what could you possibly buy for the people of California with such revenue that would be more wonderful than what we already have at Catalina?

Thank you.

(Applause.)

CHAIRMAN CORY: Mr. MyrnOld.
MR. MYRNOLD: Well, they gave it to my grandfather in Norway and I kept it since then.

CHAIRMAN CORY: Okay.

MR. MYRNOLD: Thank you, Mr. Chairman. I am sort of an unusual bird here today, I suppose. I represent our boat, my all-girl crew, no yacht club and nobody else. I have paid my own way here today, and I have taken a day off work to do it. And I got all dressed up in my best suit to appear before you.

(Laughter...)

MR. MYRNOLD: I have written to you a couple of times. I was dismayed in reading the staff committee report which didn't seem to me to follow the conclusion that the major and the minor of the premises that were made.

So I went to Catalina, sir, last Friday. I sailed across in a ping-pong ball until we were a couple of miles from the Island, and I was greeted there by a patrol boat who escorted me safely to a fine mooring, and after we were tied up and tied up securely, we used the facilities to go to the land. And there we used the shower facilities, other sanitation facilities, and brought with us our trash.

The following day we were able to repeat that performance. That drove home to me, as never before, how extremely important it is to have a viable and total connection between those moorings and the littoral land...
owner on the land, that there must be total harmony and
agreement in concept of why it is there and who is
responsible for what.

Some of the earlier speakers, particularly the
Wrather Corp, came through to me as not really knowing,
sir, what it is to be tied up at sea when a Santa Ana blows
up or a heavy wind, and your major investment in your life
is dependent upon the security of the mooring lock and
seamanship of the man who spliced the splice below the
surface of the water.

And in my visits to Catalina, I submit to you,
sir, that there is a high element of seamanship and knowledge
of the sea that can be discovered at the Catalina Camp
and Cove Agency.

As a side remark, let me tell you, sir, I do
not own a mooring, I do not own a lease. I am just John
Q. Boater, who has a tough time making the slip payments
and the boat payments, and I am expressing the view of
a small guy who is having trouble living with his hobby,
boaters who indeed are not rich yachtsmen.

In conclusion, may I compliment Mr. Ackerman.
For the first time I have ever contacted a public agency,
I have received a courteous and attentive ear when I
phoned you a month ago. I sincerely appreciate that.
And more than that, it's the first time I have received
a written reply to my letter, and I thank you for that, too.

(Appplause.)

MR. MYRNOLD: Two things I would conclude with.

One is, if it ain't broke, why fix it?

The other thing, sir, I would suggest to you, comes from a play called 1776. And George Washington was expressing his utter dismay at the time of the American Revolution. And I, as a boater today, would repeat that to you. Is anybody listening? Does anybody care?

CHAIRMAN CORY: Vesta Comyns.

MS. COMYNS: Oh, I give my time up.

CHAIRMAN CORY: Doug Oudin.

MR. OUDIN: Mr. Commissioner, I am the Harbor Master at Catalina Cove and Camp Agency. I live in a little house right in front of the Isthmus Cove. I sit there with a VHF radio and a CB radio at night, and during the day, and watch the activity, and lend assistance if I see something happening.

I don't think that you can get somebody else to care like we do. I think you are making a mistake.

I don't think you should do it.

CHAIRMAN CORY: Questions from the Commissioners?

Thank you.

(Appplause.)

CHAIRMAN CORY: Martin McDonough.
MR. McDONOUGH: Mr. Chairman and Members of the Commission, my name is Martin McDonough. I am an attorney in Sacramento. I appear here on behalf of Bruce Ponsel and Jeff Stickler. These gentlemen operate and provide support services for recreational boating in the Long Beach area.

They are familiar with the Catalina situation, they know the personalities and they know the physical situation involved. They have reviewed the proposal of the staff, the competitive bidding, and they believe that it is a fair proposal, and if the proposal is made, they will offer to bid.

They believe that they are qualified and financially able to provide the services that are required at the lowest possible cost.

CHAIRMAN CORY: Thank you, sir.

Wendy Bents.

MS. BENTS: I defer.

CHAIRMAN CORY: William Bents.

MR. BENTS: The same.

CHAIRMAN CORY: Robert Johnson.

MR. JOHNSON: Sir, I am Bob Johnson. I am one of those wealthy boat owners in Southern California. Believe me, I ran a mooring. I paid $8500 for my boat. You can't even buy a car for that today. I spent 35 years in waters
off Catalina. I will be 70 next month. My days have come to an end.

I would like to save this for those who follow, including my grandson.

Sir, you are looking for money, and we pay money. And I was interested in listening to some of these gentlemen talk. For instance, that guy from Los Angeles County.

He said he spends a half a million dollars over there. Well, there is 87,990 boats paying him taxes, and he collects $4,566,000 off of it. That's the first time that I found out where some of my money goes.

(Laughter.)

MR. JOHNSON: You're interested in money, and they have been talking about all this money that they are making by selling moorings. The only time a mooring that I have heard about coming up for sale is either by a widow who needs the money and can't run the boat because her husband's gone, or the fellow is alone, and sick, and he has no kids to leave it to, so he sells it.

And as I understand it, if everybody is abiding by the law, you get 11 percent capital gains on anything you sell.

Now, the Franchise Tax Board should be after this money you are losing over there, not the other way around.
Now, according to the news, they had you on the news the other day down there, you need $1 billion if we are going to come out of the red, is that right?

CHAIRMAN CORY: We borrowed $935 million this week.

MR. JOHNSON: Okay. Do you know how much you collected from sales tax every minute last year at four percent? Now, that's the State's tax.

CHAIRMAN CORY: I haven't bothered to calculate that.

MR. JOHNSON: Well, I did. It's amazing. You get $10,864 every minute of every day. All you'd have to add is one percent more to the sales tax, and you know what, we are talking about here, is about 10 minutes of sales tax.

(Laughter.)

(Applause.)

CHAIRMAN CORY: June Ross.

MS. ROSS: No, thank you.

CHAIRMAN CORY: Okay. Is there anyone else other than Mr. Bombard in the audience?

MR. COMYNS: Yes, sir. I gave my time up, but I would like to say that all moorings are not owned. I lease a mooring, and have been doing it for about 18 years now.

CHAIRMAN CORY: Yes, sir.
MR. STEIN: I filled out a card and a slip. I don't know what happened to it. At any rate, I am Milt Stein and I am speaking for myself.

CHAIRMAN CORY: I'd like the record to reflect that Denny Carpenter ripped you off.

(Laughter.)

MR. STEIN: Milt Stein, boat owner, speaking for myself.

I only wish to comment that the staff report seems to indicate that this matter is a commercial matter, similar to an oil lease, and I don't believe they are correct in looking at it that way. I think it should be treated as a Parks and Recreation matter.

Thank you.

CHAIRMAN CORY: Okay. Mr. Bombard, I think, can shed some light on some of the technical matters that have been suggested. I think that's a good suggestion, to double-check.

We have covered all the other bases in the audience?

Okay. In order to try to facilitate you, you have a list of specific questions for Doug, right?

ACTING COMMISSIONER ACKERMAN: Yes.

CHAIRMAN CORY: Doug, are you willing to try to respond to some of the operational-type questions?
MR. BOMBARD: I will attempt to.

CHAIRMAN CORY: Good. Go ahead.

ACTING COMMISSIONER ACKERMAN: Doug?

MR. BOMBARD: Yes.

ACTING COMMISSIONER ACKERMAN: The staff recommends, in its report, several specifics that will be entailed to whoever the lessee is on the Island.

If the Island Company has a lease renegotiated with it, I assume that you will become a sublessee of them and you will continue to run the operation of the Island. I think that's a safe assumption.

The staff has recommended various elements be contained in a lease. That requires certain maintenance of service, certain level of service, either question of transferability or nontransferability of leases, and I have a question of whether or not you should lease or rather sublease for a yacht club and not to individuals who are members of yacht clubs.

I am concerned about granting maximum public access. Two individuals said today that out of the 365 days they used their buoy 23 and 25 times respectively. That's about 6 percent of the time.

To me, that gets quite a bit of public access to that buoy that's used out there. So I think, as I said in the letter to many of you, I'm not as concerned about
public access because it seems like the public access is not being denied at Catalina by leasing buoys for a long-term basis.

(Applause.)

ACTING COMMISSIONER ACKERMAN: What I would like you to do, Doug, because you have read the staff report, the recommendations, and talked about it, could you comment on it, and specifically the transferability question out there and the different requirements of patrol boats, garbage and water and those different resources.

What I am interested in, and I hope I've gotten my point across, this is a lease that's not being entered into by, at least in my opinion on the Commission, for sole economic return to the State. That's not right to do that.

But, what the State is obligated to do, and the Commission is obligated to do, is to realize what is called a fair return out there. I think it's something is required of us. In every lease which the Commission ever enters into, we constantly have to be on our guard against other public interests, which in one case which I might point out, in San Francisco Bay, we thought we had a real good deal with the people down there.

What we did, we swapped a piece of land for some tidelands, and we thought we had a very good deal. Well,
Save The Bay and some other groups came in and sued the Commission and overturned what I thought was a good decision and served the best interests of the public.

So what we do, if we enter into a sweetheart deal with the Island Company, and they leave things just the way they are, one of the other bidders could sue us and throw the whole thing into litigation and cause everyone a lot of misery. I don't think that's our intent either.

So what we have to do is find a fine line here, somewhere in the middle of the two, and based on that, we have looked at proposals for $125,000 minimum a year as the staff is recommending plus a percentage of gross.

I'd like, Doug, if you could just comment on this, because you run the operation down there. You are the on-site manager. How do you see the staff recommendations?

MR. BOMBARD: Well, I think that the economic figure is pretty sound. I think that using that figure, I don't think that the prices would have to go up to the point where the general boating public couldn't get access to the moorings.

I think, if it started to escalate much above that, it would, but that basically, $125,000 or 17 percent, is just that. It's about a 17 percent increase to the revenues that are made there now.
Now, there are some additional revenues that possibly can be made. So I think that that figure wouldn't necessarily even have to be 17 percent. It possibly could be a little less, as far as the increase to the boaters.

I feel there is a lot of boaters out there, people with families, John Doe boater, which is the guy that likes to come to Catalina as recreation, that are paying just about as much as they can now. Their fuel costs have gone up. Their hauling costs, annual maintenance and things like that have gone up. We are concerned about that guy. That guy is what the Conservancy is concerned about.

He's the reason that they created the Conservancy. The Island Company has always been concerned about the small boater and that he gets access, and I'd hate to see the prices go up to the point where they couldn't get access. I am afraid that if you open it to open bidding or to sealed bidding, that the prices would escalate up a heck of a lot more than they should, or the people can afford.

ACTING COMMISSIONER ACKERMAN: I guess one question that I have is, should the Commission adopt a fee schedule for rentals of the buoys, both on an annual and a transient basis, and include that as part of the lease?

MR. BOMBARD: Well, I think that would be difficult because the thing that we are continually concerned with is the increase of cost of operation, and that's the
only time that we pass anything on to the boaters at the present time.

I think that if we are allowed to operate as we have in the past, we will keep those prices down and I don't think you'll need to have a fee schedule. We need the flexibility that if wages go up, if material goes up -- you know a lot of people are kind of surprised, and I might have mentioned it when your visitation over there, but an awful lot of those moorings are petro-chemical. The foam that is inside the buoys, the buoys themselves, the fiberglass, the ropes, all of that is petro-chemical.

When your gasoline prices go up, the prices go up on those things, also. But I think, just like gasoline, if you had a lid on what you could price it for, I think it would be very difficult to operate.

ACTING COMMISSIONER ACKERMAN: How about transferability of the leases?

MR. BOMBARD: Well, I have mixed emotions on that. I favor some type of a document that would take the place of what we ask the people to give us now, which is a bill of sale. They would fill that out where they would be under the penalty of perjury, the same basic wording as you have in your income tax forms, when you put the price down, and that the State would get a percentage.

Now, the Island Company, the mooring service,
has never sold mooring and we have never got any of the percentage of the mooring transfer fees -- not transfer fees, sale prices.

   We do charge a transfer fee of $2.00 per deckline foot for transferring the mooring. In other words, if it's a 40-foot boat the mooring is transferring, the transfer fee would be $80.00. But that's all we really feel we need.

   I would be in favor of seeing moorings be able to transfer. I would like to see the State get a little extra money out of it. And I think that would be more than acceptable to everybody concerned.

ACTING COMMISSIONER ACKERMAN: One other question. Should the current coves that are under your lease right now, should those be included in any new lease, open coves?

MR. BOMBARD: No. I would like to see the open coves preserved. I think that would be the position of the Conservancy, and I would go along with that.

ACTING COMMISSIONER ACKERMAN: Don't misinterpret my question. Now, by being preserved, doesn't mean they are eligible for mooring buoys, but by being leased, that whoever -- see, you would be required to maintain services to those coves even if a boat was at anchor there, not just a mooring boat.

MR. BOMBARD: Well, I can't, in good faith, say
that we wouldn't maintain the services if the cove wasn't in our lease. I don't think that that enters our heads.

If we hear that somebody is in trouble, there's a lot of people that anchor in coves that aren't leased, and if somebody is in trouble, it's our policy to go to their aid. And I don't think it would have any concern at all whether we leased the cove or whether it was included in our lease or not.

The main reason that we leased the coves before was to protect them, because we felt very strongly that a part of boating at Catalina was anchoring.

And we need moorings for security. You also need the people to be able to go out and anchor at some of the coves and keep them completely clear of moorings. We think that both things are necessary and we think we have a good balance there right now.

ACTING COMMISSIONER ACKERMAN: If you were a successful sublessee, would you have any difficulty in maintaining the services, as outlined in the staff recommendations?

MR. BOMBARD: No. I think that after listening to the public, I would try and improve our services. I see several places where I think we can, after all the public comment. I don't think that we have a perfect system. We are always trying to improve it.
With guys like Doug Oudin, who was up here just a minute ago, our Harbormaster, and people that are dedicated to the public service, we are going to keep improving them. And I think we can do a better job in the future than we have done in the past, and that would be my aim.

ACTING COMMISSIONER ACKERMAN: This is a loaded question, but if you were a sublessee, would it make any difference in your ability of providing the level of service for the master leaseholder?

MR. BOMBARD: If I were the master leaseholder?

ACTING COMMISSIONER ACKERMAN: No. If you were the sublessee.

ACTING COMMISSIONER MORGAN: That is a loaded question.

MR. BOMBARD: I don't think I understand the question.

