MEETING
STATE OF CALIFORNIA
LANDS COMMISSION

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JAMES F. PETERS, CSR, RPR
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APPEARANCES

COMMISSIONERS
Kathleen Connell, Chairperson
Cruz Bustamante, Lieutenant Governor
B. Timothy Gage, Director of Finance, represented by Annette Porini

STAFF
Paul Thayer, Executive Officer
Jack Rump, Chief Counsel
Alan Scott
Greg Scott

ALSO PRESENT
Alan Hager, Deputy Attorney General
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PROCEEDINGS

CHAIRPERSON CONNELL: I call this meeting of the State Lands Commission to order. And two of the representatives are present.

It's my understanding that Lieutenant Governor Cruz Bustamante is arriving shortly. His plane has been delayed, and he will be joining us in the interim. I believe his deputy will be here very shortly.

For the benefit of those who are in the audience and haven't attended a meeting of the State Lands Commission before, the State Lands Commission is the State entity that is responsible for administering all real property that is owned by the State and its mineral interests. And surprisingly we own quite a bit of property. We try to, under my leadership as Chair, to hold these meetings -- and I'm joined here shortly by Lieutenant Governor Cruz Bustamante.

Hello, Cruz. Nice to see you.

We are trying to hold these meetings around the state, and particularly as we deal with issues that are important to a particular geography of the state, so that community groups can come before us without the expense of travel.

So that if we have matters that are in Santa Barbara and we have a very powerful group, community
interests there get out -- which is get out of oil that
loves to come visit with us in Santa Barbara. We have
another group that's very engaged with us in northern
California, then we try to accommodate those interests.
And that's why I scheduled this meeting here today,
because of the nature of the matter on the agenda today.

If you wish to address the Board -- and we
encourage you to do so -- it's necessary for you to fill
out a speaker form. And those speakers' forms are
available for you at the back of the room. And just
indicate your name, your entity if you are representing an
organization or yourself, and the matter in which you wish
to speak.

Let me now move to the agenda, if I can. And the
first matter before us today is the adoption of the
minutes from the Commission's last meeting.

May I have a motion to approve the minutes?
COMMISSIONER BUSTAMANTE: Move.
ACTING COMMISSIONER PORINI: Second.
CHAIRPERSON CONNELL: The matter's been
unanimously adopted.

The next order of business I believe is the
Executive Officer's report.

And, Mr. Thayer, may we have that report.

EXECUTIVE OFFICER THAYER: Good morning, Madam
Chair, Members of the Commission. I just have three items to discuss this morning.

First, the Commission last year approved expenditure of funds by the Port of San Diego to acquire a parking lot, which the primary purpose was to serve the convention center in San Diego; and use was for the new Padres baseball stadium. The Commission in making its approval imposed a number of conditions that it felt were necessary to be met before its approval to be finalized, and required your staff to ensure that those conditions were met and by letter notify the port when they had been met, and finally to notify you, the Commission, at its next meeting when those conditions have been met. And I'd like to make that announcement today.

Staff has worked extensively with the Port of San Diego to ensure that the Commission adopting those conditions were carried out.

Generally, those conditions ensure that the parking lot is used primarily for the convention center and not for the Padres Stadium and that the price of the property was appropriate in light of the appraisals that the staff had done. They included things like there being no deed restriction to limit the value of the property, no restriction of the parking by convention goers in favor of Padres fans, and the port was to receive appropriate
parking revenues.

I can tell you that they've met all those conditions and are sent a letter. And that draws to a conclusion this matter with respect to the Commission.

CHAIRPERSON CONNELL: So all of the individuals who expressed concern at our last meeting, have their concerns been addressed, you feel, fairly?

EXECUTIVE OFFICER THAYER: I believe that the issues have been met, but it would be wrong to say that they're all satisfied. There are one or two individuals who still do not think the parking lot should have been acquired. But I think in terms of the public policy issues, which were extensively vetted by the Commission before it made its approval, in particular making sure that the property was priced at the market rate and that the port was not paying more money than it should to the city, as well as ensuring that the port's representation that the primary purpose of this parking lot was for the convention center was going to be carried out. And those public policy goals we believe have been met.

CHAIRPERSON CONNELL: Thank you.

Are there any questions by the Members of the Commission?

ACTING COMMISSIONER PORINI: No.

CHAIRPERSON CONNELL: Fine. Then the next order
of business I believe -- did you have something else?

EXECUTIVE OFFICER THAYER: Two more items, if I may.

The next item: Several years ago in 1999 the Commission approved decommissioning at Belmont Island, and there was some controversy over that. But I'm here to report that project has now been successfully completed. Belmont Island was an off-shore oil production facility located on a caisson in shallow water. Abandonment required removal of the caisson and all the riffraff that had been placed around it. That's all been completed. It took about 25 months. There were no injuries or environmental damage that occurred during that. And the work was completed in January of this year.

I bring this to the attention of the Commission, because sometimes we'll take action on some project, then you never hear how it turns out. And this one is very important, especially given the fact that we'll be dealing with other abandonments and are right now with the shell mounds issue in Santa Barbara. So I wanted to let you know that that's been completed and that the site has been restored to a natural condition.

CHAIRPERSON CONNELL: Now, did we have any surprises in doing that? You know, this is kind of a virgin experience for us, as I recall, and it therefore
becomes a paradigm for how we might approach this in other coastal areas of California. And as you indicate, Paul, we have other areas right before this Board now where this is going to be a current issue. What did we learn that was of surprise or what can we tell us in greater detail on this? Because this was a whole new journey for us as a Commission.

EXECUTIVE OFFICER THAYER: That's right. And there are members of our Mineral Resources Management Division here who can provide more detail if necessary.

But I can say that the overall project took longer than we expected, because, in fact, as the individual wells were removed and cutoff, it was sometimes found that additional work needed to be done. I think it's like any other project where the initial construction occurred years ago that sometimes you don't know what you're going to find when you start to open it up that there were -- that there was additional work and additional safety precautions that had to be taken.

I think the primary thing that we learned is probably similar to what we're learning with shell mounds in that things aren't always what you expected them to be. We did not think the shell mounds for example, would hang up the fishing nets when they were trawled after the platforms were removed.
The expectation was that these fishing nets were going to be able to pass over the shell mounds. And it's because they couldn't that the Commission is still faced with issues to resolve there. At Belmont there were issues like this, but none of them have as much consequence as the shell mounds. We didn't have to come back to the Commission for approvals.

CHAIRPERSON CONNELL: Are there any questions of -- any questions, Mr. Bustamante?

COMMISSIONER BUSTAMANTE: Were there any other kinds of toxins that were found, any drilled muds that had any kind of toxins of any kind that were found there that we had to take special effort to clean?

EXECUTIVE OFFICER THAYER: I'm not sure, and I'd want to get a complete answer. So Greg Scott might want to respond to that.

CHAIRPERSON CONNELL: Yes, if you could identify yourself for the public.

MR. SCOTT: Yes, I'm Greg Scott with the State Lands staff.

Paul did characterize the activity of the Belmont Island removal quite clearly. One thing we did learn, just to add to what Paul said, what else did we learn, we learned that we didn't know as much about Belmont Island as we thought we did and that it was built a lot stronger
back in the fifties more than it probably would have been built today.

It took approximately 24 months to remove the island. Exxon --

CHAIRPERSON CONNELL: How did they build the island? How deep down was it? What did we find out? I remember we had -- we had respective -- obviously, it wasn't correct. It was obviously tougher to remove than we thought it was going to be.

MR. SCOTT: The island was built with tons and tons of concrete. It was a situation on a large bed of gravel surrounded by a metal caisson. But at the pond end they built huge pillars that were capped with large blocks of concrete, and on the concrete were situated the -- all of the operational and drill facilities. But as far as the removal activity, Exxon had to implement a considerable amount of ingenuity and basically create a removal program for this island, which there was no other activity like this anywhere else, as far as we know, in the world,

But they -- and the State staff also participated in providing some of the input as far as how some of this should be done. But it was a very interesting project. We all had a chance to put in our two cents worth to see how we should be able to do things quickly and safely.
I will say that there were no safety incidents reported during the entire two-year project; there were no pollution incidents also during this time. I feel we should commend Exxon on the excellent work they've done in actually removing the island.

To address Commissioner Bustamante's question regarding toxins that may have been found: There were actually none. We had anticipated in the gravel bed below the concrete surface of the structure that there may have been some residual oil that could have leaked through some of the older drilling operations, any contamination from drilling mud. We did not see any of that. All of the bedding and earth that was removed from the interior of the caisson was cleaned before it was removed to a disposal site. But there were no toxins of any significant degree at all.

COMMISSIONER BUSTAMANTE: I'd like to also ask staff to set up a time so that I can go and see the area which was removed as well as to show the one that is currently in existence, so I can see the difference between the two.

EXECUTIVE OFFICER THAYER: Certainly.

CHAIRPERSON CONNELL: Well, don't we have one in existence in Ventura County, Santa Barbara county?

EXECUTIVE OFFICER THAYER: Rincon is -- actually
this particular facility at Belmont is sort of a cross
between an island and a platform. And one time I think it
existed as a platform and then it was destroyed and became
a --

MR. SCOTT: Right. Belmont was -- exactly. It
was a combination of an island with a concrete platform
built on top of it. Rincon Island is strictly an island
built from rock from a sea floor up to the surface. So
there's no actual structural-member-type of infrastructure
on that island at all. It's strictly a rock with an
asphalt surface to it, and that would have to come out
piece by piece.

EXECUTIVE OFFICER THAYER: So there's not really
anything like Belmont right now that's left in --

MR. SCOTT: No, Belmont was really a unique
structure on its own in the State of California certainly.
And we have -- like I say, we have not seen anything like
that anywhere else in the world. So it was a very unique
project.

CHAIRPERSON CONNELL: I would like you to
consider putting this on our web site. You know, I have
been a big advocate over the years of using our web site
as a way of educating our children. You know, it is a
requirement in 6th grade in California schools to study
marine science. And seeing as how we have less and less
dollars to offer our schools as the state comes into economic -- under economic pressure, it would be great if we could augment the classroom resources, since I have a son in 6th grade and I'm particularly sensitive to this. And they do draw down, Paul, on our web site. And all 6th graders in California make an attempt in southern California to go to Camp Simi, you know, which is in Catalina, and they use the materials from the Lands Commission web site at Camp Simi to augment their classroom experience. It would be great if you could do a visual presentation directed at that age level, middle school, because that's when they study marine science. That would explain how Belmont Island was initially created and how we were able to deconstruct it. As some of the issues we have just discussed now, I think you know teachers would find it as an interesting opportunity for students to explore.

MR. SCOTT: We can certainly do that. We have thousands upon thousands of photographs, videotapes, a variety of old drawings that were constructed for Belmont Island. I think we could put something together that would be very educational and interesting to look at and informative for a variety of ages.

COMMISSIONER BUSTAMANTE: Something that shows the ocean floor.
MR. SCOTT: The only thing we have showing the ocean floor that I have seen is the final survey that was done showing that all of the sea floor debris was removed and that is not in photographic form. That is in a, you might say, a sonar-type form; a little bit difficult to understand, but I think we can put together something that would show what the sea floor does look like now that most people would be able to recognize.

COMMISSIONER BUSTAMANTE: Okay. I'd like to see that.

CHAIRPERSON CONNELL: Do you have any other comments?

COMMISSIONER BUSTAMANTE: No.

CHAIRPERSON CONNELL: Annette?

EXECUTIVE OFFICER THAYER: The final item I wanted to bring you --

CHAIRPERSON CONNELL: Thank you.

EXECUTIVE OFFICER THAYER: -- bring to the Commission's attention is, in fact, associated with our web site, that we're proud to announce that for the first time at this meeting our agenda has hyperlinks to every staff report that's been prepared for this agenda. So even on consent calendar items, if you go on to our web site, there's that blue color that if you click on that, you'll go to the staff reports that are contained within...
the binders that the Commissioners have. And so this is the first time that we've been able to make that information available widely now to the public in electronic form. And I think although there are several other agencies that have done the same thing, I think the State Water Resources Control Board has that.

When I reviewed web sites for different resources agencies and departments, I think we're among the first to do that. So staff spent quite some time since the Commission asked that we look into doing that, and there still are some glitches associated with it. I'm sure there will be times it won't come up quite the way it should, but we're very proud of that.

CHAIRPERSON CONNELL: Well, I want to thank you. I know Annette wants to comment on this as well, having the experience of sitting on 57 boards. And Annette and I share membership on many of these boards. I think this is the only board that I sit on -- in fact, I know it's the only board, because we're struggling to do this on the retirement boards now. And, of course, we have a more complex and, you know, lengthy calendar on the retirement boards. They go for three and four days on the tax boards a week.

But we are trying to model ourselves after what the Lands Commission has done. So I wanted to
congratulate you for doing that. And I would also like you to put on that web site, having recently visited it, an interactive component. I would like you to ask people who visit the web site what we can do to further assist them and what other information linkages would be helpful to them. I think this would be particularly helpful for members of the public who have an interest in pursuing a matter as it extends -- you know, some of our matters extend into the future, as you know, and set a policy that impacts other coastal areas of California.

I think this would be helpful as well for some of our educational relationships in the state. They can give you some feedback as to how they're using the site.

EXECUTIVE OFFICER THAYER: Good point. We'll make that happen.

ACTING COMMISSIONER PORINI: That was kind of the direction I was going in. I wanted to see if we have an ability to track the number of hits we have on our web site. If it's not extensively used, see what we can do to make folks aware of the fact that we have that resource available to them.

EXECUTIVE OFFICER THAYER: Certainly.

CHAIRPERSON CONNELL: Can you track the number of hits? You should be able to do that. We can do that on the Controller's web sites.
EXECUTIVE OFFICER THAYER: I think so, yes.

CHAIRPERSON CONNELL: It should be an automatic hit. I mean you should be able to actually at the end of the day not only whether the person has used your web, but which features on the web site they've used, how long they've stayed on your web page and, importantly, whether they came to your web site page directly from the outside or whether they visited it through a cross reference, a linkage from another state web site. All of that information should be immediately available to you.

EXECUTIVE OFFICER THAYER: I agree. I've seen that technology, of course, on the other sites. And we'll look into getting that.

CHAIRPERSON CONNELL: If it doesn't, call my I.T. officer because we have that kind of report system.

EXECUTIVE OFFICER THAYER: Certainly.

CHAIRPERSON CONNELL: All right. Mr. Thayer, I would now like move to the discussion of the consent calendar. For members of the public, we divide our discussion into a consent calendar, which hopefully will include most major items before us today; and then those items which individual members wish to call separately.

Mr. Thayer.

EXECUTIVE OFFICER THAYER: There are two items that should probably be removed from the consent calendar.
Item 47 is not yet ready for Commission decision, and we'll bring it back in a subsequent meeting.

CHAIRPERSON CONNELL: Could you tell the public what that number is -- I mean what this matter is?

EXECUTIVE OFFICER THAYER: That matter has to do with up here at Tahoe. And the name of it is the Lake House Mall property.

And then the second item for removal was one that I believe that the Controller was interested in, C56, and that this was the one that authorized the staff to start the EIR process for expanded production from Rincon Island.

CHAIRPERSON CONNELL: Yes. I would like to move that to the discussion calendar, Mr Thayer.

EXECUTIVE OFFICER THAYER: Certainly. And it's my understanding --

CHAIRPERSON CONNELL: Item C56.

EXECUTIVE OFFICER THAYER: -- you'd like to discuss that --

CHAIRPERSON CONNELL: -- discuss that before we take action on some of the concerns that I had on that matter.

EXECUTIVE OFFICER THAYER: And we could fold into that discussion with Item 64, which was a staff presentation --
CHAIRPERSON CONNELL: Right, just link those two together.

EXECUTIVE OFFICER THAYER: And those are the only items to be removed that I know.

CHAIRPERSON CONNELL: All right. Well then --

ACTING COMMISSIONER PORINI: I move the consent calendar, noting that items 47 and 56 are have been removed.

CHAIRPERSON CONNELL: Thank you.

COMMISSIONER BUSTAMANTE: Second.

CHAIRPERSON CONNELL: It's been moved and seconded.

Is there anyone in the audience today that wishes to speak on a matter on the consent calendar before I call for a vote on that consent calendar?

All right. Not hearing anyone who wishes to speak on the consent calendar, that will be unanimously approved.

We are now going to move then to the regular calendar, and I believe -- Mr. Thayer, did you want to move to Item 63 first?

EXECUTIVE OFFICER THAYER: Certainly. Madam Chair, Members of the Commission, Item 63 has to do with the adoption of the Environmental Justice Policy by the Commission. At the last meeting the Commission requested
staff to prepare an Environmental Justice Policy for the State Lands Commission to use in its decision making. As you are aware, the legislature has enacted specific provisions on environmental justice that call for the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies. That's the quote from the definition of environmental justice that's in the statute.

The Office of Planning & Research is the coordinating agency for the State for environmental justice programs and is currently working with help agencies to develop these policies. While the State Lands Commission is not legislatively mandated to develop such a policy, the clear trends among state agencies is to establish a policy that can develop and mature with experience.

Our goal has been to develop an Environmental Justice Policy that is fully integrated into the full range of Commission activities from day-to-day small decisions and interactions with the public to major decisions affecting the lives of the entire communities. Such a policy must recognize the cultural diversity of California's growing and changing population.

As we investigated what other agencies were
doing, it became clear that while there are some aspects of the Environmental Justice Policy we could implement now, a more comprehensive policy must reflect public participation and collaboration. Posing a policy now without public input from varied groups for environmental justice that's going to be served would be fundamentally unfair.

Therefore, we're submitting a two-pronged proposal for your consideration. First, we have developed a brief policy statement for you today containing many of the core principles of an Environmental Justice Policy and is similar to some of the ones that the Office of Planning & Research have been working on. This can serve as an interim policy until a more comprehensive policy is developed.

And, therefore, secondly, we propose to develop a specific plan for public participation, collaboration in the context of a more comprehensive Environmental Justice Policy. We would bring that policy back to you in about six months. Implementing this kind of policy is going to be time consuming and challenging, and force us to think about difficult issues which there are no ready answers. It would, however, ensure that the policy ultimately developed would be far better than anything we could create from within. We need to go outside staff to craft
the best policy.

More importantly, a comprehensive Environmental Justice Policy would help the Commission make better, more informed decisions than they have an impact on the environment we have now.

So, in short, we have an interim policy for your consideration today which we think reflects the laws that exist today, requires us to do a better job of going out and involving communities that may have traditionally been foreclosed from the public process. And then six months or so down the road, we intend to bring back a more comprehensive one that will reflect other things we can do.

CHAIRPERSON CONNELL: Well, I would like to deal with when we are going to bring that back. I would like a time certain, with Paul having worked with us. And so I would like to have more than six months or so. I'd like to have a definite date.

Could we have that policy before this Commission in November, do you think?

EXECUTIVE OFFICER THAYER: Certainly.

CHAIRPERSON CONNELL: I think it would be helpful.

EXECUTIVE OFFICER THAYER: Just because we're not sure when these dates -- would it be okay to say by the
end of the year?

