COMMISSIONERS PRESENT

Leo T. McCarthy, Lieutenant Governor, Chairman
Gray Davis, State Controller
Nancy Ordway, Commission Alternate
for Jesse R. Huff, Director of Finance

STAFF PRESENT

Claire T. Dedrick, Executive Officer
James Trout, Assistant Executive Officer
Robert Hight, Chief Counsel
Curtis Fossum, Staff Counsel
Jane Smith, Commission Secretary

STAFF OF STATE CONTROLLER'S OFFICE

Jim Tucker, Deputy State Controller

ALSO PRESENT

Jan Stevens, Supervising Deputy Attorney General
Dennis Eagan, Deputy Attorney General
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CHAIRMAN McCARTHY: The meeting of the State Lands Commission will begin. We welcome all the members of the public who are here and the parties to items before the Commission.

COMMISSIONER ORDWAY: Motion on the minutes of January 22nd.

CHAIRMAN McCARTHY: Motion on the minutes from Commissioner Ordway. Any objection to the minutes?

Any objections from the audience?

If not, the minutes will be approved as submitted to the Commission.

COMMISSIONER ORDWAY: Motion on the Consent Calendar Cl through 11.

CHAIRMAN McCARTHY: Items 1 through 11 are on the Consent Calendar. Does anyone in the audience wish to ask any different action other than the Commission approving those first eleven items?

If not, the Commission is unanimous in acting on the Consent Calendar.

CHAIRMAN McCARTHY: Item No. 12. Do you want to hear 20 first?

EXECUTIVE OFFICER DEDRICK: Yes. If we could, Commissioner, I'd appreciate it.
CHAIRMAN McCARTHY: We may move out of order. Let's do Item 20 first, because there's going to be special action requested on this; a statement by the Attorney General's Office.

EXECUTIVE OFFICER DEDRICK: Dennis Eagan of the Attorney General's Office would like to make a statement.

MR. EAGAN: On Friday staff received a request for a continuance of this item from the Applicant and the staff—the basis of the request was an alleged lack of adequate notice. Staff is of the view that the notice was adequate. But, nonetheless, as an accommodation to the Applicant, the staff has pulled this item and suggests that it be put over to the next meeting of the Commission.

CHAIRMAN McCARTHY: Is anybody in the audience seriously inconvenienced by that action on Item No. 20, putting it over?

No one has appeared here that wishes to be heard? Is it agreeable to the members of the Commission?

COMMISSIONER ORDWAY: Uh-huh.

CHAIRMAN McCARTHY: Unanimously we put Item 20 over until the next regularly scheduled meeting of this Commission.

Now let's go back to Item No. 12.

EXECUTIVE OFFICER DEDRICK: Mr. Chairman, this item is a consideration of an amendment to a lease for the
Riverbank Holding Company. Since the calendar item was written and in discussion with the Applicant, we've come to a somewhat changed agreement if the Commission --

Excuse me, I'm sorry. I didn't see Commissioner Davis come in. I apologize.

Commissioners, Item 12 is a consideration of an amendment to the lease of the Riverbank Holding Company for a marina on the Sacramento River.

Since the calendar item was written, staff has come to a slightly different agreement with the Applicant and if it meets the Commission's approval, we would like to recommend that rather than charging a number that results in a payment of both penalty and interest on the original items, that there be some amendment to that allowing the principal to be paid over a period of -- or at $500 a month until it's paid back at the pooled money investment rate.

The principal number is $38,112. That is based on the full rental received by Riverbank for the unleased portion of six berths and the full difference in the money collected by Riverbank from their sublessees, the difference being the three percent of the sublease they collected and the three percent of that which they paid the state.

Riverbank has also agreed to comply with the state's requirements on the actual sublease conditions. I would like Mr. Hight to put those legal details into the record, if I
CHAIRMAN McCARTHY: Any questions so far?
All right, Mr. Hight.
MR. HIGHT: In essence, the agreement is that they will agree to pay the principal at pooled money rate at $500 a month and the Commission in return will grant them an amendment to the lease.
CHAIRMAN McCARTHY: Questions from the Commissioners?
COMMISSIONER ORDWAY: Motion.
COMMISSIONER DAVIS: Second.
CHAIRMAN McCARTHY: Any discussion from the audience on this issue? Anything to be added?
Could you identify yourself for the record?
MR. GOJKOVICH: Gordon Gojkovich with the Riverbank Holding Company.
CHAIRMAN McCARTHY: You don't have to add anything unless you want to vary from the presentation.
MR. GOJKOVICH: No, I don't want to vary. I just want to let you know that we have accepted this agreement.
CHAIRMAN McCARTHY: Commissioner Ordway.
COMMISSIONER ORDWAY: I was just going to comment that -- ask if it was okay with the Applicant and comment that we've used the Pooled Money Investment Board rate before and we hope that you will continue to use it. It's a rate
that we find acceptable, used it in other leases that we've negotiated.

