MEETING

STATE LANDS COMMISSION

STATE OF CALIFORNIA

OFFICE BUILDING NINE

744 P STREET

ROOM 102

SACRAMENTO, CALIFORNIA

WEDNESDAY, FEBRUARY 6, 1991

10:00 A. M.

Nadine J. Parks
Shorthand Reporter
MEMBERS PRESENT

Leo T. McCarthy, Lieutenant Governor, Chairman

Jim Tucker, representing Gray Davis, State Controller, Commissioner

LaFenus Stancell, representing Thomas W. Hayes, Director of Finance, Commissioner

Staff Present:

Charles Warren, Executive Officer
James F. Trout, Assistant Executive Officer
Robert C. Hight, Chief, Legal Division

Also Present:

Mike Crow, Deputy Attorney General
## INDEX

<table>
<thead>
<tr>
<th>Proceedings</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call to Order</td>
<td>1</td>
</tr>
<tr>
<td>Calendar Items (Consent)</td>
<td>1</td>
</tr>
<tr>
<td>Confirmation of Minutes for January 3, 1991 Meeting</td>
<td>1</td>
</tr>
<tr>
<td>C-1 through C-18 (C-15 pulled)</td>
<td>1</td>
</tr>
<tr>
<td>Regular Calendar</td>
<td></td>
</tr>
<tr>
<td>Item 19</td>
<td>1</td>
</tr>
<tr>
<td>Item 20</td>
<td>2</td>
</tr>
<tr>
<td>Item 21 (Pulled)</td>
<td></td>
</tr>
<tr>
<td>Item 22</td>
<td>3, 11</td>
</tr>
<tr>
<td>Item 23</td>
<td>4</td>
</tr>
<tr>
<td>Item 24 (Pulled)</td>
<td></td>
</tr>
<tr>
<td>Item 25</td>
<td>4</td>
</tr>
<tr>
<td>Item 26</td>
<td>6</td>
</tr>
<tr>
<td>Adjournment</td>
<td>12</td>
</tr>
<tr>
<td>Certificate of Reporter</td>
<td>13</td>
</tr>
</tbody>
</table>
CHAIRMAN MC CARTHY: Good morning, ladies and gentlemen. Welcome to the meeting of the State Lands Commission.

To my right is Commissioner Tucker, and to my left is Commissioner Stancell. My name is Leo McCarthy.

The minutes of the last meeting, without objection, are approved.

Consent Items 15 -- Consent Item 15, and Items 21 and 24 are pulled from the calendar. Any others pulled from the calendar?

EXECUTIVE OFFICER WARREN: No, Mr. Chairman.

CHAIRMAN MC CARTHY: All right. Why don't we proceed on the calendar, please. Oh, without objection, the consent calendar is approved.

All right. Let's proceed to the regular calendar.

EXECUTIVE OFFICER WARREN: The first regular calendar item, Mr. Chairman --

CHAIRMAN MC CARTHY: 19.

EXECUTIVE OFFICER WARREN: -- and Commissioners, is Item No. 19, which will be presented by Mr. Lance Kiley, who is the Chief of our Land Management Division.

MR. KILEY: This item, Mr. Chairman and Commissioners, is an update of our lease terms and
a renewal of the lease, second renewal of the lease for
the Mobil Oil Corporation, a piece of tide and submerged
lands in the Rincon Field in Santa Barbara Channel for
a period for drilling through the parcel into an adjacent
parcel.

The new lease would require a systems safety
review and an emergency response plan to be drafted.

CHAIRMAN MC CARTHY: Any questions from the
Commissioners? If not, the recommendation is approved.

Item No. 20.

EXECUTIVE OFFICER WARREN: Mr. Kiley will also
present this item, Mr. Chairman.

MR. KILEY: Item 20 is a general lease right-of-
way use to Union Oil Company of California for a parcel
of tide and submerged land in Old River in Contra Costa
And San Joaquin Counties.

There was some concern about some damage to
riparian vegetation as a result of this. The project
proponent has agreed to provide mitigation by replanting
at a two-to-one ratio to compensate for that.

CHAIRMAN MC CARTHY: Mr. Pete Schnieders,
would you like to testify on this one, Mr. Schnieders?

MR. SCHNIEDERS: I'll only answer questions if there
are any.

CHAIRMAN MC CARTHY: All right. Any questions by
Commissioners?

Any questions by any member of the audience here?

If not, the recommendation is approved. 21.

EXECUTIVE OFFICER WARREN: That has been pulled, Mr. Chairman.

CHAIRMANN MC CARTHY: That has been pulled. 22.

EXECUTIVE OFFICER WARPEN: The next item will be 22. Mr. Kiley will also present that.

MR. KILEY: This is an item authorizing the School Land staff to offer for sale, but not to consummate the sale, of 15 parcels throughout the State.