CHAIRPERSON CONNELL: Yes, certainly.

Now, I'd like to just advise the members of the public who don't have the advantage perhaps of having seen what is included in our Environmental Justice Policy, we are looking at four categories which I think are very important, and I think the Commission, as a group, believed are intrinsic to any effort as we move forward.

The first is to identify population groups that otherwise would not be immediately defined as having been impacted by environmental issues. It's always easy as we do discussions before this Board to identify the environmental groups. They come forward. The Sierra Club comes forward. Various other groups come forward. Sometimes it's hard for us to know or to actively identify those other groups.

They may be individuals. They may be residents. They may be small businesses in an area. They may be fisheries in an area. They may be offshore individuals. They may be foreign interests that have an impact as the result of an action by the Board. So we're going to reach out to new groups that might be impacted by our policy, which I think is very, very important.

A second concern dealt with, of course, the whole issue of public information, how we distribute our public
information. We're now doing that in multiple languages, which I think is very important given the California population and it's demographic.

The third is really trying to encourage that people come forward to these boards and these commissions. And we're doing that obviously by having meetings throughout the state, which is an effort to reach out to various community groups and ensure that all of you will have a chance for public involvement and comment in our meetings.

And then I think the fourth, and probably equally important from the viewpoint of the Commission, is making sure that we look at the way -- long-term impact of our decisions and how it's going to impact the future generations of Californians, because obviously environment is an important legacy in California. It's one of the key components that defines who we are as Californians.

And so that's basically the four core elements of the Environmental Justice Policy. And as we begin to put more meat on the bones, we actually have ten environmental statements here before us today. We encourage all of you who have any interest in this matter to go on our web site, communicate with us and help us further enrich what we will have as the Environmental Justice Policy.

For those of you who may think this is rhetoric,
it is not rhetoric to this Board. We feel very strongly as we get into the issues before this Board that we should be attentive to the needs of the individual communities, and we deal with communities as diverse as oil companies and their boards of directors to individual fishermen who are impacted by decisions of this Commission.

So that just kind of rounds out that discussion.

Do you have anything to say, anything on that, Annette?

ACTING COMMISSIONER PORINI: I do. I appreciate the work that the staff has done. You brought this policy back to us quickly. I do have a request for one amendment to the document --

CHAIRPERSON CONNELL: Is Ms. Porini's microphone on? Does it have amplification? I'm afraid we don't have amplification on that mic.

Could we check the -- here, why don't you use mine.

ACTING COMMISSIONER PORINI: All right, thank you.

I just wanted to thank the staff for their quick work and ask for one amendment to the policy that we have before us. And that amendment is on Item 9 where staff talks about providing appropriate training. I think that Members of the Commission should be included in that
training. The area of environmental justice is an evolving area. Most state agencies are beginning to get involved with their own policies. And I just think it would be appropriate for staff to provide this same training to us.

    Thank you.

CHAIRPERSON CONNELL: Thank you. We'll note that amendment. Paul, you've received that input?

EXECUTIVE OFFICER THAYER: Yes.

CHAIRPERSON CONNELL: Mr. Bustamante, did you have anything you wanted to add on this matter?

COMMISSIONER BUSTAMANTE: No, I think the whole issue is going to be regarding outreach efforts. And so I think it's a good beginning and we're going to -- I was hoping that we could get something well before the beginning of the year. What's our next meeting scheduled for?

EXECUTIVE OFFICER THAYER: We're attempting to set one in June. And we would probably hold one in September after that.

COMMISSIONER BUSTAMANTE: I would like to see something in September, frankly. I think that should give us plenty of time, unless you feel that that's not --

CHAIRPERSON CONNELL: No, I'm eager to do this, obviously. And the sooner that we're able to do that, I
certainly -- unless staff expresses any reason we cannot conclude it by September, I'd be willing to push forward.

EXECUTIVE OFFICER THAYER: We'll do our best to comply. And if there's some problem, we'll get back to you.

CHAIRPERSON CONNELL: Great.

COMMISSIONER BUSTAMANTE: Okay. I there's nothing more, I think I'd like to make the motion to accept the staff recommendations.

ACTING COMMISSIONER PORINI: Second.

CHAIRPERSON CONNELL: That has been unanimously accepted. Thank you.

Now, we're on Item Number 64. Item Number 64 is a review of the operation of Rincon Oil Field, which I asked it to be put off the regular calendar. For members of the audience, you should know that we directed our staff to do further research and report back to us on Rincon Island and some of the environmental concerns that we had in that regard.

Mr. Thayer, how do you wish to proceed with this staff presentation?

EXECUTIVE OFFICER THAYER: Madam Chair, Greg Scott from the Commission's Mineral Resources Management Division will make the presentation on this item.

CHAIRPERSON CONNELL: And I'd like to just point
out, we do have a member of the public who wishes to
speak. If anyone else wishes to engage the Commission
from the public, please sign a speaker form.

Mr. Scott.

MR. SCOTT: Thank you.

Good morning, Madam Chair and Honorable
Commissioners. My name is Greg Scott, and I'm the
Assistant Division Chief for the State Lands Mineral
Resources Management Division in Long Beach.

As Paul Thayer had mentioned, at its last meeting
the Commission directed staff to present an informational
item on the status of Rincon oil leases. And in response
to that, I'm making a short, approximately 10-minute,
presentation this morning on the Rincon leases, the
present management, the involvement of Compass Bank and
the bank's progress in securing an oil company to take
over the leases.

--000--

This is a location map showing the five offshore
Rincon oil leases. They are located in the coastal waters
offshore of Ventura County, approximately midway between
the city of Ventura and Santa Barbara.

The largest lease is PRC 1466, otherwise known as
the Rincon Island lease, shown here. And there are only
three active producing leases at this time. That's PRC
1466, PRC 145 and PRC 410.

The wells on the other two leases, PRC 427 and 429, have ceased to produce, and they have since been abandoned. And the offshore wooden piers --

CHAIRPERSON CONNELL: Can you go through that again? Which ones?

MR. SCOTT: Yes. PRC's 1466, 145 and 410 are presently producing.

And I can barely -- if you can see those with the pointer, that's the large Rincon Island lease, 1466 and 410.

The 410 --

CHAIRPERSON CONNELL: They are producing?

MR. SCOTT: I'm sorry?

CHAIRPERSON CONNELL: They're the producing ones?

MR. SCOTT: They are producing, yes.

And the other two that you can see on the screen and in your copy are 429 and 427, those ceased to produce back in the early 1990s, and the wells have been abandoned.

COMMISSIONER BUSTAMANTE: Do we have quit claims?

EXECUTIVE OFFICER THAYER: No, we don't at this point.

MR. SCOTT: No, we don't, not at this time.

COMMISSIONER BUSTAMANTE: Are we pursuing them?
MR. SCOTT: Well, during the removal of the wooden piers that those wells were producing from some of the caisson remnants still remain on the sea floor. And the Department of Fish and Game has been studying that to determine if they should be removed completely, or if there would be no significant affects to leaving them there. Based on their ruling, we will move ahead and discuss with our management whether we should go ahead and pursue quit claim of those two leases.

EXECUTIVE OFFICER THAYER: And, again, our general philosophy is that we don't want to quit claim until we finish whatever work needs to be done to clean up on the previous operations.

MR. SCOTT: This is an aerial photo showing Rincon Island and the causeway that services the island from shore. And you can see in the foreground -- the lighting is not that clear now, but those white interlocking blocks are called tetrapods. And those were placed in front of the island to protect it from any winter storm activity.

MR. SCOTT: The next slide is a chronology of the offshore lease and history. The first lease was issued in 1929 when oil
development was conducted from wooden piers.

Leasing continued through 1955 when the last lease -- Rincon Island lease was issued to ARCO. They built the island and continued development of the field.

And then from 1981 through 1995 the leases were reassigned a number of times when in 1995 they were assigned to the current lessee, Rincon Island Limited Partnership, where I will refer to them as RILP. And they are the present major lessee for the leases and are the current operator of record.

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MR SCOTT: This slide addresses the Commissioner's questions regarding company ownership.

Rincon Island Limited Partnership was formed in 1995 with Windsor Energy US as its managing general partner. Compass Bank became the principal predator of both Windsor US and RILP in 1998. Later that year, both companies filed Chapter 11 bankruptcy as a result of declining oil prices and other financial burdens. And then last year, 2001, Compass Bank foreclosed on the stock of both companies, and as a result acquired indirect control of the operation -- of RILP, I should say.

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MR. SCOTT: This slide is to give you a sense of the competency of the staff existing working Rincon Island
leases. They have a total of six full-time employees, including technical staff and field staff. They hire consultants and contractors to support their engineering activity as well as any field labor. And in addition, Compass Bank has recently retained the services of Schlumberger.

And you may know that Schlumberger is probably the largest international oil servicing firm in the world that conducts well investigations and engineering. They have retained one of their engineers to work in the capacity of operations manager. And Compass Bank itself does have a controlling engineer on staff in Houston.

COMMISSIONER BUSTAMANTE: How long has it been in this interim process?

MR. SCOTT: I'm sorry, sir?

COMMISSIONER BUSTAMANTE: How long has it been in this interim process since the bankruptcy and the bank --

MR. SCOTT: The bankruptcy occurred in 1998 and --

COMMISSIONER BUSTAMANTE: Have we done any performance audits to find out if this operation is going properly?

MR. SCOTT: Yes, as far as performance -- financial audits or operations?

COMMISSIONER BUSTAMANTE: No, the operations.
MR. SCOTT: Operation audits. At the last meeting, staff presented to the Commission the operations audit that was performed on Rincon Island.


MR. SCOTT: In February 2001 we conducted a full facility audit on Rincon Island that was a full comprehensive audit. We looked at the entire island, all of the operational facilities, the function, the design of everything on the island. And I believe -- and perhaps you may not recall, but we had identified over 400 deficiencies as a result of the audit. To date, Rincon Island staff has corrected all but 17. And we expect --

CHAIRPERSON CONNELL: Actually, you know, it's been very impressive progress. And, you know, I want to have more staff of Rincon Island.

By the way, for the public's knowledge -- well, although the bankruptcy occurred almost four years ago now -- or I guess about four years ago -- and I'm sure somebody from the company can alert us to the actual date details. At the time of the bankruptcy, my concern, and I think Annette's concern, both sat on the Board at that time -- was that we were going to have a passage of an oil facility into the hands of the bank. And no offense to Compass Bank, but this is not the natural operator of an
active oil field, and so we were very uncomfortable.

Having worked as an investment banker, I don't really think financial people are necessarily the best operators of oil facilities. And so we asked, at that point, that we keep on top of it.

Our concerns were, I think, escalated over the period of the years that transpired. And then I requested in 2000 an audit of Rincon Island from an operating facility viewpoint. That audit was completed in 2001. And we did find this large number, 400 deficiencies that were really operating at that point -- or existing at that point.

And that's a commanding number of problems to have in an oil facility operation. And obviously any one of them could cause a leakage of oil into our ocean and therefore pollute not only the waters off the California coast but obviously the coast line, which is of great concern to us, particularly in an area as sensitive as Ventura County, which has already been scarred by this experience years ago.

And so I really want to commend the fact that the audit was so detailed and that we've been so demanding in correcting all but 17. But let's talk about where those 17 are. That's why I wanted to call this issue off the consent calendar, because I want to make sure that we do
not lose our intense focus.

    I mean, I really think of ourselves, Mr. Thayer, as a shadow operator here, given the fact that this asset is still in limbo -- using a Catholic analogy here -- and we want to make sure it goes to heaven when it is finally transferred and not in the other direction. And so I really would want to make sure that every one of these deficiencies, which we've now been astute in defining, is resolved. And if it can't be resolved, I want to know why it can't be resolved. I don't want to have any lingering issues out there that could result in an oil leakage in this valuable piece of property.

    So, Greg, maybe you can tell us why -- I mean it's wonderful that so many have been corrected. What are the 17 that remain? How sensitive are they? What is our plan to try to resolve those? And if we can't, what kind exposure do we carry?

    MR. SCOTT: I can comment on that. Of the 17 that remain to be corrected, only four are in the category of which we have designated as high priority. And the reason we have designated those high priority is because they involve the area of fire safety. Now, I don't want to mislead you that we don't have fire safety on the island. We have hired a consultant during the audit to evaluate the design of the fire safety system on the
island. The island was initially designed to code -- to fire code. Those codes have changed over the years. And some of the current code requirements are not being met, you might say, to the letter. And so we have come in and required that they bring everything they have regarding fire safety up to code.

And the four items they have left, which have to do with a fairly -- I don't want to say long lead time design, but there is an element of design required for finishing off that part of the audit. But we expect, and we discussed before the meeting here, that we expect those would be easily completed within, I would say, two or three months. I don't feel that's a long period of time because we are operating at a higher state of alert, knowing that we have some outstanding audit deficiencies that need to be corrected.

The other remaining items are -- well, I wouldn't want to call them housekeeping, but they are at a lower priority, having to do with pipe markings or some proper vessel identifications and so forth. Those are also being done. But, again, the area that we have our main interest in is in the fire safety, but we feel those will be accomplished in due time.

CHAIRPERSON CONNELL: What does due time mean?

MR. SCOTT: I would say in two to three months.
CHAIRPERSON CONNELL: Okay. Then I definitely want to put this on as an active agenda item at the June meeting. And, again, I'm sure I'm joined by my fellow Commissioners in making certain that we get this moved forward, particularly if it is a fire safety matter.

Now, what are the other matters, the other -- that's 4 out of the 17. That leaves us with 13?

MR. SCOTT: That's 4 out of the 17. That leaves us with 13. Specifically, I would have to ask our audit manager who had conducted the audit to --

CHAIRPERSON CONNELL: Is that person here today?

MR. SCOTT: He is here today. In fact, he gave the presentation at the last Commission meeting.

And, James, if you could --

CHAIRPERSON CONNELL: I'm going to recognize Annette Porini.

ACTING COMMISSIONER PORINI: I just want to add, I talked to staff before the presentation and they informed me that they actually have someone out on the island once a week doing a follow-up. So I think your comment about being a shadow and following up on all of these items is well taken and the fact that we do have staff there on a weekly basis --

MR. SCOTT: That's right. In fact, we have -- not only once a week, we have staff on the island five
days a week, and they are there. We have one inspector that spends most of his day on Rincon Island each day of the week. And he looks at things that we have identified in the audits as well as many other things that are part of his normal daily routine. And that was one of the slides I was going to show here in the presentation.

But specifically to address the remaining 13 items, I think James might be able to be more specific as to --

CHAIRPERSON CONNELL: Did you want to finish, Greg, your presentation before James comes forward?

MR. SCOTT: I'd like to do that if you'd --

CHAIRPERSON CONNELL: If we can just ask the patience of the Commission here. And, James, we'll bring you forward after we finish the presentation.

Continue, Greg.

MR. SCOTT: Thank you.

I wanted to make note that the point of this slide was to inform you that there are competent staff working Rincon Island, and they have engaged other professionals to assist them. And most of these personnel are the personnel that have been there for many years. It's not like the bank has come in and brought in any of their people. These are people that have been on site for the last 15 years.
MR. SCOTT: And to elevate your level of comfort hopefully, this slide shows the State Lands personnel oversight layer on top of what RILP has in place. As I mentioned to Commissioner Porini, we have an inspector on the property five days a week, and he conducts his routine site surveillance, observes for spills, and any type of safety deficiency review of the operating practices of the personnel on the island. And then at the end of the month, we conduct a full, comprehensive, detailed formal inspection of the island, going over every piece of equipment that is involved in safety or pollution prevention. And that takes anywhere from two to three days.

The inspectors also support our safety audit program which we have been discussing. And they also check the accuracy of any measurement equipment on the island that measures oil so we can verify or correct accordingly.

MR. SCOTT: In our Long Beach office also we have some technical staff who engages in the review of any major submittals that would come in having to do with -- requiring any engineering review.
MR. SCOTT: This is a slide showing the financial security.

CHAIRPERSON CONNELL: This is one that I highlighted for members of the public, as you recall, Mr. Thayer, a few years ago. I was concerned that there'd be adequate collateral to support any damage that was done to the environment, that the State would not be the deep pocket here, that the owners -- the current owners of this facility, which is the partnership now managed by Compass Bank put up some type of performance bond or guarantee. In fact, we have been able to secure that.

MR. SCOTT: That's correct. This slide does show that we have sufficient financial security in place. RILP has a current performance bond in the amount of $5 million, which we believe is fully adequate in the event it's needed to cover the well abandonments and causeway removal.

There is also a $10 million insurance certificate that is required by OSPR in the event there's any type of oil spill liability.

And finally -- you mentioned deep pockets. Both ARCO and Berry Petroleum, previous lessees, retained liability for any abandonment costs that may be needed in the event the current operators aren't able to fulfill its lease obligations. Now, ARCO, as you know, has been
purchased by British Petroleum. So they are significantly the deep pockets.

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MR. SCOTT: The last two slides I have have to do with a development plan that was submitted to the staff recently by RILP. And this plan was proposing -- is proposing to drill up to 36 wells, many of them new wells, over a 5 1/2 year period. And they also propose to expand the existing water flood facilities to enhance the production.

CHAIRPERSON CONNELL: We'll be talking about that in a later agenda item, so let's not focus on that today.

MR. SCOTT: All right. The reason I bring that up is because, as you had asked in the last meeting regarding Compass's progress in moving forward locating a company -- a financial-worthy company to sell this to, this was a feature they had hoped to attract considerable attention from prospective buyers.

And I can briefly tell you on this last slide where we are. We are in the review process actually right now. And as far as bringing it to the Commission for consideration, depending on the level of CEQA, we're looking at it toward the end of this year and perhaps the first part of next year.

CHAIRPERSON CONNELL: Great. Thank you.
MR. SCOTT: And that's my presentation.

CHAIRPERSON CONNELL: We could do a very quick update change by you. Let's be as abbreviated as we can in this, James.

Now, I do have two public speakers on this matter that I want to bring forward. So if the public speakers can bring themselves to the front, that would be great. It would be Oscar Pena, General Manager for the Ventura Port District; and I believe the name is Craig Moyer from the Manatt Phelps firm representing Rincon Island Limited Partnership.

Yes, James. Can you identify yourself for the record.

MR. HEMPHILL: I'm James Hemphill, Engineering Manager for the Mineral Resources Management Division.

I'd like to quickly go over the Rincon safety audit. The safety audit, as Greg said, was issued in February of 2001. We identified 473 action items. Rincon has corrected 455 of those action items, and they're still working on 17. There were 48 high priority, 101 moderate priority, and 324 low priority.

There actually are remaining seven of the high priority, four moderate, and six of the low priority.

The definitions: High priority is something that represents a significant threat to the safety of the
environment. And corrective action, we try to get that within 30 days. There are mitigating circumstances which Greg had mentioned, such as engineering analysis, fabrication construction, that will delay it. When that happens, we expect the operator to work at a higher state of readiness until the corrections are made.

Moderate represent a threat to the safety of the environment, and the corrective action is expected in 120 days. And the mitigation needs are based on significant -- or a specific threat.

And then the lower priority are a minimal threat to the safety of the environment. And a lot of those have to do with correcting plans and just having those updated.