COMMISSIONER DAVIS: Just to note --

CHAIRMAN McCARTHY: The Commission --

COMMISSIONER DAVIS: -- Mr. Gojkovich was a former elected official. Like to recognize those people.

CHAIRMAN McCARTHY: The Commission unanimously approves the terms of the compromise just described to us. That's the decision.

EXECUTIVE OFFICER DEDRICK: Thank you.

CHAIRMAN McCARTHY: Item 13.

EXECUTIVE OFFICER DEDRICK: Item 13 is a certification of a final EIR and consideration of a 25-year general lease for the San Joaquin Valley Pipeline Company's proposed common carrier pipeline from Kern County into Martinez, California.

COMMISSIONER ORDWAY: Motion.

CHAIRMAN McCARTHY: Any questions on the part of the Commission?

CHAIRMAN McCARTHY: Recommendation approved.

Item 14.

EXECUTIVE OFFICER DEDRICK: Item 14 is a request to authorize staff to file State Indemnity Selection on 7,500 acres of federal land in Inyo and San Bernardino Counties at the request of the State Department of Health Services.
COMMISSIONER ORDWAY: Motion.
CHAIRMAN McCarthy: Motion.
COMMISSIONER Davis: Second.
CHAIRMAN McCarthy: Unanimously approved.

Item 15.

EXECUTIVE OFFICER Dedrick: Item 15 is the approval of a settlement for previous unauthorized use and the approval of a ten-year recreational pier permit for the Wilcoxsons in Napa County.

COMMISSIONER ORDWAY: Motion.
CHAIRMAN McCarthy: Motion.
COMMISSIONER Davis: Second.
CHAIRMAN McCarthy: Second.

Unanimously approved.

Item 16.

This is to deny without prejudice an application for the use of state school lands for the purpose of a fiber optic cable.
The reason we're asking for denial here is because we're getting no response from the Applicant on our request for information for their application.

COMMISSIONER ORDWAY: Motion.
CHAIRMAN McCarthy: Motion.
COMMISSIONER Davis: Second.

CHAIRMAN McCarthy: Staff recommendation for this
approval is accepted.

Seventeen.

EXECUTIVE OFFICER DEDRICK: This is the Exxon Corporation. Again, a denial without prejudice of their application for the use of tidelands off Los Flores Canyon, Santa Barbara County for a marine terminal.

The reason for this denial without prejudice is that we're in the process of doing a supplemental EIR.

COMMISSIONER ORDWAY: Motion.

CHAIRMAN MCCARTHY: Where's the county on this issue?

EXECUTIVE OFFICER DEDRICK: The county is neutral to my knowledge. We're in the EIR process.

CHAIRMAN MCCARTHY: Okay.

EXECUTIVE OFFICER DEDRICK: This is the issue where we brought suit against the county on the inadequacy of the EIR and we're in the settlement process with the county on that.

CHAIRMAN MCCARTHY: Commissioner Davis.

COMMISSIONER DAVIS: Just a point of information. How would any ultimate decision on this project relate to the pending Arco project in that same general vicinity?

EXECUTIVE OFFICER DEDRICK: It's in the same general area, as you know, Commissioner. Exxon is a federal lessee at the Hondo Project outside of state waters. The Los Flores
Canyon facility is supposed to be their on-shore operation. They're currently in a real state of disagreement with the county as to whether or not to go forward on that. As you know, they're before the Department of Commerce in an appeal.

What this would do would be to allow us to bring before you a potential offshore terminal there. Staff is not committed in any way to that terminal. At least we'll be able to process their application, which we can't do now absent more information from the EIR.

So, it doesn't answer your question, because they're only peripherally associated with each other. Although it's possible that if a terminal goes in at Los Flores if the Commission approves one, that could, for example, replace the Ellwood Terminal, which is Arco's terminal. It's that kind of a connection.

