

MINUTE ITEM

41. ORGANIZATION AND STAFF - STATE LANDS DIVISION - W.O. 5215.

In discussing Calendar Item 27 attached, the Chairman pointed out that the Department of General Services should be called upon to assist the Department of Finance in making the study.

The Chairman also reported on the need for study and streamlining of the procedures for conducting Commission business. Such study is to be undertaken by the Division contemporaneously with the authorized organization study.

Upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS DIRECTED TO REQUEST THE DEPARTMENT OF FINANCE AND THE DEPARTMENT OF GENERAL SERVICES TO INITIATE A STUDY OF THE STATE LANDS DIVISION, WHICH STUDY WILL (A) REVIEW THE PRESENT ORGANIZATION AND STAFF OF THE DIVISION AND () DEVELOP A PLAN TO PROVIDE FOR AN ORGANIZATIONAL STRUCTURE AND STAFFING IN CONFORMANCE WITH CURRENT AND NEAR FUTURE GROWTH REQUIREMENTS.

The Chairman called attention to the heavy workload that the staff will be taking on in connection with the Wilmington Oil Field, and suggested that there probably is a better way for the Commission's functions to be handled. He cited in particular the ministerial functions, saying these should not require Commission action, but should be handled by the staff under a delegation of authority. He noted that the help of consultants, along with administrative analysts, would be needed, and that perhaps a legislative program would be necessary to free the Commission from having to act on routine items

Attachment

Calendar Item 27 (2 pages)

CALENDAR ITEM

27.

ORGANIZATION AND STAFF - STATE LANDS DIVISION - W.O. 5215.

The State Lands Division, the operating and administrative agency for the State Lands Commission, has reached a point in history where the imminence of a tremendous new legislative assignment, the growth of existing programs, and the cumulative work load resulting from other recent legislative enactments, make mandatory a thorough study of the Division's organizational structure and staffing in order to provide for effective operation of the Division.

The following comparative statistics afford an insight into the Division's growth:

<u>Fiscal Year</u>	<u>Positions Budgeted</u>	<u>Expenditure Program</u>	<u>Oil & Gas Revenue (Estimated)</u>
1938-39	22	\$ 66,347	\$ 1,100,000
1963-64	139.4 ⁽¹⁾	\$1,590,635 ⁽²⁾	\$62,000,000
Percent Increase	(534%)	(2,297%)	(5,536%)

(1) Total positions exclusive of Salary Savings.

(2) Exclusive of reimbursements of \$105,833.

The foregoing figures indicate the Division's ratio of growth from 1938-39 through 1963-64. The most significant fact developed by these figures is that while the Division's expenditure program has increased 2,297%, there has been an increase in revenues of 5,536%, or 241% more than the increase in cost of operations. This fact is particularly noteworthy when it is considered that many recent statutory enactments have added functions of a non-revenue-producing nature. Some measure of this increased growth in activity can be gained from the fact that during this period in excess of 20 bills enacted by the Legislature have resulted in additional work load assignments to the Division. Some examples are: Section 6359 Public Resources Code - requires a survey of legislative grants of tide and submerged lands within a two-year period; Section 127 Government Code - requires the establishment of an index of lands located in California under federal jurisdiction; Chapter 1457, 1463, and 1465/59 - requires the monitoring of oil and gas leasing activities where political subdivisions propose to lease granted tide lands for oil and gas extraction; Chapter 1201/59 providing for the conduct of salvage operations on tide and submerged lands; Chapter 1398/63 requiring the development of a program whereby the State's costs of operations at Long Beach under the provisions of Chapter 29/56 1st E.S., were to be reimbursed by the City; Chapter 2160/63 providing for a subvention to cities and counties of origin of a portion of the State's oil and gas revenues; and, finally, Chapter 138/64 1st E.S., providing for active technical direction and management control by the State in the

CALENDAR ITEM 27. (CONTD.)

development and operation of the Wilmington Oil Fields located on the tide and submerged lands granted to the City of Long Beach.

As a result of the passage of the last enactment heretofore mentioned, the State Lands Division will engage in one of the most extensive programs it has ever undertaken -- that of working jointly with the City of Long Beach in the development of what is anticipated to become the second largest oil field in the United States. Gross sales of oil from this field are estimated at between 3.5 and 4 billion dollars, with net returns to the State and City respectively of 1.7 billion and 250 million dollars.

The program to be developed will require a mature management team as well as highly specialized and unique skills in the fields of petroleum law, petroleum engineering, petroleum auditing, and civil engineering. Unitization agreements and complex contracts, and the most modern techniques for secondary and tertiary recovery of oil, will be the basis for this project.

The Harbor Department of the City of Long Beach presently has a competent petroleum engineering staff of more than 50 positions working on the development and exploitation of the existing Wilmington Field. Additionally, they have employed outstanding consulting firms, such as James A. Lewis Engineering, Inc., and Golyer and Mac Naughton, in connection with this project. Its petroleum auditing staff consists of six positions. Additionally, the Harbor Department maintains a sizable staff of engineers and accountants who develop and control cost analyses on subsidence projects. State Lands will require similar staffing to that of the combined City and Harbor Department staffs in connection with the development and operations of both units of the Wilmington Oil field.

Concurrently with the growth of offshore oil development California's land economy has reversed from one of over-abundance to one of scarcity. Private interests and governmental agencies are vying with each other for the ever scarcer remaining lands. Choice sovereign lands for use and occupancy are becoming more rare and more valuable. There has been a large increase in the requests of political subdivisions for legislative grants of tide and submerged lands. These requests have assumed such importance that the Legislature is presently studying the entire matter of legislative grants.

As the administrator of the State's public lands, the Commission and the Division are faced with continuously increasing responsibilities respecting these lands.

The foregoing has been cited to call attention to the fact that the Division is faced with a tremendous accelerated expansion in activity in the immediate future, extending into the next three years, emphasizing the need for an immediate and thorough study of organization and staffing requirements.

IT IS RECOMMENDED THAT THE EXECUTIVE OFFICER BE DIRECTED TO REQUEST THE DEPARTMENT OF FINANCE TO INITIATE A STUDY OF THE STATE LANDS DIVISION, WHICH STUDY WILL (A) REVIEW THE PRESENT ORGANIZATION AND STAFF OF THE DIVISION AND (B) DEVELOP A PLAN TO PROVIDE FOR AN ORGANIZATIONAL STRUCTURE AND STAFFING IN CONFORMANCE WITH CURRENT AND NEAR FUTURE GROWTH REQUIREMENTS.