Rincon has got seven remaining high priority items. They all have to do with either fire or gas detection or fire suppression. They have implemented several fire suppression activities since the audit was completed. That includes placing phone monitors and other items to make the islands more secure. We believe that with those in the state of readiness that they are -- they are in good shape, but they still do not meet code, and that's what we're pushing towards. As Greg mentioned, we expect that within 3 months.

CHAIRPERSON CONNELL: You're going to have to
expect it within 60 days because our next meeting is going
to be within that time period. So for the members of
Rincon Partnership present here today, which would be the
Manatt Phelps people, perhaps you could pass the word back
from the Chair of this Commission that I would certainly
hope to see faster progress.

Since we will be discussing this publicly again
in 60 days, and it is my intent to have that meeting in
Ventura County, it would behoove you to have this matter
resolved so that we don't have an outcry from members of
the public, as, you know, how strongly they feel about
these matters in Ventura County. So we would like to see
all of these high priority matters resolved within that
60-day range.

MR. HEMPHILL: The four remaining moderate
priorities have to do with some procedures and upgrading
some equipment. Again, these were long lead time items.

And the lower priorities are just updating
some technical and engineering drawings. They've updated
most of those.

And then the final part is the rate at which the
items were corrected. As you can see, within 30 days they
corrected 24 of the high priority; within 120 days they
brought that up to 31; 180 days they have got to 34. They
have now completed in the first year, 41, and they have 7
7 remaining.

That concludes my presentation. Thank you.

CHAIRPERSON CONNELL: And I thank both of you.

Thank you, Greg, as well. Very encouraging progress.

Okay. Oscar, are you here?

Oscar is not here. He has left.

All right. Good.

Craig Moyer.

MR. MOYER: Good morning, Madam Chair and Members of the Commission. I'm Craig Moyer from Manatt, Phelps & Phillips. I am counsel for Rincon Island Limited Partnership. And let me begin by saying I will convey to Rincon Island your -- the issues -- there is some equipment that's been designed in order -- that does have a long lead time. But I'm sure that you can divine from the nature of the presentation that substantial progress has been made and a lot money has been spent and a lot of effort has been put into this by both staff and the folks at Rincon Island.

So progress is ongoing and will continue, and we'll make every effort to just complete this process and make sure that the operation continues safely.

CHAIRPERSON CONNELL: May I ask you a question. It's my understanding the ultimate goal here is, of course, to sell the facility.
MR. MOYER: That's mainly what I'm here to talk about, yes, ma'am.

CHAIRPERSON CONNELL: Could you direct a discussion to the progress you're making in that regard and any contingency plans that the bank has if it remains unable to find a purchaser for the oil facility?

MR. MOYER: The major hurdle to consummating a sale of the property is the issuance of these permits. As you might imagine, the interest level at the current operating condition is not great. And instead what the sizzle in this project is is that increased production that was shown. So everyone who has expressed an interest has made it clear that a prerequisite to closing would be issuance of these permits.

CHAIRPERSON CONNELL: You know, in fact, I think we've enhanced the value. Perhaps we should be speaking at some point with Rincon Island Partnership, Paul, about the State getting a percentage of the revenues from the sale of this facility. I'm beginning to like this idea. This is something we could perhaps negotiate, Paul, since we've conducted the audit, we are maintaining staff on the island to make sure that it is well maintained in the interim, therefore enhancing the value of the asset. I see my former investment banking skills and interests are coming out here. And it seems to me
that therefore we should extract a small fee that could
then go into the revenue for the lands trust to maintain
our environmental resources statewide.

MR. MOYER: Certainly the additional drilling
will result in staff --

CHAIRPERSON CONNELL: I'm not talking about the
additional drilling. I'm speaking about the role that we
played as a caretaker and protector of this island,
encouraging you to bring it up to an environmental
standard that enables you to sell it. Because obviously
the most important issue in the purchase of any asset is
not to determine the collateral value of that asset, but
indeed to determine what the offsetting liability is,
because the liability is really, as we've learned, the
exposure that any owner carries. Since we are rapidly
reducing your liability, we therefore enhance your value,
and the net value, therefore, remains greater.

MR. MOYER: It's an interesting --

CHAIRPERSON CONNELL: You can see where I'm
going.

MR. MOYER: I'm not quite sure how to respond to
that, Madam Chair. I'm --

CHAIRPERSON CONNELL: Well, we're not --

MR. MOYER: Thank you, ma'am. "May I have
another," as they say in the Marines.
CHAIRPERSON CONNELL: We're not in an active negotiations session. The State is not asking you to serve as an investment banker for them at this point, although I'd be happy to offer my skills at some point in that regard.

But I just think you ought to be appreciative of the role which our staff for the State has played. And the sooner we can commence the sale of this asset to an entity whose primary business is the operation of oil facilities, the more relieved I think we will all be, simply because -- obviously this has been a difficult transition for all of us.

And while we are taking our roles seriously as a daily caretaker of this facility, I would like to remove the State from this awkward position that we're in. And so I really hope that you can meet these safety standards within the 60-day period that we're now talking about so that you can move forward with your sale, we can remove ourselves from this day-to-day operating role that we have at, I might add, considerable expense, and I think we were going to therefore enhance security that the public feels about this.

MR. MOYER: I will commit on behalf of my client, Rincon Island Limited Partnership, to continue closely working with the staff and making every effort to finish

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the safety audit and operate it in complete compliance.

That commitment is ongoing and has been out there, and I absolutely agree that it does enhance the value of the asset and certainly enhances the comfort level of you as the trustees of this asset.

CHAIRPERSON CONNELL: Well, I was happy to see that you did retain this well-respected industry consultant. That's very reassuring. And I would hope that the bank is communicating its strong concern about public safety and environmental issues as well to the operators of this facility. It's not sufficient, you know, to have us there daily, Paul. We really wish to see Compass Bank communicating at the strongest executive levels the importance of getting this done quickly.

MR. MOYER: In addition to having retained Schlumberger to operate the facility, several months ago Compass Bank retained Peatree Parkman, perhaps the premier oil operations investment banking firm in Houston, to sell this asset, to market this asset. And their efforts are also ongoing. So I think -- there is no question but that there is commitment on the highest levels within the bank on a daily basis to do everything it can to move this. They are as anxious as you are to have this asset operated by a walkin talkin company, whose core business is in the oil and gas market.
CHAIRPERSON CONNELL: Thank you.

Are there any questions by the members of --

MR. MOYER: Yes, I'm really here to answer questions.

CHAIRPERSON CONNELL: Mr. Bustamante, Ms. Porini. Thank you.

Then we are completed with Item 64. And we will move Item 64 to the active agenda, if we may, in our June meeting.

EXECUTIVE OFFICER THAYER: Certainly. And then would the Controller -- and staff will take note of that and bring it back to the Commission as well as with a report to indicate the compliance with the required remediation of the deficiencies that are identified in the audit.

Would the Commission want to take up then Item C56 which had been deferred from the consent calendar?

CHAIRPERSON CONNELL: Yes, let's discuss that quickly.

EXECUTIVE OFFICER THAYER: As has been presented here, there is an ongoing -- there's an active application before the Commission to do additional drilling from Rincon Island into the existing leases. The drilling would be not unlike the drilling that had gone on before. But before the Commission can make a decision on that, we
need to do the environmental review to see what sort of impacts this drilling might have. And so this item merely asks your permission, your authorization to go out and do the environmental review. Once that's complete, we would bring back the actual proposal to the Commission for its consideration.

CHAIRPERSON CONNELL: Well, I certainly want to make sure we do a full environmental review here. I don't think there's a more important issue before this Board for the remainder of the calendar year as to how we're going to stand on offshore oil drilling. And I am very concerned that we have all the environmental matters before us, that we've looked at all the negative components and any mitigation which is required, that we have a very defined timetable for mitigating that should the Commission choose to move forward on this matter.

And what is the timetable for getting this EIR?

EXECUTIVE OFFICER THAYER: It depends upon the kind of documents prepared. It will probably be an EIR -- it potentially or theoretically could be a mitigated negative dec. But we're imagining that the processing of that would take at least six to eight months, according to the slide that was up there. So this will probably not be back before the Commission until either later this year or first part of next year.
CHAIRPERSON CONNELL: Well, I'd like it back before the Commission while I'm still here. So we will get it back before the Commission either September or November.

EXECUTIVE OFFICER THAYER: If the full environmental review is necessary, I'm not sure -- you know, CEQA has mandated public review periods and that sort of thing. We'll certainly do it as fast as we can.

CHAIRPERSON CONNELL: Excellent.

Any comments?

I need a motion to accept.

COMMISSION BUSTAMANTE? We won't receive any requests for expansion of drilling until this is completed and we've got the testimony?

EXECUTIVE OFFICER THAYER: And what's happened is they've made that request, that proposal, that application. But before the Commission can hear it, we have to do the environmental review.

CHAIRPERSON CONNELL: I am not willing to entertain that, Mr. Bustamante, until we have that EIR. I want to make it absolutely clear today. That's why I pulled that item from the consent calendar. I don't know how other Members of the Commission feel, but I am not going to move forward on a discussion of any extension.

EXECUTIVE OFFICER THAYER: It doesn't make any
sense.

CHAIRPERSON CONNELL: It would be nothing less than irresponsible for us here as a Commission to move forward discussing expansion of oil drilling off the California coast without an EIR. It would be an outrageous display of arrogance by this Board, and I'm certainly not going to participate in that. So I do not wish to see any item placed before this Commission that deals with expansion of that oil lease until we have an EIR concluded.

Is that the will of other Board members?

ACTING COMMISSIONER PORINI: Absolutely.

COMMISSIONER BUSTAMANTE: You bet.

CHAIRPERSON CONNELL: Yes, I would like to add that as an amendment.

COMMISSIONER BUSTAMANTE: So moved.

ACTING COMMISSIONER PORINI: Second.

CHAIRPERSON CONNELL: All right. We have now amended the staff recommendation in that regard. So we now have a unanimous vote of the Board that Item 56 amended; and that when we have completed the EIR and it has been presented to the Board, then we will discuss any extension of the lease at that time.

EXECUTIVE OFFICER THAYER: I understand.

CHAIRPERSON CONNELL: Thank you.
Now, we are on Item 65. And I appreciate the patience of those in the audience who have waited for this item. This matter is a consideration of whether the Commission should give its consent to the incorporation of sovereign lands into a proposed new city in a Los Angeles harbor area.

And, Mr. Thayer, I call upon you for a presentation.

I'd also like to alert members of the public that I have before me requests to speak by a number of individuals. And after the staff makes their presentation and I have allowed Members of the Commission to ask any questions they have regarding that presentation, we'll immediately commence with public speaking. When we have public individuals who speak before the Commission, we ask that you try to limit your comments to three minutes, given the amount of time that would be required for all of you to have an opportunity to speak before this Commission. Thank you.

Please begin.

EXECUTIVE OFFICER THAYER: Thank you, Madam Chair.

Giving the presentation for staff this morning is going to be Curtis Fossum, one of our attorneys who has spent a considerable amount of time on this issue.
I should also point out, as the Commission is aware, this is a very important item for southern California and for this state, and we've spent considerable staff resources on research in this item. Curtis Fossum has spent a lot of time on this, but several other staff people have been involved as well.

CHAIRPERSON CONNELL: All right. Can you identify yourself for the record, please.

SENIOR STAFF COUNSEL FOSSUM: Thank you. Good morning, Madam Chair, Commissioner Bustamante, Commissioner Porini. I'm Curtis Fossum, Senior Staff Counsel to the Commission.

Item 65 asks for your consideration of a request by the Harbor Study Foundation for consent to include sovereign tide and submerged lands as special reorganization that would detach those lands from the city of Los Angeles and incorporate them into a proposed new City.

To determine whether the inclusion of sovereign tide and submerged lands in the proposed new city is in the best interests of the State, the Commission must evaluate potential impacts of the operations of the Port of Los Angeles.

The quality and reliability of the municipal services to be provided to these lands and the potential
impacts of a new municipal authority on the Port's operations are issues of significant importance.

The staff has two areas of concern: Will the new city have the fiscal resources to provide needed services to the port. And will the division of municipal and management authority between the new city and the city of Los Angeles create conflicting and potentially damaging problems for the port?

First, a few words about the stakes involved in the Commission's decision. The Port of Los Angeles is one of the world's largest and busiest ports. The port currently handles the largest volume of containerized cargo in the United States. According to some estimates, the volume of that cargo will double in the next twenty years.

The port's contribution to the regional, state, and national economy are far reaching. The port directly and indirectly generates employment for approximately 260,000 people in southern California and approximately a million nationwide.

Additionally, the port generates $26.8 billion annually in industry sales, resulting in $8.4 billion annually in regional wages and salaries, and nearly a million-and-a-half dollars in state and local taxes -- a billion-and-a-half. Excuse me.
The port is not subsidized by tax dollars and has maintained its financial strength through generated revenues.

The Commission is required by Government Code Section 56108 to review all proposals to change municipal jurisdiction over tide and submerged lands. First, the Commission is required to determine if the proposed boundaries are technically logical. Are they at right angles to the shore, for example. And in its November 27th, 2000, meeting the Commission approved the technical description of the boundaries.

Section 56-108(a) requires the Commission to decide if tide and submerged lands should be included in the new city, the decision facing the Commission today.

The exhibit we have before you identifies the area we're talking about. The yellow is a depiction of the lands under the control of the port. They also include the blue area within the red outline. The yellow being filled lands. The area outside of the red line are lands that the port has subsequently acquired. This red line is an approximation of the historical mean high tide line, the boundary, the lands that were generated -- excuse me -- were granted by the legislature to the city in 1911 and 1929.

Your decision today will affect the lands that
are within the original tidelands shown approximately by that red line.

In preparing its analysis, staff reviewed studies prepared by the proponent of the Harbor Study Foundation, the Local Agency Formation Commission, and the State Controller's Office.

The first issue to be considered by the Commission in determining whether to include the tidelands in the new Harbor City is whether it's in the best interests of the state.

Is the quality and reliability of those municipal services to be provided by these tidelands by a new harbor sufficient? The Harbor Study Foundation claims that inclusion of tide and submerged lands within the new Harbor City could potentially result in cost savings for fire and police services.

They contend that the new city could eventually provide more cost-efficient services. The LAFCO report found that the Harbor Study Foundation's analysis failed to provide a written description of the assumptions used to develop their budget projections.

LAFCO concluded that the projections rely on certain assumptions that do not appear realistic.

LAFCO further found that the proposed new Harbor City would not appear to be fiscally viable unless certain
factors were met. The factors assumed were that the new Harbor City would include the port, and that the city could -- the new city could successfully implement significant cost savings measures, the reduction of municipal services.

LAFCO's reports found that the new city would need to reduce its expenditures by $51.3 million in order to balance revenue and expenditures.

In light of the above-stated fiscal uncertainties and revenue shortfalls, the new city would likely have to either raise taxes or significantly cut services or both in order to cover their revenue shortfalls and become fiscally viable. Either result could adversely affect the port and consequently the State of California.

The State Controller's Office report issued April 1st echoes this concern by concluding that the LAFCO report correctly determined that the proposed new Harbor City will not be fiscally viable without making significant reductions in expenditures and services, and notes that the proposed new Harbor City's ability to do so is highly uncertain.

The second issue for the Commission's consideration is to determine whether the management and operation of the tide and submerged lands by the statutory trustee is likely to be benefited or hindered by inclusion
of the lands in a new city.

Although the Harbor Study Foundation advocates additional local government involvement in the development and operation of port facilities, there is a possibility that a new city with the authority for taxation, levying of development fees, establishing building codes and other local ordinances could disrupt the administration of the port in its maritime commerce.

The new city may levy a tax on containers or implement other methods to extract money from port operations and attempt to constrain development of the port.

Port security is especially important. The Los Angeles Police Department, L.A. Fire Department, the U.S. Coast Guard, FBI, and the U.S. Customs Services have worked together to provide security to the port.

The port is currently fully integrated with the emergency response and disaster preparedness plans for the City of Los Angeles. The Port Police, Los Angeles Police department, which are separate entities, and the Los Angeles Fire Department all share in the emergency command center with the City of Los Angeles. Their protocols and procedures are integrated and their communication systems are compatible, allowing for cross communications during times of emergency.
There is an uncertainty as to whether the new Harbor City could procedurally incorporate itself into such an integrated system. According to the LAFCO report, it is unclear and cannot be determined at this time whether the new Harbor City could provide the same level of police and fire services as the City of Los Angeles. Ultimately, the operation and management as well as the security and safety of the port may be compromised.

In only two of the eighty-plus legislative grants of tide lands to local governments has the legislature intentionally placed tidelands located within one municipal jurisdiction under the management and control of another. This ensures that the special responsibilities involving management of trust property by a local entity are being carried out through a unified administration of laws, rather more than overlapping and conflicting authorities.

Staff is aware of only two instances where tidelands initially granted to one jurisdiction were subsequently incorporated within the political boundaries of another.

CHAIRPERSON CONNELL: What were those two circumstances?

SENIOR STAFF COUNSEL FOSSUM: The second two circumstances were again the County of Orange where the
legislature in about 1917 granted some parcels to the county, and subsequently they were annexed to the City of Newport Beach.

In at least three of the four situations mentioned above conflicts have arisen. These have resulted in confusion over jurisdictional issues, and subsequently resulted in litigation or legislation.

Staff believes that creation of a similar conflict in Los Angeles is not conducive to sufficient port operations.

Before concluding, staff would like to focus on an ancillary issue. The port has acquired additional lands that are not tide and submerged lands and are outside of the Commission's specific authority regarding the inclusion in the proposed new Harbor City. If the Commission's decision is to withhold consent to include the tide and submerged lands in the new Harbor City, jurisdiction of the upland portion the port could still pass to a new city.

To prevent this bifurcation of municipal jurisdiction over the port, the Commission could recommend to LAFCO that LAFCO in consultation with the new city proponents and the Port of Los Angeles set appropriate boundaries along a more practical and logical line separating port operations from the local community.
CHAIRPERSON CONNELL: Let's just stop at this moment, because this is a very important point. Just repeat what you said. Because if this matter comes before the people of Los Angeles on a ballot initiative and the people of Los Angeles should choose to vote in the new Harbor City, let's go through what would be the situation then before the Commission.

SENIOR STAFF COUNSEL FOSSUM: Before LAFCO or before this Commission?

CHAIRPERSON CONNELL: Before LAFCO, what you're saying would be the role of --

SENIOR STAFF COUNSEL FOSSUM: What the staff is recommending that the Commission do is to suggest to LAFCO that rather than using the red line, which goes through the middle of various properties that the port operates today, that a more logical line could be followed along as LAFCO typically would do, a city street or something that would separate the port's industrial operations from the adjacent municipal area.

You can see that some of these lines are quite zigzaggy, and that's because that was the historic shoreline 150 years ago. Today, with the port having acquired additional lands in various areas, if this red line was used by LAFCO, it would create anomalies within certain leaseholds that they have and it would be
difficult to separate for building permits, for taxation purposes and so forth. And so our recommendation to the Commission is that they recommend to LAFCO that they work together with the local proponents and the port to establish a logical boundary along, for example, the first public road above the port properties. I think that's typically how we see city governments segregate themselves from adjacent properties, and we would recommend that the Commission urge LAFCO to do likewise.