ACTING COMMISSIONER ACKERMAN: Well, what has been told to us, and represented in testimony, and I read it in the Long Beach hearing, is the special relationship between your operation and the Island Company, it's so special and so unique, that there's no way that we can get into a situation that would provide any other relationship. But I wondered if one of the other bidders that has talked about wanting to get in on this, became a master leaseholder, and subcontracted with you, what problems would
you see that that master leaseholder would have that would be insurmountable?

MR. BOMBARD: I'd be very concerned with that. I wouldn't say that I wouldn't be interested, because I think that we still have an Island, but the thing that would bother me, as Mr. Stevens said, would be a lot more supervision.

Well, I don't think I can work under a situation like that. The Island Company has given me a pretty free hand because I have been recognized as the authority on the moorings and that operation. And I have taken a lot of guidance from it, but it has been basically conservation and things like that.

We have set up certain goals and I have been in terrific agreement with them. And we have had a real special situation.

I think I have got a real special situation with the Conservancy and I would look forward to working with them because their aims are my aims.

I was born and raised on Catalina Island, and I believe in the Conservancy and I believe in the Island Company.

You know, a lot of times the newspapers have said the Wrigley Chewing Gum interests own the Island, but you know the major stockholder is the University of Southern

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California. Mr. Wrigley and his sister left the major amount of their stock to the University. And I don't know just the technicalities of that, but they also gave quite a bit of land over there to the University.

But they were really concerned in seeing that the Island remained a thing of beauty and pristine and I don't think I would go with somebody else that had a different idea and wanted the top dollar on it.

ACTING COMMISSIONER MORGAN: I wanted to ask the staff a question, a technical question about the L.A. County. L.A. County is interested in basically being an intermediary rather than a bidder, and I don't understand, do we have a duty to respond to L.A. County today?

MR. TAYLOR: No.

ACTING COMMISSIONER MORGAN: The second question is, I didn't understand Mayor Scott's presentation sufficiently to know whether he objected to the staff proposal or whether he supported the proposal. It seems to me we have already excluded that portion of the land that he is concerned about. Is that true?

EXECUTIVE OFFICER NORTHPOT: We have excluded Pebbly Beach.

ACTING COMMISSIONER MORGAN: Have we taken care of his concern?

EXECUTIVE OFFICER NORTHPOT: I don't know whether
we have taken care of it.

    MR. SCOTT: We agreed with that.

    ACTING COMMISSIONER MORGAN: You wanted to be
sure of them?

    MR. SCOTT: Hamilton Beach, too, which I didn't
mention. That's in the City.

    CHAIRMAN CORY: Hamilton Beach. Staff, where
are you on that?

    ASSISTANT EXECUTIVE OFFICER TROUT: It is not
under proposal. It is not proposed.

    CHAIRMAN CORY: It is not proposed.

Do you have any other questions?

    ACTING COMMISSIONER MORGAN: No.

    CHAIRMAN CORY: Any further questions of Doug?

    MR. BOMBARD: Thank you very much.

    (Applause.)

    CHAIRMAN CORY: I would guess we are what,
30 minutes? Your meeting will be concluded when?

    ACTING COMMISSIONER MORGAN: Well it could be
3:30 or 4:30.

    CHAIRMAN CORY: Shall we then recess and reconvene
at 3:30?

    ACTING COMMISSIONER ACKERMAN: I don't know that
we have a choice.

    CHAIRMAN CORY: Well, we will recess and reconvene
at 3:30.

ACTING COMMISSIONER MORGAN: Okay.

ACTING COMMISSIONER ACKERMAN: Okay.

(Thereupon a recess was taken.)

---oo0oo---
CHAIRMAN CORY: Okay. We are back from our Public Works Board recess and I guess it is our turn to start wrestling. I think it might be well to try to clarify some of the issues, because I understand, at least with public agencies, the City of Avalon and the County, I'd like to make sure we have a clear statement on the record of what it is, whether we have addressed ourselves, whether the staff has addressed itself and its recommendation to the City of Avalon's problems.

MR. TAYLOR: Mr. Chairman, I spoke to the Mayor of the City of Avalon, who spoke earlier today, and it is my understanding from his Honor that the situation is that Avalon is not interested in any participation on any basis with the Commission outside of the Pebbly Beach area. Is that correct?

MR. SCOTT: Yes.

MR. TAYLOR: Right, and that is the Pebbly Beach area. And the Commission and staff has not recommended leasing any of that area to the company or the Conservancy in this proposal.

MR. SCOTT: Not at this time. The Council wanted to wait until the decision.

CHAIRMAN CORY: And so, by our leaving that out,
that accommodates your concerns?

MR. SCOTT: At this point.

MR. TAYLOR: All right, now. With regard to the County, I have read the letter which they have submitted to you, and talked to two of the County's representatives, and I believe one of them is here. It is my understanding that the County is only interested in a management agreement with the State Lands Commission on the same basis that Parks and Recreation makes agreements with local agencies.

In other words --

CHAIRMAN CORY: We have that option under the statute.

MR. TAYLOR: You have an option. One of the options you have is to enter into a management agreement. This is a different kind of a management agreement than I think is contemplated by the staff. You would have that option as well. It is my understanding that that is all that the County wants to have considered and that they would not be interested in participating on the basis of the staff recommendation, either for a negotiated lease with the kind of minimums that are being talked about, or as having some kind of preferential right in connection with a competitive bid situation.

MR. LELAND: I don't know whether the Board would want to sit down and talk to the staff and find a spot
somewhere in between or something.

EXECUTIVE OFFICER NORTHROP: Would you identify yourself for the record, please?

MR. LELAND: I am Clancy Leland, Legislative Representative for Los Angeles County.

Whether there is some middle ground, I can't say, but definitely we would not want to be in the position of being a private lessee and bidding for the contracts.

Whether it could be a management agreement with some type of payment, that I would have to go back before the Board and be negotiated.

MR. TAYLOR: I think that the options then are, if the Commission does not decide on either the option of following the Parks and Recreation policy, which is to transfer State Parks to local control in some instances, with the local agencies keeping the proceeds from that as a consideration for the operation, or the management agreement, which would be somewhat in between there, and you adopted any of the other staff recommendations, that the County is then saying that it would not be asserting any preferential right with regard to those to be considered on the basis of that kind of a proposal.

So I think that clarifies the record, both with regard to the City of Avalon and as for the County of Los Angeles. And what is before the Commission now is the
procedure upon which, or the basis upon which applications
or bids will be received.

So, now all that is before the Commission is
that procedure.

CHAIRMAN CORY: The Parks and Recreation concept,
is that what the County is desirous of achieving?

MR. TAYLOR: It is similar to what we have
encountered in connection with the Santa Monica beachfront
litigation which is where there is a management agreement
between Parks and the City of Santa Monica where Santa
Monica manages the beaches, and it does retain some of the
revenue -- it retains the revenue from the concessions there,
which are not too large. What happens is that the Department
of Parks and Recreation and the Parks and Recreation
Commission reviews periodically the management and sets down
the conditions for the operation of that beach.

But there is no monetary payment to the Department
of Parks and Recreation under present policy. That is
varied from time to time.

I think that what the staff was considering in
its management proposal was that it would enter into some
kind of a negotiated basis with an operator such as
Mr. Bombard or someone in that sort, on a negotiated basis,
and he would continue to do the operations. That was the
kind of option that was discussed in that kind of situation
-- or somebody. And the procedure for adopting the management thing, it would be something for the Commission's discretion.

But right now, what you are considering, is the manner in which you will award future management of this area, either through some kind of a lease management agreement or through bidding. And you are selecting between all of those various possibilities that staff has outlined for you in the calendar item or any others that you can think of.

ACTING COMMISSIONER MORGAN: I need to ask a couple of questions. There have been several comments about the rent schedule and the rents that are charged of users of the moorings.

What is the staff opinion on how to deal with the rents? Would we be involved? Should we be involved in approval of rents?

EXECUTIVE OFFICER NORTHROP: Well, we certainly could be involved with the approval of rents, and the staff, after meeting this morning, can see where we could set some kind of brackets or rentals, given a mooring size and some kind of price brackets with some kind of escalaters or something like that, or deflaters if they are indicated. We could certainly do that.

CHAIRMAN CORY: The difficulty we have at this
point is that this could go on forever, and when we get to
certain points, if Commissioners want to ask somebody their
opinion, I am willing to do that, but I think I have to be
a little hard-nosed at this point or we are never going to
get to a decision, because there are too many variables
in this equation as there are, and we need to focus it down.

(Thereupon a short discussion was held
off the record.)

CHAIRMAN CORY: On the question of the fee schedule,
the thing that's going through my mind, and it's a thought
before we get into the actual decision, the question of
whether or not the fee schedule, I am reluctant to have us
involved in determining the fee schedule, specifically on
an ongoing basis.

But I am wondering if there is an intermediate
position of asking if the decision were made, either
negotiated or lease, it might be appropriate to require the
submittal of the rent schedule and mechanism with the
proposal, whether it is negotiated individually or littoral
or bid process, so that in making that evaluation, we could
determine whether or not the overall public good is served.

If it were a bid basis, for example, you wouldn't
have to change anything, but this is what that translates to
to the public. It means that it puts more heat on us in
terms of the consequences of the decision, but I don't know
whether that works or not. But it certainly addresses the
same question that you seem to be inclined to ask. The
question is, how far should we get into that?

I'm not so sure that we need to be in that
fully, and I just put it out on the table because it is
an area of concern for these people here.

David?

ACTING COMMISSIONER ACKERMAN: I guess my
reaction is that it seems a little strange, if you are
going to solicit proposals for operations, to tell someone
how much they are going to pay, how much income they are
going to receive, and then ask them to bid on something
where you have capped it on each end. That doesn't seem
to make much sense.

CHAIRMAN CORY: I am not suggesting we derive the
schedule, just that we say that if there is some bid variable
relating to the money, that with that they tell us what is
the fee structure they are going to charge boaters to derive
the revenue to pay that fee schedule.

So we are looking at both sides of this before
we vote. I don't know.

ACTING COMMISSIONER ACKERMAN: It's just judgmental,
because it is a judgment we are going to have to make,
One of the questions I asked Doug Bombard, was
whether or not the 17 percent of gross seemed to be a
realistic figure to look at, at least as a starting point, and I think that Doug responded to the affirmative on that, so something's got to go up somewhere.

Where do you stop and where do you start? A 17 percent increase in the mooring fees, in my opinion, seems perfectly feasible. I don't think that that would be discriminatory against anyone that is using the Island. An overnight basis, using the 30-foot boat, at $16 a night, a 17 percent increase based on a $10 base, I don't think is highly discriminatory.

MR. TAYLOR: I don't think that anyone has made a statement that there would be a 17 percent increase.

ACTING COMMISSIONER ACKERMAN: No, but I am just saying that if you look at something like that, and say, 20 percent or 25 percent or something like that, that probably seems somewhere around a realistic area. Now, if you are looking at doubling, tripling or quadrupling leases out there on a one-shot deal, that, to me, I think, is a little excessive. At least it seems excessive. That is my own way of thinking.

Now, if the only way to control that is to approve a fee schedule, then I don't know what you do.

CHAIRMAN CORY: Okay. We have a difficulty of running late. We are going to have to take a recess so we can give a report to some people in State Government on the
last meeting, of which none of us were a part. So, with
your indulgence, we are going to take a very short --
five minutes, Susie?

    ACTING COMMISSIONER MORGAN: Yes.

    CHAIRMAN CORY: I think you need to be here before
we go much further.

    ACTING COMMISSIONER MORGAN: Yes.

    CHAIRMAN CORY: I wish you well on the phone
call. There is a loose end from the last meeting in which
she left early.

    (Thereupon a short recess was taken.)

    CHAIRMAN CORY: Okay. The other question that
I think that we probably need some sort of open discussion
on before we try to get into going down a list of options
and decision points is this transferability question.
I don't know what to do with it.

    ACTING COMMISSIONER ACKERMAN: On transferability,
there are a couple of things that came up this morning and
in the written testimony that caused me some questions.
Perhaps the staff can answer these.

    If a buoy is owned by more than one party, how
do you handle transferability if one of those parties
to that buoy changes? Is it, in fact, an ownership change?
If we say there are no transfers, how is that going to be
handled?
CHAIRMAN CORY: Wait a minute. There are two guys with legal degrees, a third one of you went to law school, and you give the microphone to the one who didn't do any of those things.

(Laughter.)

ASSISTANT EXECUTIVE OFFICER TROUT: The best qualified mind.

CHAIRMAN CORY: Okay. In search of a logical answer, we are going to hear from the non-lawyer.

(Laughter.)

ASSISTANT EXECUTIVE OFFICER TROUT: Well, the person who is prepared to answer this is a lawyer, Jane Mochon, who we asked to work up some alternatives in response to this concern, and I think she is prepared to discuss some ways we might do that.

MS. MOCHON: We don't have language for you finalized, but I think what you can do is -- all right. You have five people who share an interest in a boat. List them all as sublessees on the mooring sublease, or the site sublease, and I think you grandfather those five people in if you adopt grandfathering position on the recommendations in the Calendar Item.

CHAIRMAN CORY: Are you contemplating those five people having the same boat? What about the people who have more than one boat but an interest in a mooring?
ACTING COMMISSIONER ACKERMAN: Isn't it the mooring that is leased and not the boat?

MS. MOCHON: Oh, I misunderstood. I thought that what you were speaking about was that you had a boat that was owned by, say, five people.

ACTING COMMISSIONER ACKERMAN: No. A gentleman earlier mentioned that he bought an $8,000 share.

MS. MOCHON: Oh, a percentage of a mooring.

ACTING COMMISSIONER ACKERMAN: Yes.

MS. MOCHON: Well, we haven't addressed that at this point, but I suppose you could do the same thing there. You could put all of the individuals who have a share in that mooring sublease on the sublease.

ACTING COMMISSIONER ACKERMAN: I think that's very basic. No legal language is required.

Any technique we try to devise to prohibit transfers, isn't there some way to get around it, one way or another?

MS. MOCHON: I suppose.

ACTING COMMISSIONER ACKERMAN: Practically. I see people shaking their heads, but is there any practical way that you can prohibit transfers of moorings?

MS. MOCHON: I think that the method used to prohibit them would have to be just about the same method that we use to detect them in the beginning, and if you are
going to charge a fee, you are going to have to have a
similar method. Either way, either you extract a fee for
the transfer or you prohibit the transfer, you are going to
have to have some method of detecting the transfer.

The suggestion staff has had is that we require
every year evidence of the ownership of the boat through
California State boat registration.

MR. TAYLOR: It is possible to find out how
other marinas do it, but Long Beach marinas have a
process similar to what they propose. I think that there is
always going to be a way to abuse it, but it does have a
limiting effect in the Long Beach marinas to have that
requirement.

The other is to go to some percentage, either
a fee or percentage of the sale of price.