So, it's a bunch of ifs. They're both oil facilities and they're both within ten miles of each other. That's always a connection in Santa Barbara County. But there's no direct connection.

COMMISSIONER DAVIS: Thank you.

EXECUTIVE OFFICER DEDRICK: You're welcome.

CHAIRMAN McCARTHY: Recommendation approved.

Eighteen.

EXECUTIVE OFFICER DEDRICK: Eighteen is an agreement with the Department of Corrections to allow them a two-year
right of entry for a sewer line through a parcel of school
lands in Norco, which we are in the process of trying to
decide how to handle it. It's a very valuable piece of land,
but it's an amicable agreement.

COMMISSIONER ORDWAY: Motion.
CHAIRMAN MCCARTHY: Motion.
COMMISSIONER DAVIS: Second.
CHAIRMAN MCCARTHY: Approved as recommended.

Nineteen.

EXECUTIVE OFFICER DEDRICK: Item 19 is approval of a
Non-Exclusive Geological Survey Permit, Commissioners. These
are not geophysical survey permits. They're the sort where
they go out in small vessels and do grab samples such as
biological samples. To my knowledge they're not in dispute
by anyone.

COMMISSIONER ORDWAY: Motion.
CHAIRMAN MCCARTHY: Motion.
COMMISSIONER DAVIS: Second.
CHAIRMAN MCCARTHY: Second.
Approved as recommended.

Item 20.

EXECUTIVE OFFICER DEDRICK: Item 21 is the Eight
Modification of the -- oh, I'm sorry. Did you say 20?
CHAIRMAN MCCARTHY: We did --
EXECUTIVE OFFICER DEDRICK: I'm sorry, I went right
by you. I apologize.

CHAIRMAN McCARTHY: Item 21.

EXECUTIVE OFFICER DEDRICK: Item 21 is the Eighth Modification of the 86-87 plan and budget of the Long Beach unit of the Wilmington field. This is an internal money transfer.

COMMISSIONER ORDWAY: Motion.

CHAIRMAN McCARTHY: Motion.

COMMISSIONER DAVIS: Second.

CHAIRMAN McCARTHY: Second.

Approved as recommended.

Twenty-two.

EXECUTIVE OFFICER DEDRICK: Item 22, if I may, I'll have Mr. Trout handle.

ASSISTANT EXECUTIVE OFFICER TROUT: This has to do with the payback provisions for an equity adjustment in which the state shares increases and the local town lot property royalty interest owners share decreases.

Assemblyman Elder got a bill passed that allowed for an extension of the payback provisions and we've been working with the oil companies in an effort to figure out how to implement that provision so that it can be effective with the next adjustment in equity. We will be meeting with the oil companies tomorrow to continue that process.

COMMISSIONER ORDWAY: We don't have to take any
action?

ASSISTANT EXECUTIVE OFFICER TROUT: No action necessary. It should have been an informational item. I forgot to put it in.

CHAIRMAN McCARTHY: Any questions?

Report received. Thank you.

Item 23.

EXECUTIVE OFFICER DEDRICK: Item 23 is a request for a reduction in the Amount of Letter of Credit for the Anchor Refining Company.

To make a long story short, the amount of money they now owe us is less than the $10,000 the Letter of Credit would -- the reduction would allow.

COMMISSIONER ORDWAY: Motion.

CHAIRMAN McCARTHY: Motion.

COMMISSIONER DAVIS: Second.

CHAIRMAN McCARTHY: Second.

Unanimously accepted.

Twenty-four.

EXECUTIVE OFFICER DEDRICK: Item 24 is a Bolsa Chica item and Mr. Trout has been handling this. If he will, I'd like him to report to you.

CHAIRMAN McCARTHY: Mr. Trout.

ASSISTANT EXECUTIVE OFFICER TROUT: This relates back to a 1973 property settlement over the ownership between
Signal and the State Lands Commission in which the state got 320-some acres of land along Pacific Coast Highway with the possibility of getting an additional 230 acres if a navigable ocean entrance system was built from the Pacific Ocean to a specified piece of location within the property.

The state is not committed to that at this point.

One of the basic questions that needs to be answered not only for the Commission to make an informed decision, but for the county, the Coastal Commission and others is the feasibility of building such an ocean entrance system.