CHAIRPERSON CONNELL: That would only occur if there is a vote of the people to move forward.

SENIOR STAFF COUNSEL FOSSUM: Certainly. But LAFCO would decide where that boundary is.

CHAIRPERSON CONNELL: What would our role be as a Commission, if any, at that time?

SENIOR STAFF COUNSEL FOSSUM: None.

CHAIRPERSON CONNELL: You're just giving us that as a point of information.

SENIOR STAFF COUNSEL FOSSUM: It's a recommendation. It's not --

COMMISSIONER BUSTAMANTE: Prior to the vote of the people?

SENIOR STAFF COUNSEL FOSSUM: We're recommending that we urge LAFCO to rather than adopting the red line or the mean high tide line, that it adopt a more logical
line. It's beyond this Commission's authority to do so, but LAFCO has the authority to set the upland boundary for a city.

COMMISSIONER BUSTAMANTE: Acceptable language before it goes before the voters?

SENIOR STAFF COUNSEL FOSSUM: Yes, before it goes to the voters, then the City boundaries would be established by LAFCO and -- proposed city boundaries, and the people would be able to vote. The people in San Pedro and the people in Wilmington and Harbor City would all be able to vote on their new city, and it would be a logical line separating the port operations from that.

CHAIRPERSON CONNELL: But that's a decision of LAFCO?

SENIOR STAFF COUNSEL FOSSUM: That's LAFCO's decision, correct.

EXECUTIVE OFFICER THAYER: The fundamental problem that I think Curtis is trying to highlight here is that we're concerned -- the port is an asset of the public trust, and therefore properly of concern to this Commission and to the State and it has statewide implications.

It's clearly within the jurisdiction of this Commission pursuant to the Government Code section that Curtis has cited. But the problem is that this Commission
can act today only on the area within that red line, below the mean high tide line, which defines where the tide and submerged lands are. And that Government Code section has to determine whether that area, the tide and submerged lands, should be part of what municipal jurisdiction. That's the decision today. But the problem is the port has gone on through history and acquired these upland areas that are above the mean high tide line that we don't have jurisdiction over.

Should the Commission act today as staff is recommending to not allow the jurisdiction of the new city to include these tide and submerged lands, the problem is the proposal will end up with these upland areas of the port being included within the municipal jurisdiction of the new city because they don't have jurisdiction over that. The only way out is for us -- if we want to proceed in that way, is for the Commission to recommend to LAFCO to draw the logical boundary to exclude the rest of the port from the new city as well.

CHAIRPERSON CONNELL: So that's what I was trying to focus on here, first. I mean, you're basically -- I mean, this refinement is an important refinement.

EXECUTIVE OFFICER THAYER: Absolutely.

CHAIRPERSON CONNELL: So you're not only asking -- I mean, the decision before the Commission is
not only are we going to retain the jurisdiction within
the City of L. A. or are we going to allow it to be deeded
to a new city should the new city be formed, that is
Decision A.

Decision B is if we go that route, what are we
going to do with the upland areas that are no longer --
are not yet in the tideland trust? And since we can't
take action on that ourselves today because of the
intervening circumstances you've defined, then we need to
take a second action of the Commission that would
basically instruct or request that LAFCO take action on
their own to define that, so that there's not confusion
when it comes before the voter.

I mean I've got to tell you as a voter in the
City of Los Angeles, it's going to be confusing enough to
have all these various matters should they appear on the
ballot before us without confusion as to what are the
boundaries of the various cities that are being proposed.

EXECUTIVE OFFICER THAYER: And my understanding
-- and, Curtis, stop me if I have this wrong, because he
knows more about this than I do -- but that LAFCO is
probably going to meet and act on this and could act on
boundaries like this next month, in May. And that will
define the proposal that will go before the voters in
November. So this Commission's recommendation could be
considered by LAFCO next month.

CHAIRPERSON CONNELL: Fine, excellent. I don't want to -- are there any other questions? I just wanted to clarify that for Members of the Commission. Because in reading the staff report, I don't think you clearly indicated that you expect us to take a bifurcated action here today. And we really need to clarify to the public that that's what we would have to do.

SENIOR STAFF COUNSEL FOSSUM: Point of clarification, Madam Chair. There would not be any deeding regardless of the port property. Only the legislature would be able to change the trusteeship of the City of Los Angeles over the tidelands.

What would occur if you went along with the Harbor Study Foundation's request is that the City of Los Angeles would be operating the tide and submerged lands within this new city, and would have to then deal with the conflicts over possible different directions that they would be going.

CHAIRPERSON CONNELL: Right. What seemed to be one of the many conflicts that they have is if they had to develop a contractual relationships with these new cities. And there are many of those that also exist in the valley proposal as well. So these are matters that LAFCO and the City of Los Angeles will perhaps have to deal with later.
SENIOR STAFF COUNSEL FOSSUM: Well, in conclusion then, staff believes that upon the information submitted and gathered from the proponents, the opponents, and neutral third parties, that there's a substantial risk to the ongoing operations of the Port of Los Angeles if the tide and submerged lands granted by the legislature to the City of Los Angeles were to be included within the proposed new city.

Staff also believes that it's not in the State's best interest that the lands granted to the City of Los Angeles be included in the proposed new Harbor City.

Based upon its analysis, staff proposes the Commission withhold consent to transfer municipal jurisdiction over those tide and submerged lands to the proposed new city.

And further staff recommends the Commission pass its recommendation on to LAFCO that it redraw the boundaries of the new city to exclude the upland portions of the port from the new city as well.

Thank you.

CHAIRPERSON CONNELL: Thank you.

Now, I would just like to disclose to the members of the public that as State Controller it was my office that under law was contracted by LAFCO to perform an analysis of the viability and the review of the LAFCO
matter regarding the harbor.

In that role, my role was to perform that function. That function has been completed today. I sit as the Chair of the Lands Commission, and I have a different hat on today. My role today as State Controller is to be the Chair of the Lands Commission. And my singular focus today is to look at the issue of the security of the State's environmental concerns and the impact that it has in our environmental trust.

So I want to clarify that while it may be confusing to you members of the public, that I clearly understand the difference between the responsibilities that we had beginning some fifty days ago and the other responsibilities I have this morning as a Chair of this Commission.

In that regard, I'd like to have the speakers -- I believe we have 12 now -- address these two issues. Because I'm sure that other members of the Commission are as focused as I am on the two concerns of the staff recommendation: The first one being the fiscal uncertainty that was referenced; and the management conflicts that might occur. And on the management conflict issue, I don't know whether I should address this to you, Paul, or to Curtis. I don't know where Curtis went. I am interested in your comment in the staff
report.

Can you give in greater detail on how -- why you felt that the management conflict issue would work to the detriment of our port operations.

EXECUTIVE OFFICER THAYER: When the Legislature -- let me give it a try at answering your question. Curtis may have some additional information that would be helpful. When the Legislature makes these legislative grants of tide and submerged lands to local entities for management, it has almost a uniform record of assigning the state tide and submerged lands for management to the same local entity that already has municipal jurisdiction over that area.

And in the assignment of the legislative grant, there are special responsibilities that are made to the grantee to carry out the public's interest in these lands.

So they must be used for public trust purposes. They cannot be used for strictly local or strictly municipal purposes. There are a lot of admonitions and requirements that are included in the grant.

The problem that's created when you have two different entities, as in this situation, that could have happened here with this proposal, where one entity, in this case the City of Los Angeles, has the grant and will be managing the port pursuant to that grant, and the other
entity, the new Harbor City, who is exercising municipal jurisdiction, municipal control, providing services, that sort of thing, over the tide and submerged lands, that new city is not subject to any of the legislative grant language that was imposed on the City of Los Angeles for the City of Los Angeles to carry out or to manage that property.

And so in every other place in the state, or almost every other place in the state -- for example, in Oakland, the City of Oakland is both the owner of the granted lands and has the municipal jurisdiction as required in carrying out municipal responsibilities. With respect to statewide interest in this land, as would be in the case here, with the assignment of the grant to one entity and municipal jurisdiction held by another, you will not be subject to the same controls that the Legislature deems appropriate for management of state lands.

CHAIRPERSON CONNELL: So the way we would remedy that, Mr. Thayer, would be, should the new city be formed -- obviously, this would be an exposure.

EXECUTIVE OFFICER THAYER: That's right.

CHAIRPERSON CONNELL: How would you suggest we remedy this. Would we have to carry special legislation to make sure that the same kind of safeguards are in
place?

EXECUTIVE OFFICER THAYER: What the staff is recommending is that the Commission not ascent to the transfer of municipal jurisdiction over the port to the new city.

CHAIRPERSON CONNELL: I know. What happens if the voters disagree with that action and should that be taken? That's a final. The voters cannot overturn that decision by the Lands Commission.

SENIOR STAFF COUNSEL FOSSUM: Madam chair, basically the area in the port is uninhabited territory. There are no voters in the port. The port operates public lands for the statewide public. The adjacent communities, the voters in those areas will be able to vote their will as to whether they want to secede from the City of Los Angeles. But it's your job under the Government Code to make this decision as to whether that territory within the port that's publicly owned goes within the new city or stays with the City that the Legislature transferred.

CHAIRPERSON CONNELL: I understand that. I'm asking you a different question. Let me restate my question.

The issue that I see is, because the new city does not have the same kind of mandated requirements under legislative code, Paul, hypothetically, if the new city is
formed, we are in a different context than we are today.

EXECUTIVE OFFICER THAYER: Sure.

CHAIRPERSON CONNELL: What kind of managerial exposure do we carry then?

EXECUTIVE OFFICER THAYER: The problem would be that that -- if the Commission agreed that the state tidelands should be subject to the jurisdiction of the new city -- and it's strictly the Commission's decision; it cannot be overturned by the vote of the populations; this part of the boundary line decision is the Commission's solely -- then the concern would be that this new city is not subject to the legislative grant language and could manage -- could exercise its municipal jurisdiction in a manner that does not respect the goals of the public trust document.

CHAIRPERSON CONNELL: Well, you see where I'm going on this. This becomes an awkward situation. I mean, there could be a situation where the Harbor City is approved by the voters; and at that point there would be a conflict between the new city and the existing city of Los Angeles. The existing city -- if we voted as a Commission to continue to allow the existing city to manage the port, we have the existing city not having actually a geographic link to the port and the new city having the geographic, you know, adjacency to the port operations, I see this as
an uncomfortable situation, to put it mildly.

I'm just raising this issue because I do think that at some point these issues are part of the conundrum that the voter is faced with in terms of the managerial efficiency of these new entities.

But I don't want to detail this. I'm just raising this, you know, as a future concern should the voters make decisions in November.

I'd like to move on, if I could, to the public members.

EXECUTIVE OFFICER THAYER: Certainly.

CHAIRPERSON CONNELL: And we have a number of members of public who wish to speak. And I'd like to first address -- now, has everyone sent in a form to me? If you have not filled out a form here today, you can't be identified to speak. So I certainly hope you have filled out a form and that you are -- if you're planning to speak.

I'd like to identify first the Honorable Councilwoman Janice Hahn. Welcome, Janice.

And as before, I think you arrived -- I had announced, we'd like to keep our comments abbreviated. If you could do that, we'd appreciate it.

MS. HAHN: Thank you very much, honorable members of the Commission. And I want to thank you for addressing
this issue, considering it very seriously, and understanding, as you said, you're wearing a different hat today. However, I think the findings that you found wearing the other hat last week clearly will influence your decision wearing this hat this week.

This clearly is an issue that is extremely serious. I represent the harbor community. I live in San Pedro. And two years ago I was one of those who signed the petition with thousands of others to request a comprehensive analysis of what indeed this would mean to not only those who would like to detach from Los Angeles, but for those who would remain in the remaining city.

These studies have begun to paint a bleak picture for the harbor area city. The recent report, and with your analysis, concluded that a new harbor city would need to reduce expenditures by approximately $50 million in order to meet its projected revenues. And faced with these kinds of drastic cuts, one of the concerns that came out in your report was the necessity to cut the basic services of public safety, police and fire.

This is of great concern to me, not only for the remaining city, but for the residents of San Pedro and Wilmington. On September 11th, after the Los Angeles International Airport concern, our biggest concern was the next major port-of-entry to this entire region, which was
the Port of Los Angeles, and realizing that the security
issues there are huge, securities that -- issues that
actually have been raised many times by residents of
Wilmington and San Pedro, which seemingly sometimes went
on deaf ears.

But now, I believe, the consensus is clearly, we
have enormous potential for danger at the Port of Los
Angeles on a daily basis, before September 11th and after
September 11th. The amount of cargo that comes in and out
of that port on a daily basis is enormous, particularly
when we realize that less than three percent of that is
ever inspected to find out what it contains.

The residents of Wilmington and San Pedro feel
like they are literally at risk for a potential disaster,
probably more than any other region of Los Angeles. And
it is for this reason that I believe very strongly that --
and I'm addressing Decision A, which is not to include the
Port of Los Angeles in the tidelands area within the
jurisdiction of the new city.

Clearly, right now, Los Angeles spends about $60
million just on police and fire in the harbor area. We
are currently looking to fund full-time a hazardous
materials recovery team within the fire department to
address on a daily basis the potential for hazardous
materials to create a major disaster in the Port of Los
Angeles. As you know, we have liquid bulk terminals that contain everything from jet fuel to nail polish remover.

But right on the waterfront, within the boundaries of Wilmington and San Pedro, if these were to be for any reason attacked or, you know, tampered with, it could cause a major disaster within the footprint of that area.

So my concern is that we must keep this -- the tidelands within the City of Los Angeles so that we can continue this integrated effort to address any major potential disaster for the area. And while -- even if this new city does take place, I believe the residents of the new city would be safer on a daily basis if the Port of Los Angeles was kept within the jurisdiction of Los Angeles so that we could continue this public safety effort.

And let me just say, I know this is not the issue we're addressing today, but clearly I'm one of those that does feel like the Port of Los Angeles could spend more money in the local community. They could address more concerns where right now the State Tidelands Trust Agreement seems to prohibit them from doing.

And at a later date, I would like to address your Commission on possibly looking at some changes in the State Tidelands Trust Act to accommodate some of things
which I believe with all my heart the community deserves to benefit from, because they are burdened, I think, unequally with the rest of Los Angeles in being geographically located next to the Port of Los Angeles. But in this issue, I think it is the most responsible act to maintain, first and foremost, the public safety, not only of the residents of Los Angeles but of all the surrounding communities that live in and around the Port of Los Angeles.

I thank you for addressing this issue.

CHAIRPERSON CONNELL: Thank you.

Members of the Commission, do you have any questions of the Councilwoman?

COMMISSIONER BUSTAMANTE: No.

CHAIRPERSON CONNELL: Thank you very much.

And our next speaker then will be Andrew Mardesich.

And, Larry, have you sent in a form? I don't have a form for you. Did you wish to speak?

CHAIRPERSON CONNELL: Andrew, can you identify yourself for the record. And welcome.

MR. MARDESICH: Andrew Mardesich, Executive Director, Harbor Study Foundation. I submitted a response to the staff report. Do you have that in front of you? And I did it phrase by phrase, with our response in bold.
Obviously, in the short time I'm not going to go through it all. But it's there in front of you that you can review during the course of the other testimony.

COMMISSIONER BUSTAMANTE: Is there a date on that document?

MR. MARDESICH: The date is today's date. It has Harbor Study Foundation on top of it.

And after I speak, I would like to present a Draft Environmental Impact Report which refutes the earlier testimony. It indicates that the Los Angeles Fire Department provides substandard service to the City of Los Angeles in the harbor area and, more specifically, in the port itself, and that the Los Angeles Police Department does not comply with the national averages for patrolling and law enforcement. And this is an environmental independent report that was performed for LAFCO. So this refutes many of the assumptions that were made in the CFA by the consultant, which was referred to as a LAFCO report, and it's by an outside third party consultant.

With regards to the Controller's report, we agree with it in total, 100 percent.

CHAIRPERSON CONNELL: Why thank you. I'm honored.

MR. MARDESICH: And we're sorry --

CHAIRPERSON CONNELL: And I want to thank -- I'm
sure my staff in absentia will thank you. They spent many long hours.

MR. MARDESICH: You know, we're sorry that you were not provided with our proposal, budget, and transfer plan. And you did acknowledge that. And what that leads to is the fact that the study phase is not over with. LAFCO has not determined financial feasibility, viability. And the consideration, at this time, is premature with regards to financial viability.

The word "conflict" has come up over and over again. And I still haven't heard what "conflict" is. If one were to carry forward the logic of conflict or conflict of interest, one then could say that every parcel of state, federal, or county property located within a municipality needs some type of trust act.

COMMISSIONER BUSTAMANTE: Are you asking us to postpone our decision today?

MR. MARDESICH: No, I'm just saying that you are not totally informed with the facts, you've read, that were not viable.

COMMISSIONER BUSTAMANTE: So you want us to make a decision today even though we're not fully informed of the facts?

MR. MARDESICH: I would ask that you make a decision in the affirmative based on the fact that we are
financially viable, which will be determined by LAFCO.

COMMISSIONER BUSTAMANTE: It's kind of hard to do that when you have three reports saying that you're not, and then you come here saying, "Yes, we are."

MR. MARDESICH: You're absolutely correct. And the frustration is is that in none of the reports has any report gone in any form of detail or referenced our budget plan, our transition budget, and our transition plan. We did provide it with State Lands. But if you look at your staff report, there is no mention of it at all. We offered our consultants available to State Lands, and they refused to talk to them or ask them any questions.

COMMISSIONER BUSTAMANTE: Paul, it seems like a sort of fundamental piece here that's missing in trying to come to a conclusion or decision here.

EXECUTIVE OFFICER THAYER: I can ask Curtis to respond more in depth. But I know that we specifically went to both the City of Los Angeles and to Mr. Mardesich's organization when we were preparing our staff report and asked them for any input they wanted to give us to consider, and we reviewed all the information that was provided.

COMMISSIONER BUSTAMANTE: When was your report finished?

EXECUTIVE OFFICER THAYER: Last week.
COMMISSIONER BUSTAMANTE: Last week. So their response couldn't come until recently.

EXECUTIVE OFFICER THAYER: For the information they have given us today, yes, that's correct. But we had asked them -- how long ago was it, Curtis?

SENIOR STAFF COUNSEL FOSSUM: We obtained volumes of information. Mr. Mardesich was in contact with our office for many months. We received lots of mailings, forwarding of information by E-mail and other ways. He did, in fact, offer to us to make his consultants available if we had any questions. We didn't refuse. We just didn't find it necessary to do so.

The report was issued on Friday and when we spoke with Mr. Mardesich and asked him to provide us with anything if he thought there was anything erroneous with the staff report, and at that time he declined. And today he provided us with the --

MR. MARDESICH: That's not true. That's a total misrepresentation. You called me one hour after a, what, 10 or 15 page item was E-mailed. I told you specifically that I hadn't looked at the technical aspects of it and had no comments. But I was totally infuriated by the suggestion to separate the port from the community and to go off and tell us to go back to the City of Los Angeles and seek recourse in our problems there, thus by negating
the Cortese-Knox.