CHAIRMAN CORY: The problem is that there is not
a solution to every dilemma.

ACTING COMMISSIONER ACKERMAN: I just wonder if
we are trying to come up with a solution that really, in
practicality, won't work out there because maybe it hasn't
worked in other places, I mean family ownerships, ownerships
that way. The intent here is to try and create a fair
system so that if a mooring lease expires and some family
or entity does not want to continue it, that it can become
available to the general public, either off a waiting list
or something like that, unless either there is a joint
ownership to where it should be transferred to one of the
owners, to a family ownership. That I would be perfectly
willing to go along with, if that's the way it's set up.

But we are looking at a lease where there is
no other owner. It's a single owner, and the guy says,
"I don't want it anymore." Therefore the lease expires.
How do you assign that, then, to someone else? Does he
sell it? Does the State take a transfer fee and a percentage?

MS. MOCHON: You go to a waiting list.

ACTING COMMISSIONER ACKERMAN: You go to a waiting
list. Then we have to discuss exclusions. Is it joint
ownership, joint tenancy, or something like that? Then,
those are exempt from the transfer fee, the nontransfer-
ability, because they are really not transferring anything.
They are just staying within a group of owners.

MR. TAYLOR: It would have to be the last of
those, then, under that. If you are going to have a no-
transfer policy, it would have to be the latter for people
under that.

MR. MOCHON: Yes. I think the point that Greg
is making is important. I think if you have, for instance,
five people involved in one mooring site sublease, if you
are going to have a grandfathering in, okay, when the last
of those five people remove themselves, then you have to say,
okay, now we can't continue the grandfathering.

In other words, going down the list to the last of the names, you are going to have four new people on it when the last of the originals go, and if you continue your grandfathering, you know, it is perpetuated. So there is no sense in all the controlling, then.

ACTING COMMISSIONER MORGAN. How many of the moorings are owned? Roughly half is what I have heard.

MS. MOCHON: About half, yes.

ACTING COMMISSIONER MORGAN: I guess the extreme case would be to adopt a policy of no private ownership of moorings, in which case what would happen to the moorings that are now in place?

MS. MOCHON: Owned privately?

ACTING COMMISSIONER MORGAN: Yes.

ASSISTANT EXECUTIVE OFFICER TROUT: They would have to take them out.

MS. MOCHON: Yes, yes. Under the current lease, the Island Company, who is our lessee, has the responsibility of removing everything from those lands within 90 days of the expiration of their lease. We would have to assume that that would be the case.

ACTING COMMISSIONER MORGAN: And would that requirement generate the need for an EIR?

MS. MOCHON: Possibly.
ACTING COMMISSIONER MORGAN: Yes or no?

MR. TAYLOR: No, no.

ACTING COMMISSIONER MORGAN: Is there a third attorney here?

(Laughter.)

CHAIRMAN CORY: The reason being you are just terminating the existing lease.

MR. TAYLOR: Repair or replacement, you have a categorical exemption as long as you don't change the use. And at this stage, all that is before you at the present time is a continuation of whatever is existing in place or the replacement of those identically by a new lessee. And therefore it fits the categorical exemption. That's why there is no recommendation before you to go into any kind of change in use, unless you adopt a proposal for further study and receipt of proposals, and then go out to some kind of a bid with a full Environmental Impact Report.

ACTING COMMISSIONER MORGAN: Somehow I am trying to balance. My sense of fair play is offended by the thought that people feel they have a right to remain in lands or waters that I consider to be available to the public at large. On the other hand, I recognize that there are some people who feel they have a right that goes back even before the time the State asserted its right to the trust there.
And I guess life isn't fair, but can anyone offer any suggestions from the staff? I know you have probably been wrestling with these, too, on how you resolve these two conflicting ideals.

MS. MOCHON: I think the recommendations we have made reflect the best solution that we could come up with. One, that we don't allow transfers to continue but that you do permit the people who are presently sublessees there to have a preferential right to a sublease under whatever situation is established as of January 1st.

ACTING COMMISSIONER MORGAN: Did you put a time limit on that?

MS. MOCHON: No, it is for the term of the new lease.

ACTING COMMISSIONER MORGAN: For the term of the new lease.

ACTING COMMISSIONER ACKERMAN: So it is a grandfather provision that would allow a sublessee to renew that lease on an annual basis for whatever period the master lease is?

MS. MOCHON: Right.

ACTING COMMISSIONER ACKERMAN: Which is recommended at 15 years?

MS. MOCHON: Yes.

ASSISTANT EXECUTIVE OFFICER TROUT: We just
said that the recommendation is that they simply have a right of preference in terms of the lease for whatever terms the new lessee wants to establish. If he wants to only give five-year subleases, then he gives five-year subleases. But, for whatever the initial term of the sublease is, then the staff recommendation is they be allowed the grandfather clause.

CHAIRMAN CORY: Would the grandfathering right extend to the end of the five-year? I have got a mooring that I bought a long time ago. I am sitting there with a new lease. I reup with a five-year, and at the end of that five-year, can they throw me out on the street?

ASSISTANT EXECUTIVE OFFICER TROUT: Well, it depends on what you want to do.

CHAIRMAN CORY: My understanding about the grandfathering is that it would coincide with the 15-year period of the lease. I don't know what the other Commissioners felt.

ACTING COMMISSIONER ACKERMAN: My understanding is that it would be a one-year renewable lease to be renewed at the option of the sublessee for a period of 15 years, so they could renew it 15 times at their option. But it gives you the opportunity to have year-by-year leases, so that if there is any changes to be made, you are not stuck with a 15-year lease with everyone else, too.
CHAIRMAN CORY: But the persons' preferential rights are there as long as they are there.

ACTING COMMISSIONER ACKERMAN: As long as they are there, right.

CHAIRMAN CORY: That's my understanding of the grandfathering.

I have just received a note. They have decided that they will not evict us at 5:00 o'clock. I don't know whether that's good news or bad news.

ACTING COMMISSIONER ACKERMAN: Don't all City employees go home at 5:00 o'clock?

CHAIRMAN CORY: With the mandate of the extra cost.

Any other questions on transferability, generally technical questions that you want?

ACTING COMMISSIONER MORGAN: I agree with Dave. I think we'll have to see how it works from a practical point of view is a good question.

ACTING COMMISSIONER ACKERMAN: One other question that I have raised, again, from the testimony, however, is what do we do about the yacht clubs? Should the yacht clubs receive any treatment that is different from an individual?

Right now, and correct me if I am wrong, yacht clubs, with one or two exceptions, do not themselves lease
buoys is that correct or is that wrong?

MS. MOCHON: My understanding of that is that members of the yacht clubs lease the buoys. However, I also understand that sometimes within a given yacht club there is an agreement that members sign or at least participate in, whereby if they are going to give up their mooring, it will be first offered to someone else who is a member of the yacht club, so that there is a somewhat limiting effect on that in terms of access.

ACTING COMMISSIONER ACKERMAN: So, under the recommendations that are before us, that practice would be prohibited?

MS. MOCHON: Yes.

ACTING COMMISSIONER ACKERMAN: So what I offer is whether or not there is any consideration, since that's really the case now, whether or not we want to consider maybe a lease with the yacht club to where they would then maybe sublease to their members for those buoys that are now, in fact, being held by the yacht club members.

It is a bit complicated, but that's the way to take care of current practices.

CHAIRMAN Cory: If we get into that, I would like to ask the lawyers whether that forces us to deal with all of the nondiscrimination problems.

MR. TAYLOR: Let me just say that, as a practical
matter, the way it works in Long Beach, with both the Alamitos Yacht Club and the Long Beach Yacht Club, is the fact that the leases in front of those clubs are on an individual basis.

It may be that after a person gets a right to be in the marinas, they are assigned over to that area on a switch-around basis for berths or slips that become available elsewhere, but it is the practice in Long Beach, which is fairly well run, that it is run on an individual basis.

I think, in Marina Basin Number 5, the majority of the people in there got in there on the basis of lists or having been there when it was created, are members of the Alamedas Bay Yacht Club, and there have been those who have said, "God help you if you aren't a member" of those clubs in those situations.

CHAIRMAN CORY: But if the question which was raised here about us leasing directly to a yacht club, will we be under any legal compulsion to deal with this discrimination issue?

ACTING COMMISSIONER ACKERMAN: Understand that I was not saying that we lease directly to the yacht clubs, but that we allow direct leasing, to a club as a group, of buoys, which would allow them to reassign the buoy then to some of its individual members, and really, which would be in violation of the grandfather clause in a way as it
applies for nontransferability as it is applied to an individual.

The yacht club would be able to hang on to its buoy even if the same person wasn't using it, but an individual lease holder could not transfer then.

EXECUTIVE OFFICER NORTHROP: I think that's an important question. How many yacht clubs have buoy fields?

MS. MOCHON: I don't know, but I would imagine you are talking about a fairly substantial number of buoys, and by that I mean somewhere around 200.

ACTING COMMISSIONER ACKERMAN: Maybe Doug could come and testify.

MR. BOMBARD: Well, we have -- you know, it's pretty hard to sit here and, and I can imagine our system has evolved through quite a few years and quite a few trials and errors, and it's pretty hard to sit down here and set it up with a common denominator. But, basically, the way it works at the present time, and I think it's a good one, is we have the yacht club, and they have a certain amount of moorings that their members individually have. They set up -- in the past we have allowed them to set up their own waiting list, and it works pretty much on a seniority basis, just the way our waiting lists do in each of the other coves.

When a member relinquishes his right to a mooring,
the next member on the waiting list gets his spot. And that's
the way they do it. And it's been working very well.

Now, the yacht club members have the right to
assign their moorings. In other words, if a yacht club
member isn't going to, over this weekend, he has the right
to tell his Covemaster that you are going to assign it to
another yacht club member. If that mooring is still vacant,
we assign it to a member of the general public, and that
seems to work very well. I mean the moorings get complete
use.

See, one thing you have to realize. The moorings
aren't used all the time. It's not like Avalon. Avalon
basically, during June, July, August and September, the
moorings are a hundred percent occupied or very close to it.
The other moorings on the Island don't get that
kind of use at all. They are down -- in July and August,
which are our top months, their occupancy is down, like 30
percent is probably the average occupancy, maybe 40 percent
during August.

There's only one day of the week where you have
a hundred percent occupancy, and maybe you turn a few
people away, and that's Saturday. That's the only day.
Friday we have vacant moorings and on Sunday we have vacant
moorings.

But as far as the yacht club thing works, it
works very well the way we have been handling it, and I
think it's pretty fair.

The general public, anytime the mooring isn't
being used by somebody, some assignee, it's available to the
general public.

ACTING COMMISSIONER ACKERMAN: But on the trans-
ferability of the actual lease on that mooring under the
staff recommendations, over a period of time, and it may be
a long time, maybe I'm not being very realistic, but the
yacht clubs would no longer have exclusive buoy fields,
because as a mooring became available, it would not automati-
cally then go to another yacht club member under the
staff recommendations.

The yacht club wouldn't be given the opportunity
to create its own waiting list.

MR. BOMBARD: You know, I don't think -- I don't
know what the staff envisions. I read that, and maybe what
they envision is that you have one waiting list and you
keep pulling off of that.

Well, it doesn't exactly work that way because
Joe Dokes that keeps his boat down at Newport doesn't
necessarily want a mooring in Emerald Bay.

The way we set our waiting list up, we have a
waiting list for each cove and we have a waiting list for
each size category. You have to take it down by size because
a 30-foot mooring comes up, you can't put a 70-foot boat on it. On moorings, the way they are set up, you have a 35 to 45-foot category, and so you take the next person on the waiting list in that size category. And I don't think that, if you just had one great big waiting list for all of Catalina Island, it would really work.

For instance, for a long time we had quite a problem in Catalina Harbor. We had very little use of the best cove we had on the Island because it was on the back side of the Island. And until they built Marina del Rey, Cat Harbor, we were trying to figure out how to get the boats over there. We were investigating putting in a railway to haul them across the Island, and we even talked about digging a ditch across and having a canal. We did oceanography and all kinds of studies on it.

But we had a problem and we went to del Rey Yacht Club and California Yacht Club and actually promoted them to try and develop use in Catalina Harbor, and it worked very well. But we actually had to go to them and present the idea to them.

Of course, now, things have changed, but del Rey is the thing that made Catalina Harbor an acceptable place. But a guy in Long Beach or a guy in even San Pedro is not very interested in Cat Harbor because he has to go 14 extra miles to get there on a weekend.
So I don't think you can just set a waiting list up. I think you have got to follow somewhat the program that we have now, which is working very well. And we get very few people who are angry with it.

If you read the Long Beach transcripts, you probably read about a guy that just had to wait 10 years, but he was satisfied that it was handled fairly. He felt when his name came up he got his mooring and he was very happy with the fact. And a lot of those guys come in every year and they say, "Where am I on that waiting list?"

You know, one of the problems is, you know, you think about a lot of moorings changing hands, and I guess the idea that you feel that out of the 303 private moorings, that maybe 50 of them changed hands. That's not true.

Maybe 5 to 10 of them changed hands, and I don't remember ever having 10. I would say more like 5 to 8 moorings change hands, and that's guys that died, usually.

You know, people don't sell their moorings that much. There isn't a lot of trading, and I don't think there's much trading to make money.

ACTING COMMISSIONER MORGAN: Doug, when you talk about a waiting list, you are talking about a waiting list for leasing as well, aren't you?

MR. BOMBARD: Yes, leasing. Up to now our waiting lists have just been about leases, because we
haven't got involved with the transfer of moorings other
than in our records transferring, and what we required
is a bill of sale. If one guy sells a mooring to another
guy, all we require is a bill of sale. And we include
that -- we have a separate file on each mooring, and
we include that in a mooring, and the submerged land
sublease is nontransferable, so that's our hedge against the
guy with a 30-foot line, who is going to put a 70-foot boat
on it.

The thing that predicates whether we will issue a
new submerged lands sublease to the person that buys the
boat is if his boat is compatible with the other boats in
there. Because if a guy has a trimaran, for instance, which
has a 30-foot beam and it might only be 40 feet long, it
doesn't mean it will fit on a 40-foot mooring.

ACTING COMMISSIONER MORGAN: I have some more
questions to ask the staff.

CHAIRMAN CORY: Any other questions of Doug?

ACTING COMMISSIONER ACKERMAN: Just that it seems
to me that if we go on a cove-by-cove basis, the staff
recommendation works. Is that correct?

MR. BOMBARD: Yes, and also in size category.
You have got to have compatibility.

CHAIRMAN CORY: This is technically sound. It is
a policy consideration, but it is technically functional.
MS. MOCHON: I have one thing in response to his comments. I think staff has fully contemplated that the waiting list would be set up with consideration for the size and shape of the boat, suitability.

