

MINUTE ITEM

10/26/72  
WMT(WJA)

22. SETTLEMENT OF LONG BEACH TIDELANDS AD VALOREM TAX LITIGATION - W 503.546.

After consideration of Calendar Item 20 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION IN CONNECTION WITH THE JUDGMENT ENTERED ON OCTOBER 19, 1972, BY THE SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF LOS ANGELES IN CASE NOS. 886428, 886427, 909895, 910971, 933172, 933173, 933174, 933175, 954874, 954875, 954876, 954877, 954872, 954873, 834194, 834195, 858034, 995677, 882347, 998435, 909719, 933453, 951007 AND 995676, AND PARAGRAPH 17 THEREOF AUTHORIZES:

1. THE EXECUTIVE OFFICER OR FISCAL OFFICER OF THE STATE LANDS DIVISION
  - (A) TO TAKE DELIVERY OF ALL CHECKS, WARRANTS AND OTHER FORMS OF PAYMENT ISSUED TO THE STATE OF CALIFORNIA;
  - (B) TO EXECUTE AND DELIVER RECEIPTS FOR ALL CHECKS, WARRANTS AND OTHER FORMS OF PAYMENT ISSUED TO THE STATE OF CALIFORNIA; AND
2. ASSISTANT ATTORNEY GENERAL JAY L. SHAVELSON OR DEPUTY ATTORNEY GENERAL WARREN J. ABBOTT
  - (A) TO EXECUTE AND DELIVER SATISFACTIONS OF JUDGMENT AND DISMISSALS OF ACTION PENDING;
  - (B) TO DO ALL OTHER THINGS NECESSARY OR PROPER IN ORDER TO CARRY OUT AND IMPLEMENT THE PROVISIONS OF SAID JUDGMENT AND EXHIBIT "C" THERETO, INCLUDING, BUT NOT LIMITED TO, THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND AGREEMENTS.
3. THE CHAIRMAN OF THE COMMISSION TO EXECUTE ON BEHALF OF THE COMMISSION THE NECESSARY POWERS OF ATTORNEY TO ACCOMPLISH THE ABOVE.

THE RESOLUTION OF THE COMMISSION OF JULY 6, 1972, RELATING TO THE ABOVE CASES SHALL REMAIN IN FULL EFFECT.

Attachment:  
Calendar Item 20 (3 pages)

A 39, 44, 68  
S 32, 37

SETTLEMENT OF LONG BEACH TIDELANDS AD VALOREM TAX LITIGATION

The Commission, at its meeting of December 19, 1968, authorized the Attorney General to intervene, on behalf of the Commission, in approximately 22 ad valorem tax cases then pending in the Los Angeles Superior Court. The basic issue involved in these ad valorem tax cases is whether the taxable interest in the Long Beach tidelands mineral rights, possessory interests, and personal property is vested in the oil companies operating the properties or in the City or State. Past taxes totaling \$85 million including interest, and future taxes estimated at \$90 to \$100 million are involved in this litigation. Approximately \$66 million of these disputed taxes have been impounded and are unavailable for public use.

By resolution adopted July 6, 1972, the Commission authorized the Attorney General and the Executive Officer to enter into any and all stipulations and agreements necessary or desirable to implement a settlement of the Long Beach tidelands ad valorem tax litigation under substantially the same terms set forth in the Commission's minutes of July 6, 1972. This has been accomplished. On October 19, 1972, the Hon. William H. Levit of the Los Angeles Superior Court, after considering the presentations of all parties, signed and entered a judgment presented pursuant to stipulation.