And then I said I would look at it and I would comment. I received that I believe sometime about 3:30 on a Friday afternoon. This is Tuesday morning. And I think we responded as quickly as we could to the Commission, to you, and here's the documents.

SENIOR STAFF COUNSEL FOSSUM: All I suggested, Mr. Mardesich, was that I asked you, at that time, after you had read the report whether you had any -- you said that you disagreed with aspects of it. I asked you to respond to those, and you said that you would.

MR. MARDESICH: I only told you I read the conclusion and the recommendation, I didn't read the report.

COMMISSIONER BUSTAMANTE: Paul, maybe you can tell me, because basically the information I received made a pretty damning case about whether or not we were going to move, you know, to allow this to take place. You know, my -- I'm coming into this meeting basically seeking to withhold consent. And what do you say about the statement that's being made that none of the financial information was considered in any analysis?

EXECUTIVE OFFICER THAYER: No, this was the point that I was trying to make, that when we started on the analysis, staff went to the City -- at least the City and
to Mr. Mardesich and asked him to provide any information he wanted us to consider. And we reviewed all of that material in preparing our staff report. So we did not just look at the LAFCO report, we did not look just at the Port of Los Angeles that came from the State Controller's Office, we made a point of going out and soliciting the opinion and information from, we thought, the most important parties, the City and Mr. Mardesich, prior to preparing our report.

COMMISSIONER BUSTAMANTE: So the Controller's office didn't have information or financial --

CHAIRPERSON CONNELL: I think we should clarify for the record what the role of the Controller's office is. And I'm sure we'll be happy to define this. I've stated this so many times on the record. I'll be happy to repeat it once more, Cruz. Not in this session, but I mean in the last couple weeks.

The Controller's office is very limited in what its role is. My role is simply to look at the LAFCO report and to address within the context of the information contained in the LAFCO report the questions that were identified by the City of Los Angeles and they're inquiry to LAFCO regarding the LAFCO report.

The city of Los Angeles or any other party, including the Harbor Foundation, could have sent a letter
to LAFCO raising questions about LAFCO findings, the LAFCO report; and those questions could have been directed to the State Controller's Office, and within a period of, I believe it was 30 days, that they had to respond to the LAFCO report once it was published.

Once that report was published, the 30-day period ended, there was only one inquiry regarding the harbor, and it came from the City of Los Angeles. Those questions, as you know, Andrew, were very specific. And within the context of those questions the Controller's office answered those questions, basing their answers required by law on the information within the LAFCO report.

And I don't think Andrew questions the validity of the conclusions we reached, but our conclusions were restricted to the LAFCO report. We're not allowed to go out on an independent audit and seek additional new information. That is not permissible. And should we have done that, it would have been rejected by LAFCO as inappropriate expansion of our jurisdiction.

So we did not have any additional information from the Harbor Foundation report within our report findings.

COMMISSIONER BUSTAMANTE: So LAFCO did have financial information?
EXECUTIVE OFFICER THAYER: Yes. What we did was -- and you can see this in the support concern letters that are in front of you here.

COMMISSIONER BUSTAMANTE: I just want to make sure we clear it up because, you know, there is a statement on the record saying that there's been no financial information considered. And then how if we make a decision can we possibly come to a decision if we don't have any financial information? And I thought that your report as well as LAFCO had indicated that there were certain financial information, that, in fact, was stated, you reviewed that information, and the conclusions were that it was going to be difficult, if not impossible, for anybody to be able to meet those financial arrangements. Is that not true or is that --

EXECUTIVE OFFICER THAYER: That is absolutely true.

COMMISSIONER BUSTAMANTE: Okay.

MR. MARDESICH: Maybe a better way to clarify it is to ask LAFCO if they are considering our CFA that we submitted, our transition budget, and budget in the application process and is it still --

COMMISSIONER BUSTAMANTE: Are you telling us that you are, that LAFCO --

MR. MARDESICH: Yes, yes, yes.
CHAIRPERSON CONNELL: Why don't we hold those questions.

COMMISSIONER BUSTAMANTE: Would that presume then that we're making a decision too early?

CHAIRPERSON CONNELL: Well, I would like to address that question when Mr. Calemine comes up. And after Andrew finishes his comments we'll have a presentation by Larry Calemine, who is the Executive Director of LAFCO, and he can identify what their process is. I hear what you're saying, Andrew. But, you know, your financial analysis is directed at LAFCO. And then Larry can indicate whether he's considering integrating your comment. And I don't think you disagree with that.

MR. MARDESICH: I don't disagree with that.

CHAIRPERSON CONNELL: Okay.

MR. MARDESICH: On the issue of conflict again, municipal government versus the trust and how the proprietary department of the port, which the City of Los Angeles refers to, shouldn't be any conflict.

And to say there's a conflict between the trust is like to say there's a conflict between the City and citizens, there's a conflict between private enterprise and citizens. And the trust is an entity, a municipality. And all municipal regulations are done in such a way that it applies to all fairly and equally. And to say that the
140,000 people that live in the San Pedro/Wilmington area
don't have the capacity to be fair and reasonable, I think
is an unconscionable way of painting it; and that's the
way this report paints us.

Wilmington is an area that's 95 percent
Mexican-American and Hispanic. These people have
suffered.

We talk about environmental -- and I'm happy that
you brought up the environment. One thing that we learned
in the study is that San Pedro and Wilmington do not want
gifts and gratuities from the port trust. What we want is
conformance to current laws, to do true environmental
impact statements when it involves federal and do true
Environmental Impact Reports that involve just state and
local development.

Going to just the last ten decades -- forget the
last century -- there's been well over a billion dollars
of development. You heard Janice saying we need to change
the tidelands trust. We don't need to change the
tidelands trust. Had the City of Los Angeles done
Environmental Impact Reports properly and in fairness with
reason, they would have acknowledged negative impacts, and
then they would have mitigated those negative impacts that
have been acknowledged to San Pedro and Wilmington
communities.
Yet in the last ten years there has not been an Environmental Impact Report that has been performed, reviewed and permitted by the City of Los Angeles where mitigation has been performed to the communities of San Pedro and Wilmington.

The study foundation is not advocating the city. It took on the role to do a study. And we also took on the role of improving the quality of life.

And this is a fundamental issue where you have people of color, people that don't have the wealth that are being negatively impacted, as well as residents and businesses, and yet there is no impact, there is no mitigation. The history in the data shows it.

I ask your consideration on this matter because we're talking about justice, not politics. This even goes against Cortese-Knox to create a checkerboard city. There are some fundamental issues here. And I ask your strong consideration here, maybe even to defer it today and research it some more, because you're going to meet within 45 days or 60 days. But truly you do not have all the facts and information before you and to listen to 11 more speakers to make an intelligent decision.

Thank you.

CHAIRPERSON CONNELL: Before you leave, Andrew, were there any questions of this speaker by Members of the
Commission?

ACTING COMMISSIONER PORINI: No.

CHAIRPERSON CONNELL: Mr. Bustamante, did you have any questions you wish to address?

COMMISSIONER BUSTAMANTE: No.

CHAIRPERSON CONNELL: Thank you, Andrew.

Okay, Larry, you're on. Larry Calemine.

Can you identify yourself for the record.

Welcome, Larry.

MR. CALEMINE: Larry Calemine, Executive Officer, Local Agency Formation Commission. I hadn't planned on speaking today. But in light of the staff report, which we got late Friday and documentation submitted to me by Mr. Mardesich, Mr. Dyer and others this morning as well as the comments that I've heard so far from the Commission, I thought I could clear up some issues.

The good news is that nobody's proposing the name Camelot for this new city.

(Laughter.)

MR. CALEMINE: The bad news, Madam Speaker, is your other role as State Controller, we delivered to you late yesterday afternoon the City's request for review of the Hollywood comprehensive fiscal analysis.

But in any event, the LAFCO Commission will shortly be faced with making a very tough decision on a
very controversial issue. It's controversial because no matter which way our Commission decides, somebody is going to get gored, and that makes for controversy, as you know.

The staff report submitted by your staff was very extensive and very comprehensive, but I believe that it failed to recognize some things and to put those items in the mix.

But before I get to that, Madam Chair, you made the comment and Lieutenant Governor made the comment regarding the financial feasibility of this Harbor City, whether it will work or not. And you also -- and I thought you focused very sharply on that. And you also made the comments regarding the municipal jurisdictions and the conflicts relating to that.

Well, it seems to me that the municipal jurisdiction problem can easily be solved if this Commission were to -- that is, your Commission, were to include the port lands within the harbor boundary subject to LAFCO adopting a term and condition that the new Harbor City would have to be subject to all the terms and conditions of the grant.

CHAIRPERSON CONNELL: So that would be Part B of my earlier discussion, Larry.

MR. CALEMINE: Yes. So that's an option.

CHAIRPERSON CONNELL: I'm sorry, but my mind was,
you know, streaming here in a, you know, very simplified level of consciousness, because we do have a bifurcated action, as I tried to indicate earlier today.

So if we did move forward in that regard -- you know, I personally do not want to leave this open-ended. I mean, I do think it's important for the voters to know what they're voting on here. And I do think it's important should a new city be formed, at some point, that they operate under the state guidelines.

MR. CALEMINE: Well, as you know, the LAFCO Commission can adopt many terms and conditions for it to make its approval, subject to -- so if the Lands Commission had other concerns --

COMMISSIONER BUSTAMANTE: Well, if I understand it correctly, what he's suggesting is that even though we have three independent reports saying that they are not financially viable, or at least two saying they're not financially viable, that we could say that they have to be in order to be able to do what we're saying needs to be done on behalf of the port tidelands.

MR. CALEMINE: Now, I'd like to speak to that, if I might.

COMMISSIONER BUSTAMANTE: It seems kind of odd.

ACTING COMMISSIONER PORINI: And at some point I'd like to find out from staff, from counsel, if it's
possible for LAFCO to adopt terms and conditions to a 
statute that grants the land to Los Angeles -- to the City 
of Los Angeles. I don't know, and you may not be prepared 
to answer that.

CHAIRPERSON CONNELL: We're going to address that 
to the Attorney General's representative here shortly. So 
you might want to spend a few moments cogitating about 
that. I see you smiling. It's kind of an awkward 
situation to place you in, and I realize that, but I think 
it's a germane question, and I respect that, Ms. Porini.

MR. CALEMINE: I would suspect that the LAFCO 
Commission would give great weight and serious concern to 
any terms and conditions that your Commission would make 
your approval subject to.

Secondly, as to the financial feasibility, please 
understand that the comprehensive fiscal analysis is not a 
finding of financial feasibility. The State Controller's 
review thereof is not a finding of financial feasibility. 
It's only the LAFCO Commission that can make that finding. 
Those are just documents within the process.

As indicated by Mr. Mardesich, they, the 
applicants, had submitted to LAFCO a budgetary proposal. 
We considered that. But it lacked, from our perspective, 
a lot of detail and backup to substantiate the numbers 
they felt they can operate the City in. In other words,
they felt they could operate the new city in $102 million
versus $136 million, or whatever it is the City spends.

In addition, we went a step further, and it was
very briefly addressed in the CFA. We had our consultant
analyze seven similar size cities in southern California
to determine what their operating expenses per capita were
and whether that fell within the parameters of what the
applicant's proposed budgetary operating costs would be,
and it fell within those parameters.

But here again, we didn't have the specifics
of -- beyond just general expenditure numbers regarding
police, fire, public municipal functions.

And last, but not least, please understand that
Cortese-Knox, the Government code that we, LAFCO, operate
under, provides that the local government agency has to
supply us with the information we've requested to process
an application. What was provided to us as we started
these processes were not factual expenditure or real
numbers, but actually budgetary numbers, what the City of
Los Angeles had budgeted for the whole city-wide operation

Then we had to territorially break that down
within the harbor area and how much was collected in
revenue and budgeted to be collected in revenue and how
much was budgeted to be expended within that harbor area.
Like the State Controller, we have no audit ability. We have no way of determining what the City actually spent. So consequently we have a CFA that says, "Hey, these are the City's budgeted numbers as to revenue and expenditures." We don't know if they're real or not. We have the applicant's proposal regarding how they think they can operate the City. We've done some checking on it. By way of example, the L.A. County Sheriff has written us and indicated he could provide the police services at a substantially lower amount than the City of Los Angeles is doing, at the same level of service.

And we have the historical numbers of seven similar sized cities.

So what I'm simply saying is, that the decision of the Lands Commission as to whether to include or not include the tidelands property, if you choose to make it based upon financial feasibility and if you choose to make it based upon the continuation of the municipal jurisdictions under the land grant document, that can be accomplished.

The lands grant provision language can be accomplished in terms of conditions of approval that the LAFCO Commission may impose. And the financial feasibility is still an open question. LAFCO has not addressed this issue yet. So it seems to me that another
logical alternative action by this Commission would be to approve the inclusion of the port subject to the LAFCO Commission making a finding of financial feasibility and subject to adoption of certain terms and conditions.

    I think that also --

CHAIRPERSON CONNELL: Let me see if I understand what you're -- you're saying that we could -- an alternative to the staff recommendation, which is basically, Paul, to continue the operation of the port under the existing city of Los Angeles' jurisdiction. Larry, you're suggesting an alternative proposal would be for this Commission to basically adopt an action that would take a current port operation and make them within the jurisdiction of a new city if and when it's formed if LAFCO subsequently finds that new city financially viable.

    MR. CALEMINE: And if LAFCO does not, then the action of this Commission means nothing, that such an action on your part would also solve a number of my other problems.

CHAIRPERSON CONNELL: We're just muttering between ourselves here. We're trying to figure out what this all means.

    COMMISSIONER BUSTAMANTE: I think a decision has to be made here.

CHAIRPERSON CONNELL: I mean that's -- I mean,
I've got to tell you, I think we're getting perhaps a bit Draconian in our thinking here. I mean this is becoming so complex, it's almost a Rubik's cube for me, maybe because I'm still jet-lagged from my foreign travels. I mean what you would be suggesting by two is that we make a rather significant policy decision of this board based on confidence of a report we have yet to see from LAFCO and an action we have yet to determine from LAFCO.

MR. CALEMINE: I have some more colors to add to that cube.

CHAIRPERSON CONNELL: Please continue. This is remarkable.

MR. CALEMINE: Well, I looked at that map and I scratched my head because I've been pouring over maps for the last three months trying to nail down a boundary, and it's impossible. You know, do we use the 1849 tideland high water mark as the tidelands boundary as proposed by the city attorney? Do we use the 1911 high-tide line, wherever the heck that was, which was the grant document? Do we use the 1965, the date Cortese-Knox was adopted as where that tidelands boundary is? Or do we use the current? I don't know the answer to that. That's a legal question, quite frankly.

Not to get away from other legal questions before us: One, has this Commission acted in a timely fashion?
Two, is this Commission legally empowered to deal with the
detachment, as distinguished from an incorporation as it
says in the code? I don't have the answer to those.
We'll get those answers from our own legal counsel with
their direction to our Commission.

CHAIRPERSON CONNELL: Well, let me ask you a
question, Larry. And I maybe should know this answer in
my role as the State Controller, but I am losing sight of
it, what is the time element? What is that drop-dead date
that the LAFCO Commission has to keep in mind in order to
get this matter before the voters In November? Assuming
that that is, you know, the objective of LAFCO.

MR. CALEMINE: Well, I didn't bring my schedule
with me. But just off the top of my head from memory, the
drop-dead date for the Commission action on the harbor, I
believe is mid-May.

Let me back it up. That's the date we have
scheduled for the LAFCO Commission to make its final
determination and findings and resolution.

Then clearly we go into a period of protest
hearings -- rather a period of reconsideration, thirty
days; then we have some protest hearings. So I would say
the end of June is probably the drop-dead date. I know we
have to have everything prepared by the first of August in
order to meet the deadline --
CHAIRPERSON CONNELL: Okay. That was the date I was seeking. It's the first of August.

MR. CALEMINE: Because we have to prepare a ballot proposition if the Commission so approves.

CHAIRPERSON CONNELL: Right. I was just trying to -- we're wandering through a number of questions in our discussion here today on, you know, the myriad of options and, you know, the information that would be forthcoming or the information that would need to be secured in order to make other decisions. And I was just wondering -- you know, at some point we are within a lock-down period here where information has to be presented, whether it's to us or to LAFCO, and certainly presented to the voter.

COMMISSIONER BUSTAMANTE: If we vote today, I'm going against this proposal for -- I can only make a decision based on information I have before me and not about something that I don't. So if the Board decides -- the Commission decides to move forward and vote, I think the vote for me today is clear.

CHAIRPERSON CONNELL: Okay. Well, before we get to a discussion of where we might be as individual members, do we have any more questions of Larry before -- because we have a number of other people. I want to respect the opportunity for them to speak as well.

COMMISSIONER BUSTAMANTE: He's confused us. And
I thank you.

(Laughter.)

ACTING COMMISSIONER PORINI: No questions.

CHAIRPERSON CONNELL: Okay. David Mathewson, Director of Planning and Research for the Port of L.A.

MR. MATTHEWSON: Good morning, Commissioners.

David Mathewson, Director of Planning and Research, Port of Los Angeles. Thank you for the opportunity to address the Commission.

Now, the port is concerned that uncertainties may arise with a dual jurisdiction over the port if the submerged and tidelands and the upland portions of the port are not solely located within the geographical boundaries of the City of Los Angeles.

The dual jurisdictional concerns would be relating to several areas, including land-use controls, public safety, taxation, and the delivery of public services for the port and its customers.

With regards to land-use controls, master planning efforts at the port, the application of zoning controls, and the issuance of coastal and building permits may be impacted as a result of conflicting policies and desires between the new city and the port. And this may impact our ability to develop to accommodate maritime commerce.
In regards to public safety, I would concur with the comments made earlier by Councilmember Hahn regarding the potential of our public safety and security at the port being compromised as a result of dual jurisdictional issues at the port.

Also, there are some legal uncertainties that we have some issues with regarding the taxing authority of the new city as it relates to the port properties; particularly the assessment of any fees or taxes relating to utilities or businesses or properties located within the port could lead to -- clearly lead to some legal disputes and could also affect our ability to remain competitive with other ports up and down the U.S. West Coast.

Finally, the port may also be forced to make disproportionate expenditures for public services as a result of the City's inability either to deliver services at an adequate level or service.

CHAIRPERSON CONNELL: You're speaking of the new city?

MR. MATTHEWSON: Yes, for the new city.

Or because the City has the inability to deliver these services within, and achieve economies of scale in delivering those services. So we clearly have some concerns about the --
CHAIRPERSON CONNELL: Well, you know, maybe I can offer some information in that regard. It's certainly my understanding that the new city would be required under the actions of LAFCO, at least it's our understanding, to maintain the contractual relationship with the City of L. A. And that we're not expecting in any of these potential new cities that they're going to on day one operate their own municipal services. That would not be possible, and they would have to contract with the existing city of Los Angeles.