ACTING COMMISSIONER ACKERMAN: It almost has to.

ACTING COMMISSIONER MORGAN: Could someone comment on the channel? How wide does the channel need to be to allow the Island owners to have fair access to the Island?

MS. MOCHON: You have that photo of Avalon?

ACTING COMMISSIONER MORGAN: I mean, 300 feet is what you have proposed, is that correct?

MS. MOCHON: I think that's what is done in Avalon.

CHAIRMAN CORY: Betty, do you want to take care of that?

That's the photograph.

MR. BOMBARD: Can I talk on that subject, too?

CHAIRMAN CORY: Yes.

MR. BOMBARD: The 500-passerenger boats that they talked about are 35 feet wide. They have 35-foot beams and they are 137 feet long and have a 35-foot beam.

I think what bothered some of the people is that if you go alongside of a pier, like at the Isthmus, for instance, we have a 150-foot long pier. That is a dock,
a float.

ACTING COMMISSIONER MORGAN: I understand what a pier is.

MR. BOMBARD: That is 20 feet wide. If you had 10 feet on either side of that and somebody predicated that we are going to put moorings in just outside that 10 feet, that 35-foot wide boat couldn't get in there. And I think that's what the Girl Scouts were concerned about.

ACTING COMMISSIONER MORGAN: What did the staff propose?

MS. LOUIE: Betty Louie Well, from the comments that we had received in regard to access to uplands adjacent to the State's land, some of the comments referred to a need for a fairway to the pier, primarily at the Isthmus.

The other location that was of concern for fairway access was over at Pebbly Beach, but since we have eliminated those two sites, we felt that the Isthmus was the only site at this time that we needed to think about a fairly wide fairway for access.

ACTING COMMISSIONER MORGAN: How wide?

MS. LOUIE: I don't know.

ACTING COMMISSIONER MORGAN: You don't know?

CHAIRMAN CORY: What is the size fairway that is recommended in the staff report, for starters?

MS. LOUIE: One hundred feet wide to each end of
the pier. And that was from comments that we had received from parties who wanted access.

ACTING COMMISSIONER ACKERMAN: What is realistic, 300 feet?

CHAIRMAN CORY: Hold it. We cannot take a multiplicity of comments from the audience.

Does the staff have any background as to fairways now at the Isthmus or fairways at Avalon, the size of the fairways there?

MS. LOUIE: The City of Avalon has a fairway that is 300 feet wide, so perhaps the 100-foot strip might not be quite enough.

(Laughter.)

CHAIRMAN CORY: What is the size currently at the Isthmus, because I was understanding you were talking about existing moorings?

ACTING COMMISSIONER MORGAN: Do you have any idea?

MS. LOUIE: No.

CHAIRMAN CORY: Is there a fairway in, Doug, at the Isthmus?

MR. BOMBARD? Yes, it's about 150 feet wide now.

There was a fairway in there. See, a steamer used to go in there, Cabrillo, before the war back in the thirties. And so at that time they had a 300-foot fairway. Since then, since the smaller boats are serving us now, the
fairway has been reduced to 150 feet.

But the big boats, because they come in there in windy weather, and they blow around, and they have to have a safety factor. And this gives them an adequate safety factor, but less than a 150 foot would not give them sufficient safety factors.

CHAIRMAN CORY: And if you wanted to make it greater than 150 feet, you would have to take out moorings?

MR. BOMBARD: Right.

CHAIRMAN CORY: At the Isthmus.

MR. BOMBARD: Right.

CHAIRMAN CORY: So, if we are maintaining status quo, then we would be looking at a 150-foot Isthmus fairway.

MR. BOMBARD: Right.

CHAIRMAN CORY: What about other coves?

MR. TAYLOR: I was going to suggest the Prince and the other ships go into Fox and they go into Emerald Bay, and they go into the Girl Scout Camp. And I think that this lease is only for a continuation of the existing configuration and that staff could probably look at each one of these things and determine the fairways. The fairways have to be in now because I have gone ashore when they have gone up in those size boats. And sometimes it is tight, but they are existing.

And I think that just the preservation of existing
fairways could settle that from an expeditious standpoint
at the present time, and it did require that existing
fairways be preserved. And that could address the problem
rather than debating the width of each one.

CHAIRMAN CORY: I'd like to clarify one thing
for everybody. At least to my way of thinking, as a general
policy matter, I am looking at this in terms of the status
quo in terms of moorings, fairways, and the like, whether
we negotiate with the Island Company, whether we go to
competitive bid or whether we go to a management contract.
But that does not preclude the successful bidder or
negotiator from coming back in here at a future point in
time and saying, "We think that the interests are better
served by making an amendment to this agreement, that it
could be done better."

But I don't think that we can contemplate all of
the variables, all the other options. But whoever the
successful bidder, I would presume if they needed to go back
to the large steamer for some reason at the Isthmus, there
would have to be an adjustment and an adjustment in the
lease. That's what we are here for and that amendment
process is there.

At least that's my thinking. I would think that
has been the position of the Commission and the staff,
generally speaking, with lessees on these items.
ACTING COMMISSIONER MORGAN: You have to recognize changing conditions.

CHAIRMAN CORY: Yes.

ACTING COMMISSIONER MORGAN: I would agree with that.

CHAIRMAN CORY: Are there others? The other question on the fairway question as a general policy matter, it seems to me that there has to be access, whether it's the Girl Scouts at the Isthmus or for that matter the City of Avalon. You cannot land-lock the Island. There are property owners who have property rights and there has to be an access.

Is there disagreement on that as a general policy?

ACTING COMMISSIONER MORGAN: None.

ACTING COMMISSIONER ACKERMAN: I am in general agreement.

ACTING COMMISSIONER MORGAN: I wanted to ask the staff to react to the comment that was made about joint use of the piers. Do you look at that as an option?

Let's see. Harrison Hertzberg raised that question. Joint use of the piers?

Hello? Is anyone there?

MR. TAYLOR: I have to say that you will have some legal problems with that. You are going to have to determine
where the high-water mark is. If you are going to require joint use, it would only be to the high-water mark. Above that it is private property. And I think that from a practical standpoint, that's impossible.

I don't know that joint use of the area below the high-water mark would accomplish the purpose for which the person addressed his comments.

CHAIRMAN CORY: On the fairway, the other implication of that is if we exclude the existing wharf and provide access on State property, as, in essence, a vested right through State law in other areas, in terms of recreational piers and the like, a sort of implied public use for public purposes for the pier thing, I have got some problems with telling somebody who built the pier that they have got to use that to allow some other commercial entrepreneur to use that pier.

But I think I have got a different view when it comes to somebody who holds themselves out to the public, in terms of the pier, and of using our negotiated lease as the mechanism for charging somebody for something.

MR. TAYLOR: I think that under the staff proposal that would be a question that should be addressed in the negotiation of the pier leases which are going to be handled separately and on a negotiated basis under the staff's recommendation.
CHAIRMAN CORY: I am just thinking where there should be a disincentive to charge. I don't want to be used as a mechanism for charging. If somebody wants to charge for the use of their uplands, they have that right, but to give a negotiated pier lease and imply an extra mechanism to extract there, I have some questions about it and that's one of the things the staff should put aside and make sure we get back to it later.

ACTING COMMISSIONER ACKERMAN: I share the same concerns.

CHAIRMAN CORY. Access is sort of a two-way street, if you will. You have any other general questions of anyone?

ACTING COMMISSIONER ACKERMAN: On the other thing that other testimony brought out, both today and previously, was the different services required.

I don't know if we want to have any discussion on the frequency of these services or what type of stipulations we wanted to place upon it, but we talked about the freshwater service, trash service. There was some discussion during the first break that some of the potential bidders this morning talked more in generalities and not specifically about how some of these services can be provided. How specific do we want to be? Or how specific should we be?
ASSISTANT EXECUTIVE OFFICER TROUT: From staff's standpoint, we believe that the services that we have listed in the staff report should be provided as a condition of the lease. Some people have said, "Well, the current operator isn't providing all of those services at all of the coves."

We understand that. Our proposal is that they be required of the lessee. We think that a patrol boat available doesn't mean that they have to be always with somebody behind the wheel driving around. As the Harbormaster pointed out, they have marine radio channels, they have a CB channel, and our concern is, from the staff's standpoint, that when we say a patrol boat 24 hours a day during the season, not that somebody should be standing in the boat and going around, but there should be somebody available, awake, on duty, listening to the radio to respond to a call or periodic patrols during the night to see if the weather has changed, surges come up. Those kinds of things are what we are talking about.

We think that it's essential, from the standpoint of the environment, that there be a solid waste collection system available, and the staff recommendation for upland disposal doesn't mean upland on the Island. It simply means that they can't take it out and dump it in the ocean out a mile or two. It has to be disposed of properly in an
upland site, whether it is dumped at Avalon or Long Beach or at the Company's operation at Catalina Harbor.

The assurance of things like rescue and fire fighting services. Those are now provided by the County. We are simply asking the lessor that if for some reason the County should pull out, that they will assure us that those services will be provided. We think that freshwater --

CHAIRMAN CORY: Wait a minute. "Wait a minute.

It seems to me that you are giving the County an awfully big hammer at that point, and in essence inviting them to terminate the service and shift the cost and the burden to the existing lessee or another lessee.

ASSISTANT EXECUTIVE OFFICER TROUT: We may not want to do that.

CHAIRMAN CORY: I mean that's a heavy policy consideration, given the fact that the County is something other than totally disinterested in this project at this point. And I don't mean any impugning of their integrity, I just --

ACTING COMMISSIONER ACKERMAN: If they are looking at cutting back the service, they can charge for them.

ASSISTANT EXECUTIVE OFFICER TROUT: That's why this is a recommendation that was made. You may not want to include that.
CHAIRMAN CORY: There was a time in this country when fire departments were private enterprise and functions of insurance companies, and that didn't work out very well. I'm not just so sure that we won't be going back to that. Seems to me to be an invitation to the County to cut the service. And I raise some questions about that. I think that, to the extent there are some minimal facilities available by the lessee, maybe we should specify what they are rather than encourage the County, who is under significant pressure now, and going to be under much greater pressure in the very near future for funding, to wave a flag under their nose that you can get out of your police and fire obligations.

I don't know. I mean, that's the way I feel. That's the way I respond.

Dow, could you respond to what you specifically provide now in the way of rescue and fire fighting services, because the other thing that bugs me about that is the implication, whether those are terms of art, that implies 52 hour work weeks and all sorts of other public safety issues that we have dealt with in the public sector.

What do you provide and what do you think that means?

MR. BOMBARDO: Well, we have some fire fighting capability.
CHAIRMAN CORY: What specifically?

MR. BOMBARD: We have fire pumps in some of our boats. We have extra large fire extinguishers in most of our boats. We have some portable fire pumps and the county has a boat in Avalon and one at Two Harbors that has fire fighting capabilities. That's our fire fighting capability offshore.

CHAIRMAN CORY: What size pumps do you have and what number?

MR. BOMBARD: Well, our pump is an inch and a half in the one boat that we keep at the Isthmus that has a fixed system in it. We have two -- did I say one inch?

It is inch and a half.

CHAIRMAN CORY: Inch and a half.

MR. BOMBARD: And then we have two inch and a half portables that will go in any of our boats. Then we have large fire extinguishers that normally --

CHAIRMAN CORY: What do you mean large?

MR. BOMBARD: Large CO₂s. A larger size than the boat would normally carry. We have those to handle engine fires and things like that that occur.

CHAIRMAN CORY: Well, see, that's a different set of standards than what you were saying the staff was implying. At least from hearing you, I would not think that that complied with fire fighting services.
ASSISTANT EXECUTIVE OFFICER TROUT: I imagine that that's what the staff had intended to begin with.

Well, I tell you, I think all harbor patrol boats should have fire fighting capabilities.

CHAIRMAN CORY: Yes, but it's a question of the definition, and my real concern is if they are talking about a full-fledged fire department, to give the County the option of withdrawing that and charging you for it, or the successful bidder, whoever it is, that you either fund our fire department or we are going to close it down and you'll lose your lease.

That's a pretty heavy hammer to give somebody else.

ACTING COMMISSIONER MORGAN: My impression from looking at the services required, and from discussions with staff, is that they are making an effort to try and respond to suggestions from people who currently use Catalina, and that they'd like to see the same kind of neighborly service that has been provided by this benevolent dictator that's had the control of this operation.

(Laughter.)

ACTING COMMISSIONER MORGAN: And it seems to me that it is extremely difficult to quantify the kind of things that Doug Bombard might do when he sees a guy in trouble. And on the other hand, I don't know how you are
able to continue the same kind of service if you don't try
to specify. I mean, I think --

MR. BOMBARD: Our biggest problems over there
aren't fire. Most boats, through Coast Guard regulations,
have pretty adequate fire fighting equipment aboard.
Our biggest problems are people running on the rocks and
needing an immediate assistance to try and minimize the
damage to his boat, or get people off quick. That type of
thing we get involved in almost on a daily basis.

And that takes boat-wise people to respond, guys
like Doug Oudin and his crew.

Doug does sit up there on that VHF radio and CB,
and monitors it all the time. And I hear him responding
all the time and I also do the same thing up at my house.

Those responses are important. The other thing
is storm. And we have Thanksgiving coming up. And for
some reason we seem to always get a lot of boats over there
on the Thanksgiving holiday and we always have a storm.

(Laughter.)

MR. BOMBARD: And we have to end up with six
or eight guys out there helping people tether off and stay
out of trouble.

ACTING COMMISSIONER MORGAN: We should require them
to be a weatherman, too.

MR. BOMBARD: Weather is the most important. We
are a weather display station. The weather bureau calls us when they expect something to come up and we fly the storm flag.

ACTING COMMISSIONER MORGAN: Anyway, as an extension of this, thanks, Doug.

It seems to me, if we feel that the public has been well served by the kind of operation that runs at Catalina, and on the other hand we have some concerns about being ripped off losing money, that the solution to that is to renegotiate the lease, direct the staff to renegotiate the lease, setting some criteria on return and what we expect to see and including some of the things that we have talked about here to assure public access, and include something related to grandfathering.

And I don't know where you folks are, but I am prepared to move that we do something along those lines.

(Applause.)

ACTING COMMISSIONER MORGAN: I haven't had that much applause since my mother paid for my ballet lessons.

(Laughter.)

CHAIRMAN CORY: Are there any other technical points you want to go through before we get down to the decision process?

ACTING COMMISSIONER MORGAN: No. I'm not sure.

There are a lot of technical things.
ACTING COMMISSIONER ACKERMAN: May I offer one comment along Susie's line?