I am told that there is one parcel in Santa Barbara County that should not be on here. I'm a little unclear as to which parcel that is at the moment. So, I would suggest that those two parcels, both in Santa Barbara County, be pulled until I can clarify that.

CHAIRMANN MC CARTHY: Any problem with that?

All right. That will be done.

Do they have a problem if we don't act on the one that we do not intend to pull? Does that cause any difficulty down there?

MR. KILEY: I don't believe it will cause any difficulty. It would be a one-month day, and I don't think that's significant in this case.

CHAIRMANN MC CARTHY: All right. Any questions on
what remains in the item?

    All right. If not, approved as recommended.

    23.

    EXECUTIVE OFFICER WARREN: 23, Mr. Chairman, will
    be presented by Mr. Robert Hight.

    MR. HIGHT: Mr. Chairman, this is the
    authorization to settle a rental problem with Riverbank
    Holding Company.
    
    Basically, the rental in issue is an overpayment
    of some $6,000 based upon an erroneous billing for the
    years '87 through '90. And we're proposing that we
    accept a credit for those amounts for the next year.

    CHAIRMAN MC CARTHY: Any questions by the
    Commissioners? Members of the audience?

    The recommendation is approved. 25.

    EXECUTIVE OFFICER WARREN: 25, Mr. Chairman, will
    be presented by Mr. Jim Trout.

    ASSISTANT EXECUTIVE OFFICER TROUT: Mr. Chairman,
    as part of the 1973 boundary settlement at Huntington
    Beach, which involved the Bolsa Chica area, the State
    received an option to acquire real property in the amount
    of 230 acres if the State did a couple of things.

    One of them is obtain funding for an ocean
    entrance system within 10 years of the date of that
    agreement, and construction completion by the end of 14
years.

Those time periods were subsequently extended several times, but have all expired. It is the position of the staff that the option has expired by its own terms. However, the current operator of the private property has asked the Commission to approve a notice of termination of option and lease quitclaim deed can be recorded.

The new plan for Balsa Chica does not provide a navigable ocean entrance or a marina and, therefore, fulfilling the terms of the '73 agreement would now be impossible.

And we recommend approval of the filing of the notice of termination and quitclaim deed.

CHAIRMAN MC CARTHY: All parties were noticed on this item?

ASSISTANT EXECUTIVE OFFICER TROUT: All parties were noticed, all parties understand, and this is merely a formality, as we said, because we think the terms expired by their own words.

This is an abundance of caution.

CHAIRMAN MC CARTHY: No one has objected to this action?

ASSISTANT EXECUTIVE OFFICER TROUT: No objection.

CHAIRMAN MC CARTHY: Questions by members of the
Commission?

Members of the audience?

Recommendation is approved.

26.

EXECUTIVE OFFICER WARREN: Item 26, Mr. Chairman and Commissioners, is an informational item concerning the implementation of the Commission's directions to establish a processing fee schedule for applicants to obtain leases and other interest in State property.

It has been -- the schedule is set forth in the calendar item. One addition we would like to make on the record is that an hourly fee schedule of categories of services will be prepared, which will be available to applicants, which will show them the hourly basis on which the fee has been determined.

CHAIRMAN MC CARthy: When you say it will be available, may I suggest that we mail to the applicant what that schedule will be for that particular kind of application?

EXECUTIVE OFFICER WARREN: Yes. And your suggestion will be accommodated.

CHAIRMAN MC CARthy: Any questions by members of the Commission?

COMMISSIONER TUCKER: How do the fees listed under minimum expense deposit column, how do they compare with what we're charging now?
ASSISTANT EXECUTIVE OFFICER TROUT: On many of these we have not been charging anything. In other words, if the lease provided income, we felt that the processing fees would be recovered as part of the income. But in the meantime, the Commission has lost 28 positions as a result of the budget cuts.

And to restore those positions, so we can process these, we've recommended implementation of a processing fee. And that restores a number of those positions to allow for the processing of these leases.

The figures were calculated based on the number of hours of the various classes of employees that worked on it on an average transaction times the hourly rate.

COMMISSIONER TUCKER: Just going through a few of these, like the commercial lease, you have $10,000. You say right now we charge nothing.

ASSISTANT EXECUTIVE OFFICER TROUT: That's correct. We just charge a minimum processing fee, which I think is $250.

COMMISSIONER TUCKER: Okay. And that's the same with all of these others?

ASSISTANT EXECUTIVE OFFICER TROUT: That's correct.

COMMISSIONER TUCKER: These are, in effect, totally new charges; is that right?
ASSISTANT EXECUTIVE OFFICER TROUT: That's correct. Except for rent free, other than recreational piers, we did charge many public agencies for processing leases, because they produced no revenue.

COMMISSIONER TUCKER: Okay. Are there any examples, say, with a grazing lease, where the charge for processing the lease exceeds the amount of the lease itself?