Now, the conundrum I think Andrew and others are addressing here from the City viewpoint is that there appear to be limited resources to do that adequately, and there are going to have to be some types of readjustments within any budgetary allocation that a new city would have in the harbor. And that is why Larry was addressing this issue of whether some of the services might be provided by alternative vendors, in this case, the Sheriff's Office.

But there obviously is the expectation that the vast majority of services would be contracted out for the transition period to the City of Los Angeles -- from the City of Los Angeles, I could add.

MR. MATTHEWSON: I appreciate those comments. But, again, we are concerned about readjustments and reallocation of resources in order to provide services to
Clearly, the port's ability to accommodate maritime commerce and trade results in significant economic benefits, not only at the local level, but more importantly statewide and nationwide.

If I could just clarify some of the staff comments regarding those economic benefits. Those numbers that he was citing really related just to the local and regional impacts. Looking at the statewide impacts, which this body should be looking at, the number of jobs created as a result of port activities really are 330,000 jobs and $11 billion in wages and almost $2 billion in state and local tax revenues that occur statewide for the people of the state of California as a result of the port's operations.

The port as well as its partners have invested a tremendous amount of capital and planning effort to accommodate and facilitate maritime commerce through this port. And it's the port's ability and reliability in carrying out the trust mandate that's critical for ensuring these continued economic benefits to the people of the State of California.

And the potential uncertainty relating to this dual jurisdictional issue is a concern of the port and to our maritime partners in the trade and commerce area.
And lastly I would just like to add regarding Exhibit B -- we're talking about the boundaries -- we have some information, the port does, which we believe the boundaries need to be adjusted accordingly for the submerged areas as well as the upland areas.

CHAIRPERSON CONNELL: We're going to have to wrap up your comments.

Are there any questions by members of the Commission?

Then let us move on. And I'm going to be more demanding. We're going to have to move through these speakers more rapidly.

R. D. Kleist from Evergreen America Corporation.

Mr. Kleist, welcome.

MR. KLEIST: Good morning, members of the Commission. My name is Bob Kleist -- Robert D. Kleist. I'm representing Evergreen America Corporation, one of the large tenants of the Port of Los Angeles. Historically, the company has been at the Port of Los Angeles since it started on the west coast.

I want also to compliment this Commission this morning. I have a little history of involvement with the Commission dating back to a man named Alan Cranston, who was your predecessor.

COMMISSIONER CONNELL: And my mentor.
MR. KLEIST: And also Glen Anderson was the Lt. Governor's predecessor at that time. And Hale Champion was the Director of Finance.

I appeared, at that time, before the Commission because there was a discussion about the development of the Wilmington oil fields, as they were known. And the Commission I believe made a very, very wise decision after considering all of the possibilities in that.

Since that time I've had the opportunity to appear before you in connection with the ballast water issue a couple of years ago, and worked with the Commission on the so-called Nexus lawsuit which took place the past couple of years.

What I'd simply want to say is that these matters of security and dual jurisdiction, if that should become a problem, and the capacity of a new city are all very real. And I personally, and our company is happy to know, that all of them are being very seriously considered.

In my view, California in its wisdom established the tidelands trust. And under that development, the Port of Los Angeles has been developed into one of the world's superior ports, working close by with the Port of Long Beach next door, have developed the third largest port complex in the entire world. And the possibilities for the future are as good as they have been in the past.
The development of Terminal Island is something that is very, very remarkable. Few people realize that all of Terminal Island is manmade. And it has the capacity for handling probably up to a total of at least 14, 15 million containers per year, not under its present configuration, but as it's being developed and as the infrastructure will have been developed.

And so there are just so many things that would draw the attention of the world to what we're talking about here today. And I want to commend the Commission for taking this matter as seriously as it has. I wish -- as a director of what's known as the International Visitors' Council of Los Angeles, I wish we could have a video of this meeting to show to many of the foreign visitors that we have coming to Los Angeles and of course also to San Francisco. I wish they'd go to Sacramento more often because they'd have an opportunity to see state government is working well.

CHAIRPERSON CONNELL: Well, it might be best if they didn't.

(Laughter.)

CHAIRPERSON CONNELL: I'm just teasing. This is why we like to bring government to the people.

MR. KLEIST: And I just want to say very much that you're doing exactly that. I commended you for it.
The world is watching the decision that you're going to make with respect to this issue of the jurisdiction of the Port of Los Angeles.

The port is looked upon around the world. The company that I work for is based in Taiwan. It's really a large conglomerate in addition to just a steamship company. And they're watching very carefully, and concerned with what is going to be done with respect to the future of the Port of Los Angeles. And I urge you to continue your exploration for it. And if there's anyone in the steamship business who can be of any assistance to you, I can pledge that we, as an industry, would provide all the assistance that we possibly can.

CHAIRPERSON CONNELL: Thank you. I appreciate your being here today.

Are there any questions of the Commission of the speaker?

Fine. We will then move on to Janet Gunter. And following Janet will be Timothy Parker. We don't seem to be making a sufficient headway here. Every time we finish a speaker, we have new requests to speak.

All right. Moving on to Janet. Identify yourself for the record, please.

MS. GUNTER: Yes, Janet Gunter. I'm a San Pedro
resident. I'm also a representative on the San Pedro Peninsula Homeowners Coalition.

First of all, I would like to respond to our councilwoman's remarks regarding security. I think it's kind of ironic that the news radio just did a major expose about the security that doesn't exist in the harbor at present. And, in fact, since 9/11 there has not been any additional staff port police hired. I think that that is one of the major troubling issues. They have two volunteers, senior citizens that were interviewed on the radio, that go in a patrol boat at night, unarmed, with flash lights, looking for any suspicious activity.

And, you know, one of the big concerns or one of the major determinations I made is that if any one of us as local residents were on the City council and met with the federal authorities on this issue, we would absolutely have volunteers, trained volunteers. We would have an army of volunteers from the community that would certainly feel the need to respond to this in a more effective and efficient way.

I think that that is something that is -- it's a direct analogy that you can look at and say, well, you know, would we respond that way? No. But the City is 26 miles away, and it's an issue that doesn't concern them as directly. It doesn't have the impact. And if our
community were aware of this, they would respond.

CHAIRPERSON CONNELL: May I just point out as a state official -- and I certainly do not want to negate the actions or role of the City of Los Angeles and its council and mayor. I've got to tell you, the Port of Los Angeles is critical to the economy of California and to the identity of California. All of our ports are important, but certainly the Port of Los Angeles is a visible representation of the state in its foreign trade, its ability to be -- the role that we play now, as you probably are aware, Janet, Long Beach and L. A. have now eclipsed New York as the number one import and export arena for this country.

So it's crucial, not only for California, but for the country. And we certainly should be heightening the concern of the federal government and this administration, the Bush administration, to the importance of protecting our port. I can't imagine that they are not sensitive. And if they're not, they need to be sensitized at an immediate level to the importance of securing this port.

MS. GUNTER: And I agree with you completely and I don't diminish the importance of the Port of Los Angeles, or any other port for that matter. But I also realize that six months have passed and we still don't see any very strong proactive tendencies to secure the area.
any better than it has been for a number of years now.

My comment, I'd like to get back to -- when San Pedro and Wilmington were incorporated into the City of Los Angeles, there were many, many promises made. San Pedro and Wilmington were lured to this option particularly by the opportunity of water and electricity; the City of Los Angeles, of course, motivated only by access and ownership of the harbor. The consolidation contracts signed close to 100 years ago promises to deliver not only the needed water and electricity, but also to allow those communities surrendering this tremendous asset to share in the great benefits that the harbor offers.

Many decades later the communities of Wilmington and San Pedro share only in the negative impacts of the harbor. We have the most polluted -- diesel polluted air in the state, and it's greatly increased our risk for lung cancer and pulmonary disease. We're exposed to an extensive terrorist situation, the possibility of flammability from chemicals, and the beauty of our towns have been decimated.

When my father arrived in Wilmington from Akron in 1939, his letters reflected the prosperity and beauty of this small port town. My mother soon moved to Wilmington and my whole life has been spent in the harbor.
I have seen the deliberate decline of this part of the City of Los Angeles over those years, which has surrendered the integrity of lovely communities once prosperous and healthy.

Secession offers the only hope of restoring that integrity to these communities. It's frustrating that the revised budget submitted by the Harbor Study Foundation was not reviewed -- seriously reviewed before we came to this meeting today.

We are no different than the communities of Lomita, Carson or any other small town who can and do exist on their own with reasonable and frugal planning. We are interested in maximizing our potential on quality of life issues. We are dedicated, hard working and focused people. We will work hard to make sure that we are not deprived of the things that we've been deprived of in the past.

We need to be -- we need for our submerged lands to be included in this separation. If not, this would be a major slap in the face, another one, to a public who's endured neglect and abuse by Los Angeles for many, many years.

We urge you to do your very best to grant the people of the harbor the right to include our submerged lands and what is rightfully ours in the new study.
Thank you.

CHAIRPERSON CONNELL: Thank you.

Any comments from members of the Commission?

Thank you.

We will now move on to Timothy Parker. And the next speaker after Tim Parker will be Dennis Dyer.

MR. PARKER: Good afternoon, members of the Commission.

For over 75 years the Steamship Association of Southern California has worked with the Port of Los Angeles to develop the most dynamic infrastructure and system of handling maritime cargo in the country.

Throughout the world I've seen what the partnership of the port and the City really mean. It's not just enough to say that you're from the Port of Los Angeles. It's equally important to say you're from the City of Los Angeles.

This valuable and economic resource is for the entire region and for the entire country.

It requires skilled management developed over many years. The city of Los Angeles and many business interests in the port have built a close relationship to skillfully manage this resource. As a result, the port is a model of efficiency. It handles more cargo and less acreage than any place in the country.
The businesses and the tenants of the port have developed a strong relationship through port staff and have a long history of cooperation with the City of Los Angeles.

Together the City of Los Angeles and the port tenants have worked closely to promote efficiency, safety, and, yes, security for environmental improvements throughout the port.

The Steamship Association of Southern California is concerned whether the proposed new city would have the capacity and capability to continue the success and to effectively manage one of the largest and most important seaports in the world.

The Steamship Association of Southern California strongly supports maintaining the efficiency and protecting the utilization of the port. We believe that the port, as one of the most important economic resources in the State, needs the solid strength of the City to assure its future.

And as a final comment to some of the questions regarding security: I'm on the Southern California Safety and Security Committee, which is chaired by the captain of the port, who very recently said that the Port of Los Angeles he considers to be one of the safest ports in the United States.
Thank you.

CHAIRPERSON CONNELL: Fine.

Let us move on. Dennis Dyer. And then we will have Jo Ann Wysocki. I hope I'm not mutilating your name too badly, Jo Ann.

MR. DYER: Yes. Good morning, Commissioners. My name is Dennis Dyer. I live in San Pedro. I'm a resident there. And there are three critical problems with the staff write-up regarding this whole area, especially organization.

First, it does correctly identify the army disparity that exists in the harbor area.

Second, it demonstrates the staff's simplistic view of the Cortese-Knox Act.

And, third, it presents only a very limited analysis of the legal issues involved.

Another consideration I just realized when Mr. Fossum was speaking, he made the statement that no voters live on port property. That's absolutely false. There are 400 -- at least 400 live-aboards living on boats in that area. Okay.

Now, the disparity that is present in the harbor area is a problem for all us. It's a problem for the local government; it's a problem for the city; it's a problem for the county; it's a problem for this
organization; it's a problem for the State. Something has
to be done.

But the solution is not to maintain the status
quo, as suggested by the staff. The basic problem is that
municipal policies needed in the harbor area will not work
in other parts of Los Angeles. You know, they don't have
very many supertankers cruising around, spewing out diesel
fumes in downtown L.A. Okay.

The time to address these problems is now,
because these problems are only going to get worse in the
future.

Now, there's a number of major legal issues to
deal with in this area, such as boundaries, property
ownerships, special reorganization, and many others.

Regarding city boundaries, staff correctly
recommends deferring these decisions to LAFCO.

But staff recommends -- your staff recommends
that LAFCO violate the law by creating a non-contiguous
city. Unfortunately, it's not illegal for you to
recommend that another agency break the law. It's illegal
for them to do so, or have the good sense not to, or to
ignore your recommendation.

Staff claims -- your staff claims that the bounds
of State Lands Commission authority is the tide line of
1911. This line is the true boundary for your authority
-- for your constitutional authority, but not for the setting of a municipal boundary.

There is good case law authority from the California Supreme Court to indicate that the tide-line date for this boundary, the municipal boundary would be the date the Cortese-Knox Act was adopted, not some preceding that.

The tide-line date cannot be 1911 because the critical issue in question is, what authority does the Cortese-Knox Act give to you guys, the State Lands Commission?

Now, also in an incorporation of a newly formed city, one was, say, being formed out of just from county territory, it would be absurd for you to recommend that the municipal boundary be the tide line as it existed in 1911. No court in the country would support that.

Okay. Staff claims that you can consent to a special reorganization. This is not precisely true. Cortese-Knox states that no tide lines can be incorporated into or annexed to. It doesn't say reorganize. It says only incorporated into or annexed to a city.

Also, it says a city, not a city being organized. Perhaps, you know, your consent is not even required in this manner because you've already -- or some predecessor organization of the State Lands Commission has already
consented to having that area incorporated into a city.

CHAIRPERSON CONNELL: Mr. Dyer, you need to wrap up your comments, please.

MR. DYER: Okay. LAFCO has already consented to hear you out anyway.

There are other legal issues besides the ones I've identified. But according to county records, for instance, port property is commingled with L. A. city land. But in view of these many unaddressed legal issues -- see, you guys have several options. Today, you can vote on this item in accordance with what staff recommends. Any such resolution from you, however, will not be in conformance with the law; and, therefore, will not binding upon LAFCO.

Thank you.

CHAIRPERSON CONNELL: Thank you.

And now, Jo Ann, how badly did I mutilate your name?

MS. WYSOCKI: Wysocki, like Winsocki, the football player.

CHAIRPERSON CONNELL: Thank you very much.

MS. WYSOCKI: Josephine Wysocki, first of three signatures on the original petition to study the feasibility of harbor city. Retired school teacher, 43 years, like -- in two cities. I used Google to get into
your web site. Secretary of the original homeowner group trying for secession.

CHAIRPERSON CONNELL: I won't take it against your time period here, Jo Ann. How did you find our web site?

MS. WYSOCKI: I'm a librarian. I know it all.

(Laughter.)

CHAIRPERSON CONNELL: You need to talk to her, Paul. She can be part of our focus group in the future.

Go ahead, Jo Ann.

MS. WYSOCKI: And unlike the Council person, resident of the harbor area for 50 years.

San Fernando Valley and Hollywood are to be congratulated. They want to be cities and they don't have a harbor to deal with. Let's be honest about it, this meeting is what it's all about, keeping control of Los Angeles port under Los Angeles City.

I have serious concerns on this report. And I did read it after I got it awfully wet.

On Page 4, third paragraph, quality and reliability of municipal services. But all I keep hearing are fire and port Police. There's only one fire station in Wilmington. The other one is devoted to the port.

The police -- the port has its own police. And our councilperson is going to have to remember that she is
quoted in the newspaper as saying sometimes there's not a
police car available in the harbor division.

Page 5, the last paragraph, cost savings. Cut
down the number of employees of the port building and you
will have some cuts -- some savings.

Page 6, trust and related park services. What
are park services when the City keeps on going away from
park land, in Wilmington in particular.

Page 7, mitigation of port development. In case
you haven't looked at that map, look. The street you're
thinking about is C Street. It's just been closed off on
the west end. And to close it off they had to take out a
residential area on the south side. All the feeder
streets that feed into C street are strictly residential.

This one, page 8, may levy tax on containers.
Okay, this has been said before but the word "empty" has
always been. And its missing from this report. Because
once those containers are filled, don't they become
interstate commerce? And I don't think any municipality
could interfere with that.

Page 8, description to port's operation could
lead to adverse impact on local, et cetera, et cetera.
Oh, don't kid yourself. Because of the importance of this
port, there's going to be found a way to work together;
unless you want to admit that the community of Wilmington,
in particular 60,000 people of all races, is to bear the
weight of the port's development.

Page 9, fourth paragraph, jurisdictional issues.
Okay, that's the American way. We sue if we don't like
you. Besides, it says something about the California
State Lands Commission planning and inability to write
something that will not have to be taken to court.

Lastly, let's not hear about the Port of Los
Angeles and the City of Los Angeles responding to
citizens' complaints. I'm president of a homeowners group
that is largely inactive. We have since 1985 taken part
in meetings, written comments, and it has gotten us like
very little, if anywhere.

And, please, don't let me hear about the port
having these committees. They knew who to pick on these
committees. I'm asking you, grant what the Harbor Study
Foundation is asking.

Mr. Bustamante, you're quite right. It isn't
just financial facts that you need.

And, Ms. Connell, I'd like to hope that I speak
for 18,000 people. It would have been nice to have held
this meeting in either San Pedro or Wilmington.

Thank you.

(Applause.)

CHAIRPERSON CONNELL: Nicholas Tonsich, President
of the L.A. Board of Harbor Commission. Are you still here?

MR. TONSICH: Still here.

CHAIRPERSON CONNELL: You're to speak next.

MR. TONSICH: Thank you.

CHAIRPERSON CONNELL: Excellent. And then we'll have Michael Podue.

MR. TONSICH: Madam Commissioner and fellow Commissioners, there's a certain advantage to going on later in the process, you get an opportunity to hear the other persons' comments and perhaps put them in a little perspective.

One thing that's evident from listening to comments from the other persons who have spoken before me is that there's certain amount of frustration that you can tell from the community. I was born in San Pedro. My grandfather immigrated to this country and established his residence in San Pedro. So I'm very familiar with San Pedro and its history and what its expectations are for the future.

Part of this growth that the port has experienced in the past and is projected for the future, as well as the frustrations of the communities that surround the port are this need for a balance. And I think the community has spoken already in the sense that they've elected a
mayor from San Pedro. That mayor has expressed his awareness of concern for San Pedro and Wilmington, has appointed commissioners from that area. Three of the five commissioners that are on the Board of Harbor Commissioners are from that area.

So these commissioners have in turn implemented a process under the guise of an entity called the port Community Advisory Committee, in which many local members from various community groups such as the San Pedro Homeowners Association, other community neighborhood councils, are part of this group. And their charge is to review all past, present, and future Environmental Impact Reports of the Board.

The budget -- the funding for this endeavor is provided by the Board. The port will provide experts, which are identified by this port Community Advisory Committee. It will fund these experts to study these past Environmental Impact Reports, so that any wrongs that the community felt were achieved in the past by some type of a quick review will now be readdressed by this group, and recommendations will be provided to the Board of Harbor Commissioners.

Additionally, the mayor has heard the people surrounding the communities and requested that the Board adopt a policy of no further net increase in air or
traffic emissions surrounding these communities.

That policy has been adopted by the Board of Harbor Commissioners. And that will be the goal of the port's growth at this time in the future. More emphasis will be put on mitigation measures, so that the concerns that have bred this secession movement will be addressed. Mitigation members will be brought to the Board of Harbor Commissioners, not just by the staff in the Harbor Department, but by a committee of people who are -- live within the community, who are members of neighborhood groups within the community, who can bring these mitigation members to the Board so they can be implemented.