Part of the reason that we just started going through this process of the services and all that, is initially, when I first went down and talked to Doug down on the Island, I was absolutely convinced in my own mind that there was no way to go but just renegotiate the lease with the Island Company. It gets everybody off our back. We don't have to worry about how things are being run and everyone on the Island is happy and we can go straight through it.

And then gnawing in the back of my mind was the fact that in almost every other instance, at least since I have served as the Lieutenant Governor's representative on the Commission, we have gone to public bid whenever anyone other than one party wanted to go to bid.

And so I was in a dilemma. I think I talked to many individuals and I have talked to, you know, Doug, about this when I was down there, is what was gnawing at me. So I gave the staff, I think, collectively a kind of a challenge that said, at least I did, that said that my decision would be to renegotiate a lease with the existing lease holder unless I could be convinced that we could go to bid without doing any disservice to the boaters and the current operations and the economic and social
affairs of the Island.

And what you see before you is what we have
looked at as a resulting package. The staff has spent,
and Jane, has spent a great deal of time trying to come up
with a justification and to at least lay out the options on
both sides of that issue so that the Commission could make
a decision.

Any decision that is made here, we have got to
justify. And that's my first priority, to justify.

I have one disappointment through all of this,
and that is the first three or four speakers this morning,
for lack of whatever reason, I don't know, didn't say anything.

And I don't know if that's a fault of our process
or what, but frankly, if we were right now having to make
a decision on who to go with, I'm not so sure I've got the
information before me to make that decision. I don't know
how any other proposed bidder is going to provide the
garbage service, and how they are going to provide the
security on the Island. At least nothing has been put forth
so far.

The dilemma that I find myself in, and maybe it
is a rhetorical question, is that without having those
proposals before me, how can I make a choice? How do I
know what is going on? How do I know what Doug Bombard's
relationship is going to be in this?
I relied on Doug a great deal for information on it.

So, I guess, my leaning on it is that I don't like an open bid, and I think that would be a mistake, a straight open bid.

I also think it would be a mistake to go out for a bid based upon one sole determining criteria, and that is economic gain. I think that would be a disservice to the boaters and to the Island and to the Island Company. And I'm not so sure it would result in a favorable solution.

What I am looking at here, I think, is I want to create a situation whereby we get proposals back and the Commission can make a decision based upon some innovation but always falling short of such grandiose plans that will create a Coastal Commission review and CEQA requirements, because I don't think that's before us now.

It's something the boaters evidently don't want, and something that should not be done with the Island. But I think, Susie, my feeling is that I think we should look for bids. The staff has structured a very stringent package of requirements that any prospective bidder would be required to adhere to. I frankly don't know, based upon the testimony this morning, how some of these prospective bidders are going to provide the services. I would be very interested in what their proposals are and whether they will
be economic and cost-beneficial.

But yet I think I feel, again, myself, that I owe them the opportunity to give us their proposals. We have the option, as has been proposed in the bid package, to reject all proposals, and I think if the Commission has that latitude, at least we will have provided a forum to look at the proposals, because I certainly haven't heard them today. And I don't see any other way, other than a request for proposal that we put out, that we can get that information so that we can make a final decision.

CHAIRMAN CORY: Request for proposal or a bid process.

I guess let's start and see if we can figure out a way to come out with any agreement to do anything. The first question is to negotiate or to lease?

I think that's one of the first options, as you look at it. You have got to make that fundamental decision, negotiate or lease.

ACTING COMMISSIONER ACKERMAN: For the County's position, and I don't know if Clancy Leland is still here, but from the County's standpoint, he wants a management contract, and I don't think I lean that way. I do not lean for a management agreement with another governmental agency. And again, in deference to the boaters, one thing they don't need is another governmental agency controlling something out
ACTING COMMISSIONER MORGAN: That's fine, yes.

CHAIRMAN CORY: Okay. There's no support on the Commission for the government management lease.

The next question is whether we negotiate with the littoral owner or go out to some RFP or bid lease proposal. That's probably the next fundamental juncture. Where are we on that?

ACTING COMMISSIONER MORGAN: At opposite ends. I would prefer to, if we are interested in continuing a similar operation to the one that has existed in the past, then it's my impression that the public would be well served by renegotiating the lease with the current lessee. From my point of view it does not appear practical to expect bidders to come in and prove by the numbers that they will be good neighbors. It just does not lend itself to that kind of a process.

MR. TAYLOR: I think technically your proposal is to negotiate with the upland owners, because we don't currently have a lease with the Conservancy.

ACTING COMMISSIONER MORGAN: I'm sorry, yes.

Thank you.

MR. TAYLOR: So it will be the Conservancy and the Company, both.

ACTING COMMISSIONER ACKERMAN: I think the way I'm
leaning would be to solicit proposals, but not in accordance
with the staff's recommendations. The thing that concerns
me that the testimony today, I think, outlined, is the way
that the proposed bid package is structured, is to really
set out only one variable that would determine the highest
bidder, once everyone is determined to be qualified, and
that is a percentage of gross revenues.

And I'm not so sure that that's the right way to
go. I think that's much too restrictive and it may very well
give an advantage to one party over another. That won't
serve the best interests there. So I am wondering, can we
do a bid package that gives us more than one variable
to make a final decision?

CHAIRMAN CORY: I think we can, but I'm not sure
what that camel is going to look like when this Commission
gets done building it, and we may all back away from our,
creature.

ACTING COMMISSIONER MORGAN: It's a good thing
there are only three of us.

MR. TAYLOR: The answer to that is that you can
put more variables in to continue the existing situation,
but that if you get beyond that, where you are asking for
proposals as to how would you do it differently, then you
are going to have to extend the existing things and go to
an interim operation, and that could well, depending on what
is proposed, it might get you into a situation where you would have to do a full environmental study.

CHAIRMAN CORY: Okay.

I am prepared to go to a lease proposal or request for bid concept with the caveat, when we get all done with what we have got, a majority of the Commission for on each of the points, none of us may be able to live with the creature and I may withdraw my support at that point then, but I'm willing to vote that way and see what it looks like.

Let's go down the other stops and see what we come out with.

ACTING COMMISSIONER ACKERMAN: The danger there is that we would solicit bids with the knowledge of all the bidders that we may reject every one of them because we don't like what came back to us, and that rubs me a little bit the wrong way because we are asking someone to put some money, time and effort into something that might ultimately be rejected.

But I think a prospective bidder has to weigh the technical aspects of their bid under those circumstances, and if it's included in a bid package, I would like to see the proposed rents that they would charge on the mooring, both for annual rental and transient.

CHAIRMAN CORY: Not we specify but they specify?

ACTING COMMISSIONER ACKERMAN: They specify what
their schedule of charges would be, because to me, that
again, as I mentioned earlier, may be a 10 percent or 20
percent increase.

ACTING COMMISSIONER MORGAN: I have been trying
to figure out how to deal with that too, especially in the
15-year lease. And it seems to me that we should, if we
don't want to get involved in having staff approve the
schedule, we should at least approve the method of setting
up the fees and see that there is some way, some formula,
to attempt to make the fees reasonable and not either
gouge or undercharge.

CHAIRMAN CORY: Okay.

ACTING COMMISSIONER ACKERMAN: Let me ask, maybe,
one question to legal counsel.

If proposed bid packages came back, and the
Commission felt that the proposed fee schedule in any
package was too high, could the Commission reject the bid
solely on those grounds?

MR. TAYLOR: We would have to word the proposal
in such a manner that it would be one of the criteria on
which you could reject the bids. It would be difficult
to do but we could do it.

CHAIRMAN CORY: But in terms of reading the
statute, it seems to me implicit, the question that if a bidder
came back and said, yes, they were going to bid $11 million
and 99 percent of the net profit, but their fee schedule
is $5 million a boat per day, I don't think that the public
is served by that. That's my point.

ACTING COMMISSIONER ACKERMAN: That's my point.

MR. TAYLOR: It would be difficult to word it,
but it could be done. There would be a change. It would
take some more work the next few days.

ACTING COMMISSIONER ACKERMAN: To me, that's
a very important criteria in this whole process.

MR. TAYLOR: But again, I would just like to
emphasize that that can be a variable. You can have some
variable on services, and total gross can be, but you cannot
get a proposal for any increase in the number of slips that
are out there and you cannot change their physical arrange-
ment, although they may be replaced.

In other words, if the company decided to pull
them out, you go in and you replace them under a categorical
exemption. But we are not talking about any use other than
what is going on now. And under the proposal as the staff
had written it, there is an option given to the person
to come in and talk to you about what they might want to do
about that later on.

That would have to be in the process of an amend-
ment, and it would be with the person who successfully
survived a bid procedure. But we are not talking about
anything different in terms of physical conditions on the water or ground today.

CHAIRMAN CORY: Okay. We are now at the point where, as I understand it, there are two votes on the Commission for some proposal concept. We need to just try to define it further for the staff to draft the proposal.

One of the fundamental questions is, what areas could be included and not included? The staff recommended that Pebbly Beach and some others --

EXECUTIVE OFFICER NORTHROP: We have a list here.

CHAIRMAN CORY: -- Pebbly Beach and Jewfish Point be excluded. That is the staff proposal takes all of the existing coves and bays, moorings, and includes them in the lease, but does not include the natural coves, is that correct?

ASSISTANT EXECUTIVE OFFICER TROUT: That is right. There are two decision points, as far as the staff can see. The first is whether or not the leases that are now sublet to Catalina Freight Company and Standard Oil Company at Pebbly Beach should be included. Staff recommends that you not include that.

The second one --

CHAIRMAN CORY: Is there any feeling on the Commission: Do you want to exclude those?

ACTING COMMISSIONER MORGAN: That's fine.
MR. TAYLOR: With the understanding that they are individually negotiated with the lessee or the upland owner.

CHAIRMAN CORY: Okay.

ASSISTANT EXECUTIVE OFFICER TROUT: Yes, what staff would recommend is that they not be included in the bid package and sent out, but we negotiate those leases with the tenants, Catalina Freight Lines and Standard Oil Company, and bring those back at the same time this lease comes back. I think it is tentatively calendared for the December meeting. So that's the one decision here.

CHAIRMAN CORY: Does everybody agree to that?

ACTING COMMISSIONER MORGAN: To excluding those areas?

CHAIRMAN CORY: Yes.

ACTING COMMISSIONER ACKERMAN: Yes.

ACTING COMMISSIONER MORGAN: That's fine.

ASSISTANT EXECUTIVE OFFICER TROUT: The second one, then, is whether or not you want to exempt from the lease the areas that are not lined in red, or the unimproved coves, the coves which have no moorings in them at this time, and leave those free for anchorage.

CHAIRMAN CORY: Dave.

ACTING COMMISSIONER ACKERMAN: My position would be against. We are not talking about enlarging the number of
moorings that were left free for anchoring. The second question on that is whether or not some required level of service be required in those coves to service the anchorages. I think Doug's comments earlier convinced me that there should be some type of at least minimum level of service required by the lessee for those coves.

ASSISTANT EXECUTIVE OFFICER TROUT: That is an object --

CHAIRMAN CORY: So you have to include them in the lease.

ASSISTANT EXECUTIVE OFFICER TROUT: To include them in the lease, the document would prohibit moorings in those areas and would require services.

ACTING COMMISSIONER ACKERMAN: That was Doug's point, and that's what I think. But I think that, again, we are talking about a professional operation here.

CHAIRMAN CORY: Okay. There's an agreement on that?

ACTING COMMISSIONER MORGAN: Yes.

CHAIRMAN CORY: Okay. There's another question of exclusion, and that is the existing piers, wharfs and fairways.

ASSISTANT EXECUTIVE OFFICER TROUT: Now, that's the third element, then, is the piers and fairways. The staff recommendation would provide a specific exemption for
the fairway at Isthmus Harbor which, in view of what Doug has said, staff would probably recommend to be 150 feet, 75 feet on each side.

CHAIRMAN CORY: It seems to me that what the staff needs to do for those fairways is find out what is existing there so you don't end up changing it and forcing yourself into the Coastal Commission and CEQA. There is an existing fairway structure in each of those things and that's what we are talking about, rather than voting on any specific measurements based upon what the best appears to be. There is some ambivalence as to what the facts are.

ACTING COMMISSIONER MORGAN: That's good.

CHAIRMAN CORY: Is that agreeable?

ACTING COMMISSIONER ACKERMAN: Yes.

ACTING COMMISSIONER MORGAN: But no member of the Commission is interested in requiring joint use of piers or anything like that.

CHAIRMAN CORY: I think there's some property right problems in accomplishing that legally, and that's what Counsel has told us.

Is that correct?

MR. TAYLOR: We certainly could not require above the high-water line. You could require joint use below that, but there would be an awful lot of administrative problems with that. It would be a legal problem, requiring any kind of
joint use above the high-water mark.

There would be a lot of problems with it legally and practically.

CHAIRMAN CORY: Okay. The difficulty -- I don't know what it means. I have got some philosophical problems with someone charging, if we exclude that, so that the implication of that is going to be negotiated with the existing piers and wharfs. I would not want our lease to be used as a charge mechanism. If somebody wants to charge to get on his land or something, any area not covered in this lease, that is his right to do that. But in terms of that added lease, the staff should address itself to that question that to try to get the bid process or proposal process to be as neutral as possible, the exclusion of those wharfs should not give undue preferential treatment of a competitive advantage to the littoral owner, where if somebody else gets the lease, that then they are going to charge eight zillion dollars to use Brand X's mooring to set foot on the pier. They can do that when they got to the land anyway, I guess, but I don't think the State's property should be used that way.

ACTING COMMISSIONER ACKERMAN: The wharfs are on private property.

ASSISTANT EXECUTIVE OFFICER TROUT: We would bring those negotiated leases back so that the Commission
could consider the bid package and the various other leases that were negotiated at the same meeting at the same time so that you could see all the terms.

CHAIRMAN CORY: Okay. We will have to do the details of that.

ACTING COMMISSIONER MORGAN: Yes.

CHAIRMAN CORY: So we have got -- what other variables do we have?

ACTING COMMISSIONER ACKERMAN: The term.

CHAIRMAN CORY: Fifteen year?

ASSISTANT EXECUTIVE OFFICER TROUT: We propose 15 years, and no speaker has suggested that that is an inappropriate time, so I think maybe that is a good decision.

ACTING COMMISSIONER MORGAN: Fifteen years with an annual rent review or have we gotten to that point yet?

EXECUTIVE OFFICER NORTHROP: Well, it would depend largely on how you handle the bids, what variables you determine. Because if a percentage of gross is one of the bid factors, then that's going to naturally take care of the inflationary factor, because that's really what we are looking at.

ACTING COMMISSIONER MORGAN: Don't we normally do a five year?