ASSISTANT EXECUTIVE OFFICER TROUT: They're certainly very close to being the same. And Mr. Kiley's staff has been looking at grazing leases, and we have recommended to the Commission in several cases that we simply not process grazing leases under certain conditions.

There are some areas where we have some grasslands where it's entirely appropriate and the fee is not out of line.

COMMISSIONER TUCKER: Okay. When you say not process, that means you would not allow the person to graze?

ASSISTANT EXECUTIVE OFFICER TROUT: That's correct. We just wouldn't -- we wouldn't process a grazing lease.

COMMISSIONER TUCKER: And what's the reason for that?
ASSISTANT EXECUTIVE OFFICER TROUT: One, the cost exceeds the value of the lease itself. The lease may only be a ten-year lease at $150 a year. The processing cost exceeds it.

Second, we have some concerns about our ability to charge significant -- let's say fair-market grazing rental rates. Most of our -- the Commission's land is intermixed with BLM land. Under Federal grazing allotments, there is a statutory schedule for Federal grazing fees. And the grazers are unwilling to pay us more than the Federal fee, which right now is like a dollar-eighty an AUM.

Private property owners are getting somewhere between $5.00 and $8.00 an AUM. They won't pay that to the State. It's north it to them to pay a higher amount, since they're grazing the surrounding Federal land.

So, it's in the interest of the Retired Teachers not to spend more money than the lease is worth.

COMMISSIONER TUCKER: Is it likely, say in that example, where there's Federal land surrounding, they'll just go ahead and graze on our land and not pay us anything?

ASSISTANT EXECUTIVE OFFICER TROUT: That is possible occasionally, yes.

COMMISSIONER TUCKER: And we don't have any way of
preventing that.

ASSISTANT EXECUTIVE OFFICER TROUT: Not unless we
wanted to go out and fence it or something. But it's
still -- we're better off that way in many cases.

COMMISSIONER TUCKER: Okay.

CHAIRMAN MCCARTHY: Any other questions?

COMMISSIONER TUCKER: Just one other. Are there
any other examples where the fee is going to exceed
the cost of the lease, or permit, or whatever?

ASSISTANT EXECUTIVE OFFICER TROUT: Let me
direct that to Mr. Kiley and see if he can answer that.

MR. KILEY: I think only on the grazing leases,
that Mr. Trout's already addressing, on the public agency
ones where we have not traditionally charged rent.

On all the others, we would expect the rents to
exceed the cost of the fees at least.

COMMISSIONER TUCKER: Okay.

One thing, Mr. Warren, I would like it to be
reported back to the Commission if you notice that the
fees are having an impact on the, you know, the fact that
people are applying for a particular permit, if we notice
that there's some sudden drop.

That doesn't mean that we necessarily want to do
something, but I think we should be aware if there is some
impact in charging those fees.
EXECUTIVE OFFICER WARREN: All right.

COMMISSIONER TUCKER: Particularly if it's going to, you know, increase trespassing in use of our land without our getting paid.

EXECUTIVE OFFICER WARREN: Your request will be noted and will be honored.

COMMISSIONER TUCKER: Thank you.

EXECUTIVE OFFICER WARREN: Maybe in three months, first report.

CHAIRMAN MC CARTHY: Any other questions?

MR. KILEY: Could we return to Item 22 for just a moment?

CHAIRMAN MC CARTHY: We haven't quite finished with this yet. Anybody in the audience?

ASSISTANT EXECUTIVE OFFICER TROUT: This is an informational item, Mr. Chairman.

CHAIRMAN MC CARTHY: I'm aware of that. Anybody in the audience wish to comment on Item 26?

All right. Thank you very much. 22?

MR. KILEY: 22, just for a minute, so I can call your attention to a letter that I received by FAX last night from Donald Walker. He proposes to take a lease option to purchase a parcel near "Slab City," called Slab City. I think the staff position would be that he should go ahead and bid on it if he wishes to participate
in the process like everybody else.

CHAIRMAN MC CARTHY: He's a slab expert?

MR. KILEY: I think he believes himself to be.

CHAIRMAN MC CARTHY: Any questions? All right.

Go ahead.

Anything else?

EXECUTIVE OFFICER WARREN: That concludes the agenda, Mr. Chairman.

CHAIRMAN MC CARTHY: All right. Thank you very much, ladies and gentlemen. That's the end of this particular meeting.

(Thereupon, the meeting was adjourned at 10:20 a.m.)

--000--
CERTIFICATE OF SHORTHAND REPORTER

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify that I am a disinterested person herein; that the foregoing meeting of the State Lands Commission was reported by me in shorthand writing, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, and that I am not interested in the outcome.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of February, 1991.

Nadine J. Parks
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION
3226 BRADFORD ROAD S.W., A-2
SACRAMENTO, CALIFORNIA 95825
Telephone: (916) 482-3300