There was some talk about port security and the ability of the port to address -- or this new city to address port security in the future. That's a strong concern because the port police currently do not have crime labs, bomb squads, SWAT teams. And those are all things that would have to be contracted for. It appears as though the revenues to be generated from this new city from the port is going to be relatively small. It's a percentage -- my understanding is a percentage of the property tax revenue that the port's charged.

I think there is a misconception within the community that if we get the port within our city
boundaries, then we're going to be the benefactors of the revenue that the port generates. And I think there was an inability or not enough information has been disseminated to the community that they'll still be subject to the State Tidelands Trust, and the revenue available to the new city will be relatively small compared to the new costs it will have to bear in order to support such things as port security. The port is sensitive to security. The port has budgeted money and has implemented a program for sea marshals, which are responsible for boarding vessels 25 miles out to and escorting them in to make sure that there's no explosives or any improprieties in the operation of the vessels as they approach the shore.

This is the National Guard station at the bottom of the Vincent Thomas Bridge. There's -- I'm a member of the port security task force, which is meeting today between 11 and 1.

So there's a wide variety of things that are being implemented.

I think one thing that is the utmost concern --

CHAIRPERSON CONNELL: You're going to have to wrap up your comments.

MR. TONSICH: Yes.

The thing I think that's -- the point that needs to be addressed and driven home is the impact and the
balance that the City hopes to achieve by its -- by the
port's operations on the state as a whole as opposed to
what a new city's intentions and goals may be relative to
the port activities. And that impact is crucial. As the
State Controller's audit indicated, the port projected
financial condition of the new city would ultimately
create a situation which is analogous to a landlord who
doesn't have money sufficient to maintain its properties.
I think we're all familiar with what happens to the decay
in a property and what impact it ultimately has.

Thank you very much for your time today.

CHAIRPERSON CONNELL: Thank you.

Michael Podue. And after Michael, we're going to
have Dennis Hagner.

MR. PODUE: Good morning, Madam Chair and
Honorable Commissioners.

My name's Michael Podue. I'm the Vice President
with the International Longshoreman and Warehouseman's
Union/Marine Clerks Association Local 63.

I've been asked by the membership to appear
before you today to put our concerns before the Commission
today of the Union.

I am also like many in here as well as
Commissioner Hahn and -- Chairwoman Hahn and many others
in the room today. I'm born and raised in San Pedro,

The International Longshoreman and Warehouseman Union in the Port of Los Angeles represent approximately 10,000 members; 6,000 full-time and 4,000 part-time members in the Port of L.A.

The Port of Los Angeles I believe was established, if my history is correct, some time in December of 1907. Prior to that, the International Longshoreman -- where you get the term "longshoreman" is longshoreman waited along the shore for the vessels coming into the port. And that's where the term "longshoreman" came from, men waiting along the shore. Not long after that, about -- less than 30 years later the International Longshoreman's Union was established in this port.

The Port of Los Angeles is one of the busiest and most successful seaports in the world. And that's in direct connection working with the terminal operators, the Port of L.A., and the International Longshoreman and Warehouseman Union.

Our concern is that we would like to see the Port of L. A. -- and I'll make it short. I had a lot here to read, but I'm not going to read it all.

There's been well over -- I believe in the Port of Los Angeles last year alone there was over 5 million
containers handled by the Port of Los Angeles. And the Longshoreman -- the International Longshoreman and Warehouseman Union directly handled those containers.

We would like to -- there's a fear -- and the reason I'm here today is that last night at a membership meeting the members asked me to come and present it before you today. There's a fear that the infrastructure that's been created by the City of Los Angeles and the Port of L. A. will be impacted if this new city is allowed to operate the port.

The membership wanted me to express to you that we would like to show our support that the people that created this great port, the City of Los Angeles and the Port of Los Angeles, that the Port of L. A. stay in the hands of the City.

Thank you.

CHAIRPERSON CONNELL: Thank you.

Dennis Hagner. Following Dennis we're going to have Frank. And, Frank, I can't see your last name. I think it's Fasullo.

MR. HAGNER: Good afternoon, Commissioners.

Thank you for allowing me --

CHAIRPERSON CONNELL: Identify yourself for the record, please.

MR. HAGNER: I am Dennis Hagner. I am
representing the Engineers and Architects Association, the largest civilian union in the City of Los Angeles. And I represent the people that Jo Ann Wysocki would like to fire.

We have looked very, very closely at all the documents that have been produced on this issue up to last week. And rather late in the game we came to the conclusion that this whole issue raises serious concerns for our members and the future of their employment, either directly or indirectly through the general economic impacts that this bifurcation of authority could lead to.

We also have people work down in the harbor. We're very concerned about their security. This also raises a concern. We've addressed those concerns in comments to your staff, so I won't enumerate them.

But we do support the recommendation. We believe that keeping the port whole is in the best interests of not only our employees, but also the State.

Thank you very much.

CHAIRPERSON CONNELL: Thank you.

Now, Frank Fasullo. I hope that was a correct pronunciation of your name.

MR. FASULLO: You did very well. Fasullo.

CHAIRPERSON CONNELL: Okay, great. Thank you.

MR. FASULLO: My comments are to Mr. Thayer's
best interests of California. How many times has the
State had to sue the City of Los Angeles over port
services?

I think that a new and smaller city without the
larger budget and needs would streamline all the facets
with less delays; and would not only be in the best
interests of all of California, but all the steamship
associations, too, which I've had the time to sit down and
talk at breakfast with a few of them and been able to
offer them, we believe, something much better and much
cheaper, at the same time while still making Los Angeles'
port the best and fastest growing port in the world.

With all respect to Mr. Fossum, his argument
is -- all I heard was just a bunch of "what ifs" and
"maybes," having nothing to do with the reality, but are
meant to keep Los Angeles in control; which Los Angeles is
still in control even if we do receive the tidelands.

There's nowhere in there saying we're going to
take control, or for our longshoreman friends that we're
going to manage the port. Nowhere. That's not what we're
asking for.

But we believe that we have been -- and the
public knows that Los Angeles has dealt with us and has
been doing business in our area in bad faith. If not, why
would at all ends of the City of Los Angeles is it
breaking up, if Los Angeles wasn't the landlord that was
alluded to earlier?

As to Ms. Hahn, I really like what she's doing in
our town. But it only is common knowledge or common sense
that we would want to, of course, keep the security in our
town at the highest rate that could possibly be. We live
there. We're in the surrounding areas there. I have
children that go to school there also.

But I have no political gains here. I'm not
looking for any money. Nobody's paying for me. We have
been involved in this, the Harbor Vote, for 13 years
because of the ineffect that Los Angeles has played with
the cries to our community. We're still crying out to
them. And at no time has our city council come and said,
"how can we fix the problem?" Instead, we've had to pass
major legislation, AB62, in order to get our first
amendment right to petition our government to get our tax
base.

If you guys vote against this right now, you will
be voting against our first amendment rights. If not
anything but giving us political -- another nail in the
coffin, so to speak, when these things are not true.

So in closing, I think that the $13 million plus
that these monies that are coming up that we don't have
the revenues for, they're dollars and cents that the --
that Los Angeles port pays for services rendered. That's all. This is just all about the monies that they pay for services rendered.

Thank you so much.

CHAIRPERSON CONNELL: Thank you. And, Frank, let me just assure you that as the person who sat at the negotiating table for the State of California to try to resolve the removal of dollars from the trust fund by the City of Los Angeles in that lawsuit, as you recall, that we settled some year and a half ago, we certainly support, as a Commission, the fact that there should be availability of services in the harbor area.

And I think the continued persistence of the Governor -- at that time was the Lieutenant Governor -- and myself in that regard, and subsequently Mr. Bustamante in his role in the Commission is an indication the State stands solidly behind the rights of the community of San Pedro and Wilmington to have access to quality services and to make sure that those dollars are spent within the community, which was, of course, the intent of that entire litigation and the subsequent resolution of it.

Can we have Molly Squire now. Is Molly still hanging with us?

And I believe the next person will be Dan Miller.

DR. SQUIRE: I have my prepared 3 minute thing,
but I've been staring at this map all along, and I want to show you a picture of the area I'm talking about.

That triangle right in there, right at the tip of your harbor red line, that triangle between those two bridges, those blocks.

I'm glad Commissioner Janice Hahn, who is also on the Alameda Corridor Transportation Authority Committee, is here, since we've contacted her office a couple of times but she said she is helpless to do anything.

The Alameda corridor was exciting to all of the businesses in this area. That's about nine blocks -- about nine blocks, at least, of businesses.

The 1991 Environmental Impact Report stated one reason to vote for the project was the enhanced traffic flow pattern promised for local businesses. Instead August 16th the active board voted to take the whole neighborhood. By the way, all those voters in there would have been for seceding from L.A.

One friend of mine, who was bludgeoned in February, is still only speaking in one-word sentences now. That was at the property.

Most businesses were devastated. Not only were they taken without an Environmental Impact Report, but there was no relocation plan in place. I paid almost 500 bucks to get a copy of the Environmental Impact Report
made for this Alameda corridor section here, and it shows that whole neighborhood is missing from it. They weren't supposed to take it in the first place. They showed all the bridges they were going to build to go into different neighboring areas, and that's what the voters and the state and whoever approves this thing voted to approve.

So they took these blocks without having them shown on the Environmental Impact Report.

In this respect, okay, the California Code of Regulations Title 25 states, "A project must cease if there is no relocation planned." In this respect, an EIR. In this respect it has acted unlawfully. There is federal funding. And they must follow state and federal standards.

Additionally, they are refusing to honor their own grievance procedures, denying a hearing to those who request a hearing for their administrative grievances.

One man has four grievances. They aren't all about relocation money. They're about the problems due to this. And the lawyers for ACTA are telling him you can't have a hearing until you name a price for relocation.

In the meantime many, especially the Hansons and the Mayfields, have been denied a penny of relocation benefits even after submitting required bids months ago for a self move. Their possessions are being held in
temporary storage. And ACTA's counsel has told them they cannot remove the property unless they can take it out in one day and also sign an invalid full release of all claims against ACTA. They can't do it. It took the moving and storage company three weeks to move tons of equipment using semi-trucks and a team.

CHAIRPERSON CONNELL: Molly, may I just have the jurisdiction of the Chair here for a moment? I apologize for interrupting you.

I think the issue of the Alameda corridor is an importance issue. Unfortunately, it is not within the jurisdiction of this Commission, as I understand it.

Is that correct, Mr. Thayer?

EXECUTIVE OFFICER THAYER: That's correct. And Dr. Squire has submitted a letter outlining the concerns that she's now speaking of. I guess what I would propose, and maybe as a way to dispose of this quickly, is that we would attempt to ascertain what entities do have some involvement of that, and forward this letter to those entities.

CHAIRPERSON CONNELL: Yes. I think the concerns that you were expressing, Dr. Squire, are certainly legitimate, and we're not in any way trying to dismiss them, but it is not the power of this Commission to really address those. But I do think that we can give you some
assistance in identifying who. But I do believe it would be the federal agencies responsible for this matter.

DR. SQUIRE: Thank you. I was referred here by the Federal Railroad Administration, Washington DC.

CHAIRPERSON CONNELL: Why am I not surprised.

(Laughter.)

DR. SQUIRE. Well, I'm sorry. I didn't know where to go.

CHAIRPERSON CONNELL: I don't mean to -- you know, I'm not making light of your concerns.

DR. SQUIRE. Yeah, I know. If you were going for governor today, I'd vote for you. Okay?

CHAIRPERSON CONNELL: Well, thank you, thank you. I want you to know I'm not. Let me dispel that. Lest there be any, you know, press in the room, I don't want that rumor to trickle out. I'm supporting our candidate for governor, Governor Gray Davis, if anyone has a question of where my support is. But I thank you for that.

And I share with you your frustration. I mean, the Alameda corridor has been a mishandled operation from its birth, and has disappointed many of us who are residents of the area. It has accomplished many economic objectives, but it has shown, I think, in many cases insensitivity to the needs of the people in the
surrounding communities.

And I would urge you, Mr. Thayer, to make it a priority to try to help Dr. Squire. And you could become an advocate on the part of the Commission in making sure that she is not railroaded, to use the word of the agency that sent you over here, to yet another series of agencies that don't have the jurisdiction to respond. I think we are well aware of which jurisdictions can respond to those matters, and we will allow our own experts in bureaucracy to assist you in threading that needle.

DR SQUIRE: Thank you.

One comment. Alan Cranston endeared himself in the early 1970s to everybody in the Huntington’s Disease Association when he got a girlfriend's mother her Social Security and nobody else could. So if you're following in his footsteps, I look forward to a resolution.

CHAIRPERSON CONNELL: Thank you. We will follow it forward with you on that.

Now, Mr. Miller. And we have only, I believe, one speaker after that, and that will be Frederick Markin.

MR. MILLER: Thank you, Commissioners. My name is Dan Miller. I am a member of the project consultant team for San Fernando Valley, Hollywood, and the harbor.

Our firm prepared the budget and the transition plan that was alluded to earlier. Our firms that have
worked with these three communities with very few
exceptions have probably prepared all of the comprehensive
fiscal analysis that have been done statewide on new
cities. So we have a lot of background in this.

What I would want to stress today is the fact
that what was first alluded to by your staff was that
LAFCO had made a finding that this was not fiscally
viable. That is not the case. A consultant's report
submitted to LAFCO made those statements and based on a
number of assumptions.

Our plan -- our budget has also been submitted to
LAFCO, which contradicts a lot of those assumptions and
the methodologies that were used.

LAFCO in mid-May will take all this data, all the
reports, all the testimony, and at that time will make a
finding as to fiscal viability.

So I think it's premature to make any decision
today based on whether this community is going to be
fiscally viable or not. Those findings have not been --
what was referenced was one study that made -- came to
those conclusions.

I think the biggest difference that our study and
the CFA that was done by the consultants to LAFCO is that
they applied a 3.6 million population budget structure
and/or organization to a small community of 140,000. That
just does not work.

And, yes, as the councilwoman indicated, that there will be a reduction in expenditures, a substantial reduction in cost of those services, but not a reduction in service. There will actually be an enhanced level of service and at a reduced cost, so that makes it fiscally viable. I think that's what we'll be presenting to LAFCO in mid-May.

And based on all the testimony, at that point, LAFCO will make a determination as to whether the Harbor City is fiscally viable. So it's premature today for anyone to get up and say a decision, a finding has been made. And that basically is what the executive officer of LAFCO also indicated, that no finding has been made. The Commission based on LAFCO's staff's recommendations will make that finding in mid-May or some time after that.

Thank you.

CHAIRPERSON CONNELL: Mr. Miller, may I ask, why has there been such a delay in getting this fiscal material, you know, put forward? We're now well into the month of April. This matter has been, you know, certainly debated and discussed for a period of time, almost years.

MR. MILLER: Our study and a transition plan in the budget were submitted to LAFCO six months ago. The study has been out there, and it's public knowledge. As
to who accessed that, either with your staff -- and we did
have contact with the State Controller's Office. And, as
you indicated, they were very limited in their analysis.

And he indicated he could not look at all these
other studies. So, yeah, it's common knowledge that this
document is out there. And LAFCO has that document. It
has been commented to by the City of L.A. It's been
discussed in all our negotiations on terms and conditions.
So it should be no surprise that the document exists. As
to who has tried to get access to it, I don't know.

Thank you.

CHAIRPERSON CONNELL: All right. Thank you.

Frederick Markin. Then we do now have another
additional speaker following Frederick.

Go ahead.

MR. MARKIN: Madam Chair, Members of the
Commission, my name is Fred Markin. I'm with the Los
Angeles City Attorney's Office representing the City of
Los Angeles.

CHAIRPERSON CONNELL: It's nice to see you again.

MR. MARKIN: Nice seeing you.

I'm not actually speaking either in favor or in
opposition despite the speaker form card which forced me
to make a choice. But I am -- I'm one of the speakers who
is prompted to speak by something I've heard today from
Mr. Calemine and now Mr. Miller. And it has to do with this question of fiscal viability and the role -- the prospective roles played by your Commission and LAFCO.

I think Mr. Calemine has said to you, and I think Mr. Miller is supporting him in this regard, let LAFCO make its determination. LAFCO has made no finding on fiscal viability. This Commission -- so we ought to defer to LAFCO.

I think there are at least two problems associated with that. The first is this: This Commission has its own independent responsibility. Act upon the information and opinions before you. For you to defer to LAFCO, I question firstly the legality of that, and you ought to talk to your counsel. I think it's highly inappropriate to essentially allow your decision to ride upon some other agency's determination.

And the second problem is this: At least -- and the point has been made that there are certain proposals that have been studied. There's a comprehensive fiscal analysis and there's a State Controller's review of that. But there are other proposals that are in the works. At least we have some idea with regard to the proposals that have been evaluated as to what the conclusion is with regard to fiscal viability.

A further proposal that may be considered by
LAFCO, which is a possibility, I guess, is unknown to you. The question I think before you is, if there is some revised proposal, some other design of government, let's say, for the proposed Harbor City, how will it be equipped to deliver fire service, police service, for the poor? And that is entirely unknown. And so, essentially, what you're doing is deferring to an analysis of something that has yet to be devised. It's something certainly you haven't analyzed.

So I think that on those two reasons, I think that this Commission ought not to simply defer to LAFCO, but rather make an assessment based upon the information before you. And if you need more information, get more information. But in any event, make that decision based upon the information that's before you rather more deferring to LAFCO on this important question.

Thank you very much.

CHAIRPERSON CONNELL: Thank you.

And I would like to call what I hope will be the final speaker here today. Xavier Hermosilo. Am I saying that anything close to -- my goodness, we have a patriotic tie here today.

MR. HERMOSILO: You must be learning your Spanish from Member Bustamante.

CHAIRPERSON CONNELL: Yes.
MR. HERMOSILO: Because it was excellent.

My name is Xavier Hermosilo, and I'm a life-long resident of the port community of San Pedro. And I have over the last -- well, giving my age away -- 30 years plus been involved in segments of a call for secession, while I was chief of staff to former Assemblyman Vincent Thomas, who every year would introduce a piece of legislation to secede San Pedro from the City of Los Angeles and -- unsuccessfully, I might add -- and his successor, Dr. Jerry Filando (phonetically). One a democrat and one a republican. And I worked for both.

And so this issue of secession, though its present state is only about 13 years old, the roots go back very, very deep.

And in looking at the staff report, there are a number of issues that are of concern. But probably the greater issue overall is this notion that -- you know, we're caught between a rock and a hard place. We're caught in a classic Catch 22, because while the proposal is attacked as not being financially viable -- when we proposed to prepare a city the size of a Carson or a Torrance or Garden Grove, which is realistic, the State Lands Commission staff comes back and says precisely because of that you can't handle a port, because of the costs. And Councilwoman Hahn has talked about, you know,
the port burning down and things like that. And certainly
after 911, the issue of security is one of paramount
concern.