EXECUTIVE OFFICER NORTHROP: We do a five-year rent review on those areas that are not on a -- we do a
five-year rent-review anyway, yes.

CHAIRMAN CORY: Was there a rent review in the last lease?

ACTING COMMISSIONER MORGAN: It didn't work if there was.

ASSISTANT EXECUTIVE OFFICER TROUT: No.

CHAIRMAN CORY: So, we want a 15 year, 5-year rent review?

ACTING COMMISSIONER ACKERMAN: Well, again, I think we talked previously about whether or not rent review should be a biddable or negotiable factor in the lease itself, rather than specified. Five years is fine with me, though, if you want that.

ACTING COMMISSIONER MORGAN: If we want to specify.

ACTING COMMISSIONER ACKERMAN: Specifying a five-year basis is fine.

ACTING COMMISSIONER MORGAN: How can we do that?

CHAIRMAN CORY: Add one of the variables that the various people who want to bid specify "I'll give you a five-year rent review." "I'll give you a two-year rent review." "I'll give you a 15-year rent review."

And then we can look at apples and oranges when we decide how to award the bid.

ACTING COMMISSIONER ACKERMAN: Let's go five years.
ACTING COMMISSIONER MORGAN: Okay.

CHAIRMAN CORY: Five years.

ACTING COMMISSIONER ACKERMAN: Should the lease be subject to being renewable? The current one was not, am I correct, a 15-year nonrenewable lease?

ASSISTANT EXECUTIVE OFFICER TROUT: The original lease with the Company had renewals. However those renewals were foregone in exchange for the fixed 15-year period that they got the last time. So there's no renewal in the current lease.

Normally, on this kind of thing, the window would be for the minimum with the percentage of gross remaining fixed. Now, there's all different kinds of ways to go. We can use the minimum, the percent of gross or the rent review as all bid factors, or you can fix any one of those. You can specify five years and minimums, and just have the percentage of gross being the bid factor. That seems to be the cleanest one as far as the staff is concerned.

ACTING COMMISSIONER ACKERMAN: Let's go non-renewable.

ACTING COMMISSIONER MORGAN: Nonrenewable.

CHAIRMAN CORY: Nonrenewable, okay.

What other?

EXECUTIVE OFFICER NORTHRUP: Well, I would like to have, perhaps I don't understand, but I would like to have
defined, if you could, Mr. Ackerman, particularly your
comment that you'd like to have more variables in the bid
package. And I'd kind of like to get some idea. We are
working the original package, as they have the percent with
a fixed cash amount of 17 percent which comes out to
$125,000, contrary to what Mr. Fennie's representative
said this morning. We came to it as 17 percent of the gross
and not at some other number.

But we'd like to know what other variables you
see other than the percentage. Do you see the fixed amount
or the cash up front as a variable, too?

ACTING COMMISSIONER ACKERMAN: It could be, but
there's five or six different options.

EXECUTIVE OFFICER NORTHROP: We'd kind of like
to get more.

CHAIRMAN CORY: Specifically, what do you want
in there?

ACTING COMMISSIONER ACKERMAN: What I am concerned
about is that the percentage of gross be the only option to
determine who gets the lease, because what I think should
weigh very heavily on it, is the ability of a leaseholder
to provide a certain level of service. In fact, we have
spent all morning not discussing the money but discussing the
services out there. I think that's really what's in my
mind just as important, if not more important, than the
dollars involved.

EXECUTIVE OFFICER NORTHROP: As I understand it, then, the big percentage would be the only variable factor on the economic side.

ACTING COMMISSIONER ACKERMAN: Correct.

MR. TAYLOR: No, I think you had two. One was the fee schedule. Yes, that is economic.

ACTING COMMISSIONER ACKERMAN: I think that the clearest two options is whether or not you set a minimum or fixed price for annual rent plus a percentage or you leave both of those open for a bid and you deal with the minimum setting on one or both. And the staff has recommended a hundred twenty-five set plus 17 percent as a minimum.

ACTING COMMISSIONER MORGAN: My impression, Dave, of where you are going -- the staff is trying to structure it and my impression of where you were going to say, "Here, public bidders. We have this property around Catalina with X number of moorings and we expect to get a minimum of this return. Give us your ideas on how you would do that for us."

And then sit down and discuss it.

ACTING COMMISSIONER ACKERMAN: Yes, within guidelines that I am not willing to open the thing wide open.

ACTING COMMISSIONER MORGAN: What do you mean, not open wide open?
ACTING COMMISSIONER ACKERMAN: Well, let's bid the thing out, but under the guidelines as suggested by the staff. I'd like to see.

Maybe we are getting down to a determination of who is a qualified bidder in this thing, how we make that determination.

CHAIRMAN CORY: Should we require, in terms of the list of services that you have indicated and there has been a lot of discussion on that, the solid waste, the patrol boat, the anchorage and mooring assistance, the fire and rescue service, to require the bidder to submit what he is agreeing to provide?

ACTING COMMISSIONER ACKERMAN: And how he proposes to do it.

CHAIRMAN CORY: But specifically leave that open-ended. But each bidder would then come in and say, "This is what I propose to do in these areas"?

ACTING COMMISSIONER ACKERMAN: Again, the testimony today has gone to the point that the Island Company is the only one that provides this level of service. No one else can come in under the circumstances and do otherwise. We haven't seen any proposals before us to show how anyone even proposes to do it or whether or not they can do it.

Perhaps we would reject all of those as coming
to the same conclusions, but we don't have that option before us now. I think we should. Am I confusing things?

ASSISTANT EXECUTIVE OFFICER TROUT: Yes.

EXECUTIVE OFFICER NORTHROP: Mr. Trout said he understands.

ASSISTANT EXECUTIVE OFFICER TROUT: I understand.

I think it means, though, that the Commission is going to have to look at an array of proposals as to how these things would be fulfilled and make a choice.

CHAIRMAN CORY: I would think that those are the kinds of variables. If you want those in there, it's going to be a tough meeting when it goes to awarding this thing. If you are going to live with those tough ones, I'll sit here and tough it out with you. That's fine.

I just don't think we should go into that blindly, that those are some tough policy considerations, which there's going to be a lot of Monday-morning quarter-backing on.

ACTING COMMISSIONER ACKERMAN: I am, if you are, prepared to make a decision now.

CHAIRMAN CORY: I don't know how to define it. That's my problem. That's why I am willing to go along.

ACTING COMMISSIONER ACKERMAN: Maybe it's something that I don't want to get into.

CHAIRMAN CORY: If you want to make solicitations
to those items, the other two that were on the staff list were rescue, fire fighting and availability of towing and repair service.

    ACTING COMMISSIONER ACKERMAN: Doesn't the staff have to come to a determination of accepting bids from qualified bidders? Part of the method of determining qualified bidders is their ability to provide services as outlined in the bid?

    ASSISTANT EXECUTIVE OFFICER TROUT: Yes.

    EXECUTIVE OFFICER NORTHROP: Yes. That's the reason, Mr. Ackerman, that we put the letters A through I in the sheet, as these are things that we felt were absolute minimums.

    ACTING COMMISSIONER ACKERMAN: No. My question is, is the Commission the one that has to make that determination because it looks like we are going to have to make that determination anyway?

    ACTING COMMISSIONER MORGAN: It's a choice between --

    CHAIRMAN CORY: Either specifying in the bid or leaving it open for proposals from the bidders.

    ACTING COMMISSIONER ACKERMAN: But even if we specify in the bid, we would have to reevaluate a prospective bidder's response as to how they're going to do these things. That's what I am saying.
MR. TAYLOR: One of the elements of the bid would have to be that in the discretion of the Commission, you would review the qualifications of the various people who are bidding and decide which was the most qualified in your sole judgment, and they would have to understand that. That wouldn't be as clear by the same kind of subjective standards as would be the percentage of gross, but it's an area which would have to be worked out.

ACTING COMMISSIONER MORGAN: Dave, it sounds like you'd like to exercise some judgment rather than just have a person say, "Yes, I will provide these things."

ACTING COMMISSIONER ACKERMAN: They can't just say yes or no.

ACTING COMMISSIONER MORGAN: They can.

ACTING COMMISSIONER ACKERMAN: If they can do that, I'll go down to Denny Carpenter and I will go into partnership with him on this and bid this one out.

CHAIRMAN CORY: That would be wrong.

(Laughter.)

CHAIRMAN CORY: I understand that.

EXECUTIVE OFFICER NORTHROP: The staff understands that that has to be done where we make the judgment, we bring it to the Commission and then we expect you to ask us on what we based our judgment before we awarded the bids. We expect that to stand up to scrutiny.
CHAIRMAN CORY: I would like to make it clear that I have a difference from the staff's viewpoint in the question of rescue and fire fighting, that to require that we should have -- that's why I sort of like it open-ended so we can say you bidders come in with what you are proposing. And I think Doug was forthright in listing what services they have and pointing out that fire is not their biggest problem. If you have got a fire on water, it's a problem, but that's not the major difficulty. It is the level of seamanship, manpower, quality of manpower, that's a lot more important.

I do not want to give to the County or someone else the hammer over the private entrepreneur to cancel his lease through indirect action, whether it is Bombard, Island Company, Conservancy, Pioneer, Fy-Tek, what-have-you. So that on those variables, leaving them open, I am willing to go along with this. It's going to be another tough day for us when we get to it.

ACTING COMMISSIONER ACKERMAN: Okay.

ACTING COMMISSIONER MORGAN: Okay.

CHAIRMAN CORY: We are going to solicit from the bidders how they propose to meet those. I am trying to clean up some language in terms of implications.

Solid waste disposal, in my mind, solid waste collection and disposal, without the use of the term "uplands". It seems to me if somebody has an aerosol can that makes
solid waste disappear, that's an adequate solution as long as they can prove in the submittal with their bid that they can do that, rather than us specifying that it be an uplands disposal. It's going to have to be legal. It's going to have to be environmentally sound. But I don't think we need to get into that.

And in E, the towing and mechanical repair services to boaters on leased premises, I don't really care whether the man leases his premises, rents it or hangs it from a skyhook, as long as he can demonstrate it's there and it's adequate.

ACTING COMMISSIONER ACKERMAN: I agree.

CHAIRMAN CORY: G, I'm not sure that I understand, which your staff has talked about noninterference with services designed to provide access to the upland.

ASSISTANT EXECUTIVE OFFICER TROUT: What staff was trying to do here was exactly what the lady from the Girl Scouts was concerned about, and in the lease proposal, we have said that, for example, that the lessor shall not unreasonably interfere with an access to those lands and services designed to provide access to those lands. In other words, we don't want the person --

CHAIRMAN CORY: When you have done an accurate job of weighing out those fairways as to how they are existing, are you not inviting trouble by having this in there?
ASSISTANT EXECUTIVE OFFICER TROUT: Our concern was that this circumstances might change.

EXECUTIVE OFFICER NORTHROP: I think the thing that brought the entire thing to the attention of the staff was just this issue. It was the interference of someone's service area which brought this whole thing to the staff, and we have got into this whole thing. Had that non-interference been complied with earlier, I doubt we'd be here this afternoon. So I think it is germane to what we are doing.

CHAIRMAN CORY: But if you have got excluded from this lease, specified fairways for those service areas, you are telling me that you don't think you have adequately defined the fairway, or you can't adequately define it, and that you are incompetent, and therefore we have got to have another safeguard. Or if I was interpreting the lease, I would say that in addition to the fairway somebody can decide that he's going to bring an aircraft carrier in there and the lessee has to take out all of these moorings to accommodate the aircraft carrier that's going to show up one day.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I'd like to respond, if I may.

CHAIRMAN CORY: Yes.

EXECUTIVE OFFICER NORTHROP: I think your point is
well taken and my competency I will have to leave to you
today to judge.

    (Laughter.)

EXECUTIVE OFFICER NORTHROP: I'm afraid that's
not a good deal either.

    (Laughter.)

CHAIRMAN CORY: It was just a facetious remark,
Mr. Executive Officer, don't get upset.

EXECUTIVE OFFICER NORTHROP: I think we really
looked at this as an item of which we can cancel the whole
lease. If they interfere with that, that gives us lease
cancellation ability, and I'm not sure where the fairways
stack up.

    I'm not in love with that G, but it's just a
thought that it does give us a lease cancellation possibility.

CHAIRMAN CORY: But, does that give the third
party the right to interfere with the lessee by coming in
and saying, "Hey, I want to bring four aircraft carriers in
here and we are all going to water ski behind them, and those
existing moorings are interfering with it."

    I just don't want to give rise to a certain amount
of emotional tensions on the other side. I don't know who's
going to win what on this but it would seem to me that whoever
the winning bidder is should have maximum probability to go
ahead with his business. And if that's necessary, then let's
include it, but I can't understand for sure what it means, and I think we are going to end up litigating over it.

ACTING COMMISSIONER MORGAN: Let me ask Greg a question.

Are you there?

MR. TAYLOR: Yes.

ACTING COMMISSIONER MORGAN: If the staff felt that there was interference with services being provided for access to the uplands, would that be a basis for them to terminate the lease or will you have to have a phrase in the contract?

MR. TAYLOR: Well, I think you are going to have to have a phrase in the contract. I think you can provide that element of judgment. If you do that it's going to have an effect on the program that a person is going to propose to put in and what they are ultimately going to do. But it can be required and that's the recommendation.

CHAIRMAN CORY: I guess the question, if you sort of take it out of this section particularly, it is going to change that. That's a proposal area for proposed bidders. It shouldn't be something that they address themselves to.

MR. TAYLOR: I don't think that's a problem for a bidder at all.

CHAIRMAN CORY: We need to address ourselves to the access and make sure that the moving party in that
question is the State, not some gadfly who wants to cause
trouble for whatever difficulty. I guess that's the area
where we have to look. If we are looking at 300 feet and
150 feet on the fairways, and then, in addition, there has
to be some reason why that would be included if we needed
it.

MR. TAYLOR: Well, there will be a provision in
the lease that fairways and reasonable access will be
provided. How that is further defined are good concerns,
and we will have to go back and look at the package and
see.

CHAIRMAN CORY: Shore boat services and freshwater
provision. So those are proposal items where we are asking
prospective bidders to explain to us how they plan on meeting
those, and we will make a value judgment.

ACTING COMMISSIONER MORGAN: I think there probably
should be a request for any other services or ideas.

CHAIRMAN CORY: Or what whistles and bells they
are going to put on the camel.

ACTING COMMISSIONER MORGAN: What they intend to
do with the operation.

ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman,
just to make sure we have gone through this and our notes
are correct, may I read back what we think?

ACTING COMMISSIONER MORGAN: Oh, no.
ASSISTANT EXECUTIVE OFFICER TROUT: One, the
Commission has made the decision they wish to lease the
areas around Catalina. They have abandoned and not accepted
the no lease option.