Under the terms of the judgment \$58.6 million of the \$85 million total taxes in litigation are declared valid, and the remaining \$26.4 million are refunded to the taxpayers. Since the taxpayers are for the most part operating under net profits contracts with the landowners, the actual distribution of the refund benefits is as follows:

DEVELOPERSWest Wilmington Field

Unitized lands covered by LBOD contract	\$ 735,776.47
Upland Working Interest Owners (Fault Blocks II, III, IV & V)	1,630,143.09

Long Beach Unit

Field Contractor (THUMS)	1,509,046.75
Non-Operating Contractors, Tract No. 1	106,740.05
Atlantic-Richfield Co., Tract No. 2	102,545.00
Towalot Participants	<u>24,672.77</u>
<b>TOTAL TO DEVELOPERS</b>	<b>\$ 4,108,924.13</b>

CALENDAR ITEM NO. 20. (CONTD)

GOVERNMENTAL

State Tideland Oil Revenue	\$18,512,240.31
Long Beach City Tideland Oil Revenues	<u>3,790,314.73</u>
TOTAL - GOVERNMENTAL	\$22,302,555.04
<u>TOTAL TAX REFUND</u>	<u>\$26,411,479.17</u>

The State will immediately receive \$18.5 million in oil revenue. Additionally, the State will receive \$7.6 million as reimbursement for past subventions paid by the State Department of Education to aid in the support of the Long Beach Unified School District and Long Beach Community College District while the tax monies were impounded.

Paragraph 17 of the judgment also provides an escrow procedure for handling of the tax refunds, wherein the taxing agencies will pay in the refunds, the nominal plaintiffs (the oil companies) will endorse the checks, and the County Treasurer, upon receiving satisfactions of judgment, will issue checks to the parties ultimately entitled to the refunds. The State Lands Commission will receive two checks totaling \$18,512,240.31 and the State Treasurer will receive two checks totaling \$7,608,438.00 (the return of school subventions). To facilitate this escrow, it is desirable to minimize the number of people filing and handling documents. The staff and the office of the Attorney General recommend that all the State checks should be handled by one person, the Fiscal Officer of the State Lands Division and the Attorney General's office should execute and file any other required legal documents. Similar authority for these persons has been received from the State Treasurer. The escrow closing date will be November 1, 1972.

IT IS RECOMMENDED THAT THE COMMISSION IN CONNECTION WITH THE JUDGMENT ENTERED ON OCTOBER 19, 1972, BY THE SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF LOS ANGELES IN CASE NOS. 885428, 886427, 909895, 910971, 933172, 933173, 933174, 933175, 954874, 954875, 954876, 954877, 954872, 954873, 834194, 834195, 858034, 995677, 882347, 998435, 909719, 933453, 951007 AND 995676, AND PARAGRAPH 17 THEREOF AUTHORIZE:

1. THE EXECUTIVE OFFICER OR FISCAL OFFICER OF THE STATE LANDS DIVISION
  - (A) TO TAKE DELIVERY OF ALL CHECKS, WARRANTS AND OTHER FORMS OF PAYMENT ISSUED TO THE STATE OF CALIFORNIA;
  - (B) TO EXECUTE AND DELIVER RECEIPTS FOR ALL CHECKS, WARRANTS AND OTHER FORMS OF PAYMENT ISSUED TO THE STATE OF CALIFORNIA; AND
2. ASSISTANT ATTORNEY GENERAL JAY L. SHAVELSON OR DEPUTY ATTORNEY GENERAL WARREN J. ABBOTT
  - (A) TO EXECUTE AND DELIVER SATISFACTIONS OF JUDGMENT AND DISMISSALS OF ACTION PENDING;

CALENDAR ITEM NO. 20. (CONTD)

- (B) TO DO ALL OTHER THINGS NECESSARY OR PROPER IN ORDER TO CARRY OUT AND IMPLEMENT THE PROVISIONS OF SAID JUDGMENT AND EXHIBIT "C" THERETO, INCLUDING, BUT NOT LIMITED TO, THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND AGREEMENTS.
3. THE CHAIRMAN OF THE COMMISSION TO EXECUTE ON BEHALF OF THE COMMISSION THE NECESSARY POWERS OF ATTORNEY TO ACCOMPLISH THE ABOVE.

THE RESOLUTION OF THE COMMISSION OF JULY 6, 1972, RELATING TO THE ABOVE CASES SHALL REMAIN IN FULL EFFECT.