The Corps of Engineers and the federal administration is no longer funding these kinds of studies with federal funds and, therefore, there's been a need for a local sponsor.

Signal Landmark has approached the Lands Commission with the idea that the Commission would be the local sponsor. However, Signal would in turn reimburse the state for all of its costs related to that and as the sponsor then, the Commission would contract with the Corps of Engineers and complete this feasibility study.

The Commission as a result of entering into this reimbursement agreement is not committed in any way to come up with any additional funds other than whatever agreement is now existent in the '73 agreement.

CHAIRMAN McCARTHY: Help us remember. What is the
cost of doing this work? Not the study, but the work. Do we have a range?

ASSISTANT EXECUTIVE OFFICER TROUT: Yes. It's probably going to be in the neighborhood of $80 million to put in the offshore breakwater, the ocean entrance system and dredge a channel that has to be, I think, 400 feet wide. It requires the relocation of a portion of Pacific Coast Highway and a number of other things that would have to be done.

Signal is investigating the possibility of setting up a local improvement district of one kind or another or joint powers agency with the county or with the state and the county to develop a marina commercial area that would provide sufficient income to repay any costs that would be incurred in building the ocean entrance system.

The Corps of Engineers has authority to loan money to be reimbursed by local government. However, the decision is clearly up to the Commission with regard to the state's participation in whether they want to build an ocean entrance system or not.

The present point is that the county, the Coastal Commission and even the City of Huntington Beach need to have some basic information about an ocean entrance system before they're ready to make those decisions. So, this is a device to move that process ahead and get the study done by the Corps.
CHAIRMAN McCARTHY: Do we have any descriptive material on the last session we had with local community elected officials and community leaders on this whole issue?

ASSISTANT EXECUTIVE OFFICER TROUT: We can get you something.

CHAIRMAN McCARTHY: How recently was that?

COMMISSIONER ORDWAY: We met Thursday night. Some of our staff met with the county, the city and others on Thursday night.

CHAIRMAN McCARTHY: Was there a good representative audience there?

ASSISTANT EXECUTIVE OFFICER TROUT: It was a study session hosted by the City of Huntington Beach. If I may, Curt Fossum was our representative there. Maybe he can give you an overall view of how many people were there.

CHAIRMAN McCARTHY: Well, I'm just mainly interested in knowing whether there was a good representative in participating groups there. This is a major thing and a sensitive issue. I want to know how much we're involving the local people in the discussion.

MR. FOSSUM: Commissioners, my name is Curtis Fossum. I'm a staff counsel.

I would say there was approximately 50 to 60 people present in the city council chambers. There were representatives of Signal, community groups including the
Amigos de Bolsa Chica were there. There were presentations made by certain Signal consultants on environmental and economic matters relating to a bill that has not been submitted yet, but that is with the Legislative Counsel's Office right now on a proposed special district that Mr. Trout mentioned.

CHAIRMAN MCCARTHY: Whose bill?

ASSISTANT EXECUTIVE OFFICER TROUT: Marian Bergeson's bill. It's Signal's bill. It's being introduced by Senator Bergeson. It does not have necessarily agreement by the county or by the City of Huntington Beach.

I can tell you, though, that there have been a series of town hall meetings in the area. There have been several a month to talk about -- they've focused on individual aspects of the project -- taxation, the ocean entrance, traffic and a whole list of things. There's maybe been a dozen over the last six months to a year of local town hall meetings to discuss the ramifications of the project.

This is the next logical step to move ahead with the feasibility of the ocean entrance system to determine what kind of plan would go back before the Coastal Commission for confirmation of the county's LCP, the local coastal plan, that was submitted by the county.

CHAIRMAN MCCARTHY: What is the cost of the further study we're talking about?
ASSISTANT EXECUTIVE OFFICER TROUT: This study would cost about $650,000 to be fully reimbursed by Signal Landmark. That is their contribution. There is no provision for reimbursement by the state subsequently. It's just --

CHAIRMAN McCARTHY: I appreciate that generosity.

ASSISTANT EXECUTIVE OFFICER TROUT: It's very self-interest.

CHAIRMAN McCARTHY: Could you tell us why they're going to donate that to us? Is there somebody here from Signal that could tell us?

ASSISTANT EXECUTIVE OFFICER TROUT: I don't know that there's anyone here from Signal.