But I would remind the Commission and staff that
the issue of fire protection and police protection of the
port is handled 75 percent by revenues generated by the
port already. And the notion that this new community
would impose an unreasonable or usury tax on cargo
containers, et cetera, I think is also fallacious in its
base because we have seen before, for example, that
outside regulatory agencies, including yourselves, slap
the City of Los Angeles on the wrist when they took $40
million and transferred it from the port revenues to the
City's general revenue.

CHAIRPERSON CONNELL: Sixty-eight million.

MR. HERMOSILO: It was sixty-eight. That was
with interest.

And so there are safeguards in place that would
prevent the kinds of horror stories that are presented
here as being contrary to the viability of this community
having control or some access or revenue sharing with the
Port of Los Angeles.

The other issues that have been raised in terms
of your staff report I think, you know, raise serious
questions about the depth of knowledge that some people
may have about how this can operate. And I think it
created unnecessarily some scare tactics that I think are
beneath this Commission and beneath the effort and the
Cortese-Knox Law that enables a secession to proceed as
far as it has.

CHAIRPERSON CONNELL: Excuse me just a moment.
Are we not getting a transmission of this at this
point? Are you still being able to record.
All right, fine. You adjusted.
I'm sorry. We were having a transmissional
problem. And I certainly believe we want to make sure we
have the recorded minutes of every speaker of this
meeting, as I anticipate that will be important in the
future.

So we are continuing to record?
Good. Thank you.
I'm sorry. Go Ahead.

MR. HERMOSILO: All right. I'll wrap up with
this. In looking at the background of the Commission's
report and the responses that the Harbor Study Foundation
has put together, I would ask you to the extent that it's
possible to remove politics from this and look into the
fact that the port communities of San Pedro, Wilmington,
and Harbor City, but predominantly San Pedro and
Wilmington, have tried for a number of years to work with
the Port of Los Angeles to deal with the issues of
environmental difficulties.

I think there's environmental justice issues, not
because the communities are of any particular minority
make up, but because of the fact that the port has been
unwilling to be responsive to this community even after
Mayor Hahn and his sister, Councilmember Hahn, created a
citizens' committee to look at a number of these issues
the port has been blatant and arrogant in its dismissal of
concerns of the community.

This is one of the largest reasons why these
communities have been seeking secession. It's one of the
largest reasons why these communities need to be able to
have an element of say-so in the continued development of
the port.

I am in the business of moving freight. I am in
the business -- I am the Executive Director of the NAFTA
Corridor Institute. And we're about the movement of
goods; we're not about the movement of stopping any growth
in the harbor. But we're also about the responsible
movement of goods. And we've had to turn to our
assemblyman, Al Lowenthal, to introduce legislation to,
for example, cover up the coke piles over on Terminal
Island because of the irresponsible way in which they were
handled by the Port of Los Angeles.
There are now lawsuits involving China shipping. All of these involve port trust lands, and I think they go straight to the heart of the inability of the City of Los Angeles in the Port of Los Angeles as an administrative body to be responsive in concern about the quality of life issues and the health issues involved with the people of San Pedro and Wilmington.

That is at the genesis of this request to the State Lands Commission, that you please reconsider the information that you have been given, that you look at this as impartially as you can. And while I know that there are people on this Commission, specifically you, Ms. Connell, who ran for mayor of Los Angeles and perhaps may have a personal feeling about that -- I love L.A. And I say to you and to everybody here that Los Angeles is a state of mind.

I have traveled all over the country and all over the world in connection with my business, and I hear people say I'm from L.A. whether they're from Orange County or whether Ventura, because Los Angeles is Los Angeles. And the fact that we choose to request revenues and control -- participation control over the port as a separate independent city does not mean that we don't like L.A. or we despise L.A.

It's just that in 1910 when we became a part of
the City of Los Angeles, it was with some specific
understandings. And I don't want to go back 100 years to
agreements that have been broken since then. Although, I
do want to mention that in the progress that has been made
with the ports has been both to the benefit and detriment
and with the help of the people of San Pedro and
Wilmington.

And so I ask you to please, as you make your
deliberations on this matter, that you can consider that
we just want our house back, we want to have a say. We
let somebody come into our house, the City of Los Angeles,
a hundred years ago, and they have sullied it, they have
polluted it, they have over-occupied it. They have given
us absolutely no voice. And all we ask is to have a voice
in the future of our families, our kids, our businesses,
and the beautiful coast land to which we have virtually no
access, the only major city in the United States that has
significantly limited the access of its owners and people
to the tidelands for which you are entrusted and have the
power to entrust to a new organization. And we ask that
you look at this issue carefully.

And I'll close by saying this: In the field of
law -- and I know a couple of you are lawyers up there --
they say --

CHAIRPERSON CONNELL: Actually, none of us are
lawyers, which is a gift.

MR. HERMOSILO: None of you? Okay. I apologize.

CHAIRPERSON CONNELL: I pray every night that my children will use their talents in a field that is not litigious.

MR. HERMOSILO: Well, you know, as I go through life, I can say that the only thing that I ever did absolutely at the request of my mother was not to become a lawyer because that would have taken her to her grave earlier than --

CHAIRPERSON CONNELL: No offense to lawyers in the audience of course, including my staff here at the Lands Commission.

MR. HERMOSILO: No more lawyer jokes.

Let me just close by saying this: In looking at the facts and the law in this situation, I am reminded of an axiom often used in the legal field; and that is, if you don't have the law on your side, argue the facts; and if you don't have the facts on your side, argue the law.

Well, I will submit to you, members of the State Lands Commission that in this particular case we have both the law and the facts on our side, and we ask you to rule in that vein.

Thank you very much.

CHAIRPERSON CONNELL: Thank you.
And before I ask for comments from my fellow Commissioners, I want to thank all of the well-informed and impassioned speakers that have come before us. I was asked yesterday by a member of the media whether I was walking into this meeting with any preconceived notions; and I didn't. And I must tell you, I think this has been one of the most educational exchanges we've had before members of this Commission. I want to thank you all for respecting the limited time that we've given you and the other matters that occurred before this Commission that you have had to patiently sit through.

I did ask the Attorney General to give some thought -- attorney general's representative -- regarding the legal issues that have been commented on during the various speakers' discussions. And I'd like you to identify yourself for the record and maybe give us your sense of where we are on that.

DEPUTY ATTORNEY GENERAL HAGER: My name is Alan Hager and I'm a Deputy Attorney General.

CHAIRPERSON CONNELL: Can everyone hear?

(Nos.)

CHAIRPERSON CONNELL: Okay. Let's see if we can get a larger volume on the mic.

DEPUTY ATTORNEY GENERAL HAGER: How's that? Is that better?
CHAIRPERSON CONNELL: Not really. Maybe you can exchange with Paul.

DEPUTY ATTORNEY GENERAL HAGER: Is that better?

CHAIRPERSON CONNELL: Yes.

DEPUTY ATTORNEY GENERAL HAGER: Okay. I'm Alan Hager. I'm a Deputy Attorney General. And you noted that I smiled when you first propounded a question. And the reason for the smile was that I really am not familiar with the law that governs LAFCO. So I don't want to give an opinion of what LAFCO can do. But I am familiar with the law that governs the Commission. And let me say a few things about that.

The law that we're talking about is a provision in Government Code 56740. And the question that I have is, can the Commission in making a decision under that section condition what it does? It doesn't say that you may. And I have grave concerns about making a decision that is conditional.

Also, if you may excuse me for making a practical comment, making a conditional decision is essentially a loss of control. And also I am concerned, and this is -- what you are trying to do with respect to infringing upon the role of the Legislature.

And here's another loss of control or legislative problem. The legislature made the grant to the City of...
Los Angeles. The legislature, if it wants to amend that grant, may -- amends the grant and its relationship and its control is with the City of Los Angeles.

Could LAFCO condition -- issue a condition so that a new city is bound by whatever the Legislature may choose to do in the future? I'm very concerned about whether that could be done. And, you know, making a -- even if LAFCO could make a condition, could they condition them -- could they condition the City -- the new Harbor City to be bound by the present terms of the grant? But of course the Legislature may, as it chooses, amend the grant, change the grant in any other way.

And it seems like a loss of control. In order to attain control, maybe the Legislature would have to say we should address our concerns directly to the City, which would be tantamount to transferring the grant from the City of Los Angeles to the new city.

I just see that the idea of making a condition, if it's by the Commission, is legally uncertain to me. Whether it can be done by LAFCO creates all sorts of questions that I think create a great deal of uncertainty as to the legality of that.

CHAIRPERSON CONNELL: Well, then as Chair, I'm going to ask that we limit our deliberation here today to the issue before us. And the issue then before us upon
counsel of the Attorney General -- I thank you for that wisdom -- is the staff recommendation and singular the staff recommendation, so I will only take discussion regarding that matter. We have staff recommendation before us, and either we can choose to accept that or reject that. But I don't think we want to start wandering into areas where there is uncertain legal grounds, conditioning action that we have now been advised might be inappropriate.

Mr. Bustamante, do you have any thoughts that you want to share with the public at this point? And then, Ms. Porini, I will call on you as well.

COMMISSIONER BUSTAMANTE: Unlike you, Madam Chair, I had my mind made up when I came here. I came here with what I believed to be all the facts and the audits. And having reviewed that information, came here with what I believed to be a clear decision about what was in the best interests of the State and tidelands.

I have to tell you, while I've been here and I've been listening to the testimony, I find that there are some issues that I just cannot allow to be let go. My position, I don't believe, has changed at this point on the staff recommendation. I will support the staff recommendation.

However, the issues that have been addressed here
by the residents of San Pedro and Wilmington I believe are significant. I think that our staff -- regardless of how this goes, that the staff ought to make a -- and I'm asking the staff to do a review of the environmental problems as well as any environmental justice issues that are affecting the communities of San Pedro and Wilmington because of the port operations.

I want to have a list prepared within 90 days, and have it come to the Commission in the meeting following those 90 days. And I want to know exactly the kinds of issues that are being talked about, because it is outrageous that the port would be -- one of the largest ports not only in this country, but in the world -- the impacts of a community are such, and from what the residents of this community are saying is that those issues are not being addressed neither by the port nor the City of Los Angeles. And I think that that's something significant that we should review.

The second thing that came up that I'm very concerned about, we've heard conflicting information about this, is the security of the port. I'd like to know -- I heard that there was a couple people with flashlights in row boats in the Bay Area. And we've heard that the number of police trips into this community are amazingly low, if not some of the lowest in the nation.
I want to get to the bottom of those two major issues, because even though I support the staff recommendation, those are two major issues that affect this community, that affect the port operations, that affect the protection of both in terms of city fire and police. And I want to have answers to those questions in order to resolve them.

EXECUTIVE OFFICER THAYER: Okay.

CHAIRPERSON CONNELL: Thank you.

Annette.

ACTING COMMISSIONER PORINI: Well, my only comment is that putting on my Department of Finance fiscal hat, looking at the audit that the Controller did, and looking at the information that's before us, because I can't comment on other fiscal analysis that's not before us or decisions that may be made in the future, I am in support of staff's recommendation.

CHAIRPERSON CONNELL: Well, let me then offer my perspective as well. As I said, I came into this meeting with an open mind. I think it's my obligation when I sit on the several dozen boards that I'm honored to represent the people on, that I always come into a meeting with an open mind. I try to educate myself ahead of time, but I always listen attentively and hopefully respectfully to the input.
I am increasingly troubled that some of the information that needs to be before LAFCO has not had as much review as perhaps is necessary. And I would like to suggest that LAFCO as it moves forward in what has been a truly arduous process -- and I do respect the works, Larry, of your staff and your Commission. And having partaken in just the very small segment of that, I know how truly grueling that is, because my own staff committed 65 to 70 hours a week just to get the work done within our restricted 45-day timetable. And we didn't even begin to dent the surface.

But what has come out here today is clearly a reflection that there is additional information that members of the public and residents of the community would like to have considered by LAFCO. And I certainly want to urge LAFCO as it moves forward in this process. And Larry is correct in saying that the final determination of viability is not made by my office or by this Commission, nor does any action that we may take today suggest that. It is to be made officially by LAFCO.

So I would suggest that LAFCO try to integrate some of the information that's been shared today that's obviously been offered in both written and verbal form before this Commission.

But I am also mindful of the fact that we have
very limited authority here on this Commission; that we
must really look at what the jurisdiction is of this
Commission and what the very focused responsibility is of
this Commission, and that is really the tidelands trust.
And in the tidelands trust the role that we have as
Commission is really to keep the interests of the State
and the port within that framework as we move forward.
And the material that has been presented by our staff, I
think, has been presented in their best efforts to look at
some of these issues.

I am not satisfied, however, that we are doing
all that we can to be an advocate for some of these
communities that are neighbors to the ports -- and we've
had this discussion, Paul, on many occasions --
whether it's in Oakland where we -- by the way, for those
of you who don't know, the people of Oakland feel just as
strongly about their community around that port as you do.
The Port of San Francisco is a little bit more
isolated, so we have the residential communities that are
impacted by the decisions of that port.

Certainly the Port of Long Beach -- when we meet
in Long Beach we have the engagement, the involvement,
appropriately. A lot of the communities there who feel as
strongly as you do about what's going on in their
community.
And we've already had that situation in San Diego.

So I certainly would like to really discuss, after we take action on the item before this Board today, how we might move forward in trying to make sure that we really insist on a partnership that -- not only here in Los Angeles, but in Long Beach and San Diego and Oakland, and San Francisco -- really moves forward this issue of responsibility for quality of community.

And when we talk about representation in these communities, I don't think it's adequate that the state has to step in and be the advocate for the local communities, in which we have done, I might add, prior to the current leadership of Mayor Hahn and many members of the city council including Councilwoman Janice Hahn. We have had to assume that role because there has been an absentee sense of support for the harbor and Wilmington. And just as we are assuming that role in Rincon Island at this point, I'd like to see us not have to be in that role. I don't think it's necessarily the appropriate role for the State.

And so I would like us to begin to examine how we can begin to use our influence and our leverage as a Commission to try to exact a higher level of involvement of community residents on some of these issues.
I certainly share with you, Mr. Bustamante, some of your concerns in that regard. But I am going to support after much reflection today the staff recommendation. So that will be unanimous support of the staff recommendation.

I would like to be the maker of a motion though, that at our meeting in September, to give you adequate time, Mr. Thayer, that we review where we are going to be in this wider issue. And I want to broaden it out. I want it to be more than the issue of the harbor of Los Angeles. I want to look at the five major harbors -- or ports, excuse me, as we look at the State of California and try to determine what kind of paradigm might be developed, Mr. Thayer, to use the resources and the influence and the legality that we represent in the State Lands Commission to encourage and urge local jurisdictions to be more respectful of the communities in which they are operating their activities. And I think we have a second and perhaps unanimous vote.

we have unanimous vote of the Commission in that regard.

Are there any concluding comments that we need to make on this matter? If not, I'd like to move to, I think, the final matter before the Commission today.

COMMISSIONER BUSTAMANTE: I just want to be able
to make a final comment before the meeting adjourns.

CHAIRPERSON CONNELL: We now have concluded the regular calendar. And there is a public comment period which we always have at the end of our Commission hearing. If there is anyone who would like to address the Commission at this point, we are receptive to that.

Not seeing anyone who's moving forward to do that -- yes.

MR. FASULLO: Frank Fasullo. I'd like to know how you managed to have a unanimous decision when the facts that were put in front of you say that you weren't dealing with all the facts. Is this a totalitarian government now or is this still a democratic thing and we are -- you guys -- do you represent me or do you represent yourselves or -- who do you represent here? That would be my question. As a veteran, who do you represent? And I just cannot believe that you just made a unanimous decision knowing that you did not have all the information.

Thank you.

CHAIRPERSON CONNELL: Mr. Bustamante.

You have another comment? Please.

MR. DYER: My name is Dennis Dyer. I assume that your unanimous decision is that you are going -- that the provisions as recommended to the Commission, that is the
provisions that are on page 11, are exactly the provisions
that you have thus passed and this is the exact wording.

CHAIRPERSON CONNELL: Mr. Thayer.

EXECUTIVE OFFICER THAYER: My interpretation of
the Commission's action was to adopt the staff recommended
action, which is spelled out in the staff report, yes.

MR. DYER: That's the last page of the staff
report.

EXECUTIVE OFFICER THAYER: Yes.

MR. DYER: And so that is the official action of
this Commission?

EXECUTIVE OFFICER THAYER: Yes.

MR. DYER: Very good. Thank you.

CHAIRPERSON CONNELL: Any further public comment?

If not, Mr. Bustamante.

COMMISSIONER BUSTAMANTE: Madam Chair and
Commissioners, as overseers to the San Diego port and to
their granted public trust tidelands, I think we need to
take a more active role to ensure that the San Diego Bay,
especially the south bay wildlife refuge, is protected
when a lessee is causing severe environmental damage.

It currently has an application into the regional
water board to renew their discharge permit, which is to
be voted on in May. The draft permit is far too lenient.
Among other things, it fails to establish several critical
discharge limits for copper, zinc, chlorine, and does not
establish a maximum temperature, a limit for water
discharge. It doesn't require any independent monitoring,
and it doesn't assess maximum impacts. There is no
requirement for mitigation on the impacts that are
assessed.

I would like to ask that the Commission consider
a motion to look into the issue and express the concerns
of these specific items via letter to both the port and to
the regional water control board.

CHAIRPERSON CONNELL: Ms. Porini.

ACTING COMMISSIONER PORINI: I would like to have
the staff -- I'm supportive. I'd like to have staff
prepare a letter and distribute it to members, if that's
acceptable.

COMMISSIONER BUSTAMANTE: Yes, the meeting of the
regional water board will be meeting in May, so we can't
wait until the next Commission meeting.

CHAIRPERSON CONNELL: Well, may I suggest that
what we do, since this is new information for the
Commission at the end of an extended morning, could we,
Mr. Thayer, try to put that in writing and circulate it
among Members of the Commission. And if Commission
Members are comfortable, then they will sign that letter
as individuals and as Commissioners.
EXECUTIVE OFFICER THAYER: Certainly, we could do that. And our intent would be to try and get that out to you by the end of next month.

MR. PARKER: Timothy Parker for the Steamship Association. Page 11 of the report is not what you voted upon, I believe. Page 11 would be, in effect, the negative, not the positive. You voted actually to keep the status quo. If you voted on 11, would that not have changed everything?

COMMISSIONER BUSTAMANTE: We voted to keep the status quo.

MR. PARKER: You voted to keep the status quo. The gentleman who just asked you the question was referring to Page 11. I think he was in error.

CHAIRPERSON CONNELL: No, actually Page 11 is the action of the Commission.

Mr. Thayer.

EXECUTIVE OFFICER THAYER: Yes, that's correct. And page 11 objects to the transfer --

MR. PARKER: Rejects --

EXECUTIVE OFFICER THAYER: Rejects it.

MR. PARKER: Thank you.

CHAIRPERSON CONNELL: Seeing that there is no other business before this Commission, we stand adjourned.

Thank you.
(Thereupon the California State Lands
Commission meeting adjourned at 1:30 p.m.)
CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commissioner meeting was reported in shorthand by me, James F. Peters, 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 25th day of April, 2002.

JAMES F. PETERS, CSR, RPR
Certified Shorthand Reporter
License No. 10063