Second, the Commission wishes to lease all of
the available areas including the unimproved coves. The
Commission has agreed to exempt from the lease process the
current Pebbly Beach leases of Catalina Freight Lines and
Standard Oil Company, and to split out the areas --

ACTING COMMISSIONER MORGAN: I'm sorry, could you
say that again on Pebbly Beach?

ASSISTANT EXECUTIVE OFFICER TROUT: At Pebbly
Beach, the Commission has agreed to take out of the bid
process, of the lease process, the current areas operated
by Catalina Freight Lines and by Standard Oil Company at
Pebbly Beach. These are two separate areas there.

The Commission has decided to split out the
areas where there are improved uplands and negotiate leases
separately -- and direct the staff to negotiate leases
with the upland tenants, and bring those back at the same
time.

The Commission has decided --

ACTING COMMISSIONER MORGAN: Wait a minute.

ASSISTANT EXECUTIVE OFFICER TROUT: -- to go out
to bid on the new lease.
CHAIRMAN CORY: Would you please go over that last point?

ACTING COMMISSIONER MORGAN: Does that make sense to do that at the same time? I mean I am assuming that the owner of the island is still potentially a bidder on this project. Does it make sense for us to harass them? At the same time that they are putting together a bid package, should we be negotiating with the bidder?

ASSISTANT EXECUTIVE OFFICER TROUT: Well, if the Island Company should be a successful bidder and come in with all the areas, then the Commission could just not lease and just throw those into the mix, if they wished.

ACTING COMMISSIONER MORGAN: I don't know.

CHAIRMAN CORY: Susie's point is that if this is an open-ended bidding process, to have the Island Company and the Conservancy having to negotiate these negotiated leases at the same time that they're having to get together a bid proposal, they are dealing with a lot more variables than the other bidders.

ACTING COMMISSIONER ACKERMAN: That's not fair.

CHAIRMAN CORY: And at the same time, the time frame of that added lease that's going to be negotiated with the littoral owner may not necessarily be tied at the same time.

MR. TAYLOR: There could be an interim lease or
something like that.

ASSISTANT EXECUTIVE OFFICER TROUT: There would have to be some provision for carryover because all of the current leases would expire.

CHAIRMAN CORY: Well, if it goes together, if I understand what you are saying, fine, but if it doesn't, we would not want to impose the identical time requirement on two of them, if everybody puts them together.

ACTING COMMISSIONER MORGAN: Well, this is a completely different issue also in that I'm concerned about having the staff involved in negotiations with an interested party. It is either that this is just a hand-off bidding process with separate bidders or it isn't. And you put yourself in a bad position if you are negotiating with one of the interested parties, I think, even if it is a completely different lease.

ACTING COMMISSIONER ACKERMAN: You're not even an attorney.

ACTING COMMISSIONER MORGAN: I have had that unit for too long.

CHAIRMAN CORY: Go ahead.

ASSISTANT EXECUTIVE OFFICER TROUT: The lease term would be for 15 years with the services to be provided as developed by the lessee in the bid package, solid waste pickup and legal disposal, patrol boats, anchorage and
mooring assistance, insurance of availability of towing and mechanical repair services, annual servicing of all mooring equipment, shore boat services, freshwater reprovisioning and a reworked non-interference or cooperative clause.

CHAIRMAN CORY: That's in a clause elsewhere in the standard part of the lease, not in anything that the bidders have to concern themselves with other than complying.

ASSISTANT EXECUTIVE OFFICER TROUT: Right.

ACTING COMMISSIONER MORGAN: I have one question. When you said legal disposal, does that also mean environmentally sound, which is what Ken mentioned?

ASSISTANT EXECUTIVE OFFICER TROUT: Yes.

ACTING COMMISSIONER MORGAN: Okay.

ASSISTANT EXECUTIVE OFFICER TROUT: I think in this day and age that's probably the same thing. And perhaps not.

ACTING COMMISSIONER ACKERMAN: We also need to accommodate for the mooring rate schedule.

ASSISTANT EXECUTIVE OFFICER TROUT: I have still got a couple of more things to go through.

We would require, as part of the bid package submission of a rent schedule or fees as part of the bid, that the bid would be on the basis of $125,000, annual minimum, and a 17 percent of gross income minimum bid,
with the percentage of gross income being a bid factor in terms of this area.

ACTING COMMISSIONER ACKERMAN: Okay.

CHAIRMAN CORY: Okay.

All right. Then we have other provisions that we must deal with in there which relate to transferability and grandfathering.

ASSISTANT EXECUTIVE OFFICER TROUT: That's correct.

ACTING COMMISSIONER ACKERMAN: Do those have to be specified to a prospective bidder now?

CHAIRMAN CORY: I would think so.

ACTING COMMISSIONER ACKERMAN: Or are they administrative matters?

CHAIRMAN CORY: I would think that we would have to spell it out because it's likely to affect the potential revenue of the bidder. So it seems to me the bidder has to know what it is.

ACTING COMMISSIONER MORGAN: Something like "It is our intention, in having such a lease --"

ACTING COMMISSIONER ACKERMAN: From a personal feeling, grandfathering means all existing leaseholders shall be grandfathered for the term of the lease.

ACTING COMMISSIONER MORGAN: The people, not the boats.

ACTING COMMISSIONER ACKERMAN: Well, again, I'm
not sure. Again, you can't do that necessarily because if a group of people buy a 60-foot boat to fit in a 45-foot slot, it won't fit.

Doug accurately explained that. Within your waiting list provisions in the coves, you have to accommodate that, but the buoy or existing leaseholders shall be grandfathered within the other realm for 15 years.

CHAIRMAN CORY: By grandfathering, the concept is that they have, in essence, a first refusal right during the course of the lease.

ACTING COMMISSIONER ACKERMAN: That's right.

CHAIRMAN CORY: The rates are whatever the rates turn out to be, and we are not grandfathering an existing rate schedule.

ACTING COMMISSIONER ACKERMAN: Correct.

CHAIRMAN CORY: And that the term, again, is for the term of the lease, and we get to the question of transferability.

ASSISTANT EXECUTIVE OFFICER TROUT: Do we understand, then, that grandfathering is to be accepted and that it would be rather than for one year, it would be for the term of the lease or as much thereof as they want?

ACTING COMMISSIONER ACKERMAN: One year.

ACTING COMMISSIONER MORGAN: It sounds like its 15 years, but each year they get to renew.
ACTING COMMISSIONER ACKERMAN: The current leaseholders shall have the option to renew it 15 times if they want to.

ACTING COMMISSIONER MORGAN: If they want to.

Now, were you suggesting, Ken, that they need to have a rate schedule similar to nonleaseholders, nonowners?

CHAIRMAN CORY: I think that question would come in with the proposal, but there are those who thought, as per some of the discussion, that they were going to be grandfathered on the old rental rates as lessees.

What can be charged? Will they be able to charge the going rate for these or historically discount them? I don't think it would be explicitly fair but if that is the going rate, then the rates go along.

ACTING COMMISSIONER ACKERMAN: Right.

ACTING COMMISSIONER MORGAN: Okay.

CHAIRMAN CORY: Transferability. Saving the best to last.

ACTING COMMISSIONER ACKERMAN: I don't know. It seems practical, just on a purely practical basis, to provide some method of transferability, either a transfer fee or a percentage of selling price going to the State for the master lease, getting to the State.

ACTING COMMISSIONER MORGAN: I am on the other side, again. I don't think we should allow transfers.
CHAIRMAN CORY: What do you do in the case of the multiple or corporate owner? Do you have a solution?

ACTING COMMISSIONER MORGAN: Let's ask the staff.

CHAIRMAN CORY: We asked them and they didn't have any answers, as I understand it. Is that a misstatement of fact?

MS. MOCHON: Slightly.

CHAIRMAN CORY: Okay.

ACTING COMMISSIONER ACKERMAN: I could still go back to my earlier statement that if we set up a prohibition of transfer, give me 15 minutes and I can probably find a way around it somewhere. I just don't know if that's going to work.

CHAIRMAN CORY: You're too sneaky.

(Laughter.)

ACTING COMMISSIONER ACKERMAN: I don't know if that's really manageable. If we are starting from scratch, maybe, but we are grandfathering in existing members.

EXECUTIVE OFFICER NORTHROP: I think Doug Bombard's --

MR. TAYLOR: Well, why don't we leave this for a telephone contact to each of the staff members.

EXECUTIVE OFFICER NORTHROP: Doug's got a solution I think.

ACTING COMMISSIONER MORGAN: The thing that bothers
mo is a public access Mr. Northmap -- as a public entity,
I just don't feel that I can continue to support --

ACTING COMMISSIONER ACKERMAN: Susie, the only
reason I really even offered that is because, again, those
moorings over there are vacant. As Doug said, there's
only probably three or four days out of the year where you
can't get a mooring anywhere around the Island. I don't
call that denying public access. They can be used all the
time. If those were permanent moorings for boats, 365 days
a year, that would be different. But they are not. Those
are available.

We are not talking about Marina del Rey or the
Long Beach Marina and that. That's different.

So, that's why I feel that way.

CHAIRMAN CORY: Doug, you had some suggestions
on transferability earlier, as I recall. Would you repeat
those?

MR. BOMBARD: I wasn't listening to your conver-
sation. Were you talking about the private moorings,
transferring?

ACTING COMMISSIONER MORGAN: Yes.

MR. BOMBARD: Well, my suggestion was that instead
of using a bill of sale, you could make up a document that
would be approved by the staff and it would have the type
of wording on it that you use in your income tax, that the
foregoing is true and correct under the penalty of
perjury, and so on and so forth.

And then the State would figure out what percent
that they wanted the purchase price, and that would give
you another source of income on the sale of these moorings.

CHAIRMAN CORY: Transferability with a percentage,
and we would have some enforcement mechanism.

MR. TAYLOR: There is one other problem with
transferability that you haven't talked about. These
people have paid for the improvements. Many of these
people -- he has two classes. He has one where he gives
leases to people where he has constructed the improvements.
The other one is if the people were out there and were
grandfathered --

ASSISTANT EXECUTIVE OFFICER TROUT: That's taking
care of your grandfathers.

MR. BOMBARD: These people have all owned their
moorings. Not necessarily the present people, but the
moorings date back prior to 1961. Some of them date back
into the twenties and thirties.

CHAIRMAN CORY: Transferability that we are talk-
ing about are those cases where some private person puts
the hardware in place, as I understand it.

MR. BOMBARD: Yes, or the mooring service that
was prior to Catalina Mooring Service, which was called
the Isthmus Mooring Service, installed them and sold the
gear to the individuals.

ACTING COMMISSIONER ACKERMAN: In other words,
you still have a buoy, some chain, line, and other things
that someone owns. The price of that, if you were to go out
and buy it, would be $1500, $1800, $2,000. The real price
is whatever the bid demand will bring for it, which is the
last problem.

MR. BOMBARD: That's approximately 303 moorings.
It's exactly 303 moorings. And they were the moorings that
were installed, as I say, prior to 1961, so they are in the
more desirable locations.

The price of these moorings varies because of
the desirability of the location. There's a few moorings
on the east side of the Isthmus that go in the $10,000 to
$12,000 range if they sell. The moorings on the west side
of the Isthmus go for $40,000. But it's the desirability
of the location.

ACTING COMMISSIONER MORGAN: Dave, I can't agree
on this one.

ACTING COMMISSIONER ACKERMAN: I go along with
Doug's concept of the percentage, transfer plus a percentage.

CHAIRMAN CORY: What percentage?

ACTING COMMISSIONER ACKERMAN: Fifty and come down.

CHAIRMAN CORY: You want to prohibit it and you
want 50?

ACTING COMMISSIONER ACKERMAN: I just threw that out.

CHAIRMAN CORY: I have trouble dealing with the concept of the enforcibility of the nontransfer concept. I don't know how you can mechanically handle that. If staff has a concept of enforcement, I'd like to hear it, because, if not, I'm going to vote for a transfer fee and probably 50 percent.

ACTING COMMISSIONER MORGAN: But how would you collect the transfer fee?

MR. HIGHT: The lessee.

MR. TAYLOR: When they registered. It would be up to the lessee.

CHAIRMAN CORY: There are still going to be problems, but at least you have got a mechanism.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, staff has discussed this in two sessions and we suggest maybe that if the ownership makeup changes more than 50 percent of the boat, then in that case, like anything else, half of it belongs, or the better half of it belongs to somebody else.

CHAIRMAN CORY: The boat or the mooring?

EXECUTIVE OFFICER NORTHROP: Fifty percent ownership of the boat changes, that it would no longer be one and it would be the same as selling the boat.
CHAIRMAN CORY: They are different concepts. There is the ownership in a mooring and the ownership of the boat.

MR. TAYLOR: Let me go back. I have injected some confusion in here.

Your understanding, or your previous statement, was, that everyone is going to pay the same rate. Now, is that correct, or is it going to be a tiered rent? If everyone's going to pay the same rate --

CHAIRMAN CORY: That's up to the bidders when they come in with their schedules.

ACTING COMMISSIONER ACKERMAN: Rent is usually based upon the size of the bid.

MR. TAYLOR: No. The problem is, are you going to recognize the prior improvements of the other people? If the answer to that is no, then that puts the people all on equality. All of them, then, are lessees and the person at the end of the lease who owns the equipment has the right to take it out or make some arrangements with a new master lessee for picking up the cost of those improvements.

Then all people after this are going to be treated as sublessees, no Class I and Class II, Class I being those that own their improvements, and Class II being those who don't.

CHAIRMAN CORY: But that's something that the
prospective bidders would have to put in the bid schedule.

MR. TAYLOR: Well, that's not really the question because it makes a difference in how you tier out the rest of this. If everyone is on an equality basis back at that part, then you have a different situation when it comes down to that. Do I make myself clear?

ACTING COMMISSIONER MORGAN: No.

MR. TAYLOR: I'm sorry.

CHAIRMAN CORY: It seems to me, the way we have structured it thus far, is that each bidder will submit a fee schedule and he will deal with that as he deems fit in terms of what those fees should be. If he wants to charge everybody the same whether they have got their own hardware or not, that's one of the things we will be dealing with when the bids come in.

ACTING COMMISSIONER ACKERMAN: What interest does a prospective bidder have in the State's relationship in taking a percentage of the transfer fee?

CHAIRMAN CORY: Probably none.

ACTING COMMISSIONER ACKERMAN: None. So why would that be a consideration in his proposal?

MR. HIGHT: If he had a percentage of the take, then he might be interested in it.

MR. TAYLOR: Well, you are going to say that after 300 bids they are transferable and as to the 300 bids, they
are not transferable first on the list. That's the way Bombard
runs it at this present time.