Signal proposes to develop about 1,200 acres of undeveloped property in the Bolsa area basically for residential housing. They have to donate 600 and some acres to the state as part of the tentative agreement that was approved by the Coastal Commission after several years of activity.

EXECUTIVE OFFICER DEDRICK: That's wildlife habitat.

MR. FOSSUM: This particular study is part of something necessary for the local coastal plan to be adopted. The Coastal Commission when they reviewed the last LCP for the area made it a conditional LCP and that further studies be made to show the feasibility of the project.

CHAIRMAN McCARTHY: All right.
EXECUTIVE OFFICER DEDRICK: Mr. Chairman, the value of the land will be greatly increased if in fact a harbor is adjacent to it.

CHAIRMAN MCCARTHY: The picture clarifies.

EXECUTIVE OFFICER DEDRICK: I thought it would.

COMMISSIONER ORDWAY: Motion.

CHAIRMAN MCCARTHY: Any questions by Commissioners?

COMMISSIONER DAVIS: No.

CHAIRMAN MCCARTHY: For purposes of our file, why don't you please obtain for us statements from the city and the county as to how they view this whole project right now. We can act on this today.

EXECUTIVE OFFICER DEDRICK: Okay.

CHAIRMAN MCCARTHY: How long is this study supposed to take?

ASSISTANT EXECUTIVE OFFICER TROUT: I expect it's going to take almost a year.

EXECUTIVE OFFICER DEDRICK: You know, this process is about 15 years old now.

CHAIRMAN MCCARTHY: In another couple of months, if it's ripe, I'd like to get some statements in the file.

EXECUTIVE OFFICER DEDRICK: We'll be sure that happens.

The last three items are legal items and Mr. Right will handle those.
MR. HIGHT: Mr. Chairman, No. 25 is the Authorization to File Disclaimer of Interest in a federal condemnation action for New Melones Lake, which the Commission has no interest in.

COMMISSIONER ORDWAY: Motion.
CHAIRMAN McCARTHY: Motion.
COMMISSIONER DAVIS: Second.
CHAIRMAN McCARTHY: Second.
Unanimous.

MR. HIGHT: Item 26 is the approval for a compromise settlement in South San Francisco. The Commission will also be acting as Land Bank Commissioners and will receive $250,000 in the Kapiloff Land Bank Fund in settlement of the Commission's claims in this area.

COMMISSIONER ORDWAY: Motion.
COMMISSIONER DAVIS: Second.
CHAIRMAN McCARTHY: Unanimously accepted.

MR. HIGHT: Item 27 is the Authorization for Settlement in the City of San Francisco and the Commission will receive $125,000 in the Kapiloff Fund and you will also be acting as Land Bank Commissioners again.

COMMISSIONER ORDWAY: Motion.
COMMISSIONER DAVIS: Second.
CHAIRMAN McCARTHY: Unanimously accepted.

Is that it?
EXECUTIVE OFFICER DEDRICK: That's it.

COMMISSIONER ORDWAY: Unless you have any other business.

EXECUTIVE OFFICER DEDRICK: Unless you have other business.

COMMISSIONER DAVIS: I'd like to make a motion that -- and I discussed this with Leo and with Nancy -- that we rotate the chairmanship of this Commission between the Lieutenant Governor and the Controller, with the Lieutenant Governor serving in calendar years '87 and '89 and the Controller in '86 and '90 and starting in the ensuing years that the chairmanship transfer on the first meeting after January 1st of those respective years.

CHAIRMAN MCCARTHY: A motion is before the Commission.

COMMISSIONER ORDWAY: You don't need a second because we operate on Senate Rules.

COMMISSIONER DAVIS: Senate Rules.

I vote aye.

COMMISSIONER ORDWAY: I abstain.

CHAIRMAN MCCARTHY: I won't make any promises, but I'll try to do the best I can with this awesome burden that you've just given me.

(Laughter.)

COMMISSIONER ORDWAY: Well, we just hit 25 minutes.
In the absence of further business, I'll move to adjourn.

CHAIRMAN McCARTHY: See the efficiency with which this meeting was conducted? A promise of good things to come.

Thank you all, ladies and gentlemen.

(Thereupon the meeting of the State Lands Commission was adjourned at 2:37 p.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, EILEEN JENNINGS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing meeting was reported in shorthand by me, Eileen Jennings, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of February, 1987.

EILEEN JENNINGS
Certified Shorthand Reporter
License No. 5122