Is that what we're talking about?

We are talking about the whole thing that every
spot has a lease and is transferable. Once it goes out
from the master lessee, everyone has a right to transfer.

ACTING COMMISSIONER ACKERMAN: It's their lease.

ASSISTANT EXECUTIVE OFFICER TROUT: Well, we
may be trying to give birth to a whale here because at the
end of December, under the lease, everybody has to get
their equipment off of the State's land within 90 days, and
that includes the people --

ACTING COMMISSIONER ACKERMAN: Technically.

ASSISTANT EXECUTIVE OFFICER TROUT: What?

ACTING COMMISSIONER ACKERMAN: Technically.

ASSISTANT EXECUTIVE OFFICER TROUT: Legally,
under the terms of the current lease, on those, they have
to get everything off the land within 90 days. That's the
way it reads right now.

ACTING COMMISSIONER ACKERMAN: Right.

ASSISTANT EXECUTIVE OFFICER TROUT: Therefore,
the new lessee in really coming in, if he either buys or
installs all of the moorings, there is really nothing to
transfer. All there are are subleases which are being
grandfathered into the current owners and lessees.
So, perhaps we don't even need a transferability provision because we are saying that you can't transfer your sublease. Now, that's what we are really getting down to, not to the ownership of the mooring, any longer, but whether or not you can transfer a sublease on down, without going back to a priority list of bidders by cove and lake.

That's the area we are focusing in on, because the guy can take his $1800 worth of chain and go back to Newport or whatever, after the 30th of December. Or he could sell it to the new lessee.

So, really, we are focusing just on the subleases that the new lessee will enter into, and whether or not you are going to permit those to be transferred from father to son, from aunt to uncle, from friend to friend for value or not, or whether you are going to force them to go back to a priority list.

ACTING COMMISSIONER MORGAN: And I think they should go back to a priority list.

ASSISTANT EXECUTIVE OFFICER TROUT: But if you allow the subleases to be transferred on a year-to-year basis, if you allowed them to be transferred, the easiest way is to require the certification that Doug talked about and require the lessees to collect a portion of that upon assignment of the sublease and include it directly to the State without taking a percentage.
ACTING COMMISSIONER MORGAN: And I guess the only reason this is important, since we are talking about bidding, is a bidder would have to determine how they would manage the provisions that we set forth, and that would be a consideration in their proposal and their costs.

CHAIRMAN CORY: Or if we don't address ourselves to it, the bidder could think that that is a profit center for him. If we don't specify a priority system or a transfer mechanism, the bidder could say, "Well, that's how I can come out on this deal. I am going to make it up on the transfers."

So, you have got to address yourselves to it.

ACTING COMMISSIONER ACKERMAN. How does Avalon do it?

ASSISTANT EXECUTIVE OFFICER TROUT: Avalon allows the transfer of moorings and collects a transfer fee, and Betty may know what the transfer fee is.

MS. LOUIE: I believe it's $200 or $400 per transfer fee.

ACTING COMMISSIONER ACKERMAN: Does anyone know how much the last mooring in Avalon Bay sold for?

ASSISTANT EXECUTIVE OFFICER TROUT: The problem with an answer to that is that you have got to know where it is in the cove and in the bay and how big of a mooring it was, because it is size relevant.
MR. DeBOARD: It's a $1250 transfer fee no
matter what the size is.

CHAIRMAN CORY: $1200?

We wanted to do transfer fees. It's about dinner-
time.

ACTING COMMISSIONER ACKERMAN: The only reason
this came up originally in our discussion way back was that
we didn't feel it was appropriate for people who were leasing
State lands to sell that lease without any approval or
any involvement with the State.

It's like me buying and selling a lease for a
camping space in a State park. You can't do that, or
shouldn't be able to.

CHAIRMAN CORY: What is your position?

ACTING COMMISSIONER MORGAN: Even if you
trespassed and put your fire grate there, you shouldn't
be allowed to.

CHAIRMAN CORY: Good job.

Somebody give me a proposal.

ACTING COMMISSIONER ACKERMAN: Do you want to
throw one out and see if one of us can buy it?

What if we just mirror what they do in Avalon?

MR. TAYLOR: There's Alamitos Bay, which has a
list and no transfers. When you look at either one, you
might want to have staff give you a presentation.
CHAIRMAN CORY: We have done that, and all it
did was confuse the issue. It's time to make a decision.

ACTING COMMISSIONER ACKERMAN: I propose we
do what is done in Avalon.

ASSISTANT EXECUTIVE OFFICER TROUT: In other
words, the lease will allow the transferability of subleases
and require the lessee to collect a $1250 transfer fee and
pay it to the State without deduction.

ACTING COMMISSIONER ACKERMAN: Yes. I just
float that one out to see if there is votes for it.

At least we have a comparable situation on the
Island already.

ACTING COMMISSIONER MORGAN: That guarantees that
we will never use the waiting list, is that right?

MR. TAYLOR: No, if someone decides not to pay
the $1250, then it goes to the waiting list.

ACTING COMMISSIONER MORGAN: That guarantees
that we will never use the waiting list, I think, from a
practical point of view. That's what it means.

CHAIRMAN CORY: You would have the fee, the
transfer fee, in excess of the market value.

ACTING COMMISSIONER ACKERMAN: Like again, we
have got a guarantee that a prospective bidder in here
doesn't see this as a gold mine for themselves and get in
on this. We have a duty to guard the boaters against that,
ACTING COMMISSIONER MORGAN: Right. But the way it has been stated, it says the sublease, and that means every mooring could be transferred.

ASSISTANT EXECUTIVE OFFICER TROUT: Staff has serious reservations as to whether the Avalon fee is reasonable in view of the value of the transfer.

CHAIRMAN CORY: What do you mean by reasonable, too high or too low?

ASSISTANT EXECUTIVE OFFICER TROUT: Too low.

ACTING COMMISSIONER MORGAN: It seems to me that if a person is not going to use the lease, they should revert to the leaseholder and the next person on the waiting list should be given an opportunity to take that lease or turn it down.

What I thought we were talking about was to allow the person who owns the mooring the ability to sell that mooring in the spot on public land where it is, but if we are talking about the first, then we are guaranteeing, I think, that the 700 people who are there with their moorings which are currently used, will never turn over. They will just keep being transferred without any supervision.

ACTING COMMISSIONER ACKERMAN: Under the current arrangements, do leased moorings sell?

MR. TAYLOR: No.
CHAIRMAN CORY: Those are the ones that the waiting list rotates off of.

ACTING COMMISSIONER ACKERMAN: I think any transferability should be concerned only with the owned moorings.

ASSISTANT EXECUTIVE OFFICER TROUT: Again, I want to point out, that the owned moorings go away on December 30th, and the new lessee will own all of the moorings, all 700-plus moorings, starting with the new operation.

The idea is that all of the -- the current owner either takes his moorings out or sells them to the new lessee, one or the other.

So the problem is with transferring the subleases, not only moorings, any longer.

ACTING COMMISSIONER MORGAN: That requires an EIR?

ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Taylor said no.

ACTING COMMISSIONER MORGAN: So we have 300 moorings that are going to be ripped out?

ASSISTANT EXECUTIVE OFFICER TROUT: That would be a replacement, because the lease would be --

MR. TAYLOR: Repair or replacement.

ASSISTANT EXECUTIVE OFFICER TROUT: They would have to be replaced and placed.
ACTING COMMISSIONER ACKERMAN: No one's going to rip out any moorings out there. It's not going to happen. Let's deal with reality.

ACTING COMMISSIONER MORGAN: Okay. So you are talking about subleases, transferability of subleases?

ASSISTANT EXECUTIVE OFFICER TROUT: Yes.

ACTING COMMISSIONER MORGAN: And you are talking about all of them, not just those from the owned moorings?

ASSISTANT EXECUTIVE OFFICER TROUT: That's what we are talking about.

ACTING COMMISSIONER MORGAN: That's ridiculous. It does sound a little ridiculous, doesn't it? That is unbelievable to me.

ACTING COMMISSIONER ACKERMAN: Maybe as long as the grandfathering takes into account all owners of the lease, if you are in full ownership and all that, maybe we could prohibit.

ACTING COMMISSIONER MORGAN: What do you want to do?

CHAIRMAN CORY: Draft the prohibition of transferability.

ACTING COMMISSIONER MORGAN: Maybe when we see it in writing we can react to it better.

CHAIRMAN CORY: How soon could you have this ready?
ASSISTANT EXECUTIVE OFFICER TROUT: Monday morning.

EXECUTIVE OFFICER NORTHRUP: This is Friday night.

MR. TAYLOR: It will have to be Tuesday morning.

It's going to take us all day.

CHAIRMAN CORY: Are the two of you available on Tuesday?

ACTING COMMISSIONER MORGAN: I don't have any idea.

ACTING COMMISSIONER ACKERMAN: Yes.

CHAIRMAN CORY: Can you check?

Because we have made enough variables that I think we ought to look at the camel in print.

EXECUTIVE OFFICER NORTHRUP: This one item?

CHAIRMAN CORY: The whole thing.

EXECUTIVE OFFICER NORTHRUP: Give us till Tuesday, will you please?

ASSISTANT EXECUTIVE OFFICER TROUT: The staff recommended nontransferability, and I think the language is already in it. Jane, if you will read it, maybe we can solve the problem?

CHAIRMAN CORY: No. I'm talking about the whole camel.

We are sitting here and, in essence, drafting something, and it seems to me that we can come back in here...
in a work session and see what the whole thing looks like and see if we have covered it so we know what it is and what it looks like.

MR. TAYLOR: It will have to be Tuesday.

ASSISTANT EXECUTIVE OFFICER TROUT: Well, the Commission is approving these items in terms of the proposal, and the Commission would like to look at the actual wording in the bid package that implements these procedural policies you have now made?

CHAIRMAN CORY: We will recess this meeting until Tuesday.

MR. TAYLOR: What was your schedule for Tuesday?

EXECUTIVE OFFICER NORTHROP: Can we set it for 10:00 o'clock on Tuesday, Mr. Chairman?

CHAIRMAN CORY: Well, I'm not sure whether or not she has got something to do. You want to do it at noon, Tuesday?

ACTING COMMISSIONER MORGAN: That's the safest thing.

CHAIRMAN CORY: Twelve o'clock on Tuesday.

EXECUTIVE OFFICER NORTHROP: Fine. That's fine.

CHAIRMAN CORY: Well, we will recess the meeting to a place certain that the staff will have Monday, wherever you find us a room. It will be here in Sacramento, either here or at the Capitol.
EXECUTIVE OFFICER NORTHROP: It will probably be at the Capitol, and Diane will work on the room.

CHAIRMAN CORY: We ought to look at it as a whole. We have drafted a proposal, and I think it ought to come back to us so that we know what we are doing.

ASSISTANT EXECUTIVE OFFICER TROUT: Let me suggest, perhaps, that we say that it will be in the Department of Finance Conference Room, and then, if it's not in that room, we can post a notice as to where it is at that time.

MR. TAYLOR: If we can't get that room, the notice will be posted on the main door at the Department of Finance.

ACTING COMMISSIONER MORGAN: That is fine.

EXECUTIVE OFFICER NORTHROP: If it is not there.

CHAIRMAN CORY: Okay. Are there any option points in the proposal to be laid out?

ACTING COMMISSIONER MORGAN: How are we going to deal with what comes back?

ASSISTANT EXECUTIVE OFFICER TROUT: Let me ask staff that has lived with this for four or five months now if they have any questions or if there are any unresolved issues that you want to get direction from the Commission on?

MS. LOUIE: I don't think so.
MS. MOCHON: No.

MR. TAYLOR: It is my understanding that today
you're asking the staff to bring you back a proposal, you
will look at the proposal, and then at that time you will
determine what way you are going to go, whether you will
accept that proposal or go back and talk about anything
else.

CHAIRMAN CORY: I want to have some flexibility
at that time to make the technical changes to accomplish
basically what the consensus, the varying degrees of
consensus, has been here.

ACTING COMMISSIONER MORGAN: Do we need to get
together to do that, or --

MR. TAYLOR: I think it would be better to do
that in a meeting.

ACTING COMMISSIONER MORGAN: In a meeting.
Okay. Then we will have something before the
meeting to look at?

CHAIRMAN CORY: What I am wondering about, is
when something is done in writing, it looks different
than if it is not. We need to have the ability to
change it to make it correct without going through the
whole thing.

EXECUTIVE OFFICER NORTHRUP: All right.

CHAIRMAN CORY: We will recess this meeting
to Tuesday.

ACTING COMMISSIONER ACKERMAN: One last thing. A lot of comment was directed to the Commission this time for holding its meeting in Sacramento, necessitating considerable expense and numerous people to come up here. Apparently the way, either intentionally or unintentionally, that we have set things up, possibly a more concerned audience would be at our next meeting when we actually have proposals before us.

MS. SCHUSTER: You were supposed to have them today.

ACTING COMMISSIONER ACKERMAN: Pardon?

MS. SCHUSTER: You were supposed to have them today.

ACTING COMMISSIONER ACKERMAN: No, we weren't. Since this was a public hearing, we didn't have proposals before us today from the other parties.

MS. SCHUSTER: That's their fault.

CHAIRMAN CORY: I don't think we need to get into that. Do you have any final comments you wish to make?

ACTING COMMISSIONER ACKERMAN: My final comment is that I think at the next meeting we will have all the proposals laid out with all the specifics, and it should be held in Los Angeles.

(Appause.)
CHAIRMAN CORY: It's just not -- I don't think it's possible to get there.

ACTING COMMISSIONER ACKERMAN: This would be in December?

CHAIRMAN CORY: Oh.

ACTING COMMISSIONER ACKERMAN: No, I mean not the one on Tuesday. I mean the one where we float it out with the staff analysis and we have the actual proposals before us on the management of the Island.

CHAIRMAN CORY: We will ask the staff to try to come in with recommendations and dates and times and whether or not that's feasible, and try to accommodate that.

EXECUTIVE OFFICER NORTHROP: We have pretty much bracketed the day because of holidays and the other problems.

CHAIRMAN CORY: We will deal with that on Tuesday. Okay?

EXECUTIVE OFFICER NORTHROP: Yes.

CHAIRMAN CORY: I hear what you are saying. Piece it together. Is there any other items?

Has the staff got any other variables?

Okay. We will recess this meeting and we have an Executive Session on a matter of litigation.

(Thereupon the October 30th meeting of the State Lands Commission was
adjourned at 5:55 p.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, RONALD J. PETERS, Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Business Meeting was reported in shorthand by me, Ronald J. Peters, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 4TH day of NOVEMBER, 1981.

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