

34. STATUS REPORT ON THE QUEEN MARY PROJECT - W 10248.

In response to a request by the Commission, the Executive Officer presented a staff report representing a four-year investigation and review on the Queen Mary Project. He summarized the mandate of Chapter 138, Statutes of 1964, wherein the Commission is specifically charged with the responsibility to oversee the management and expenditures of oil revenues derived by the City of Long Beach from the granted tidelands, and that any revenue derived from that resource shall be applied to the Statewide benefit of the people of California. The staff report shows that the City of Long Beach has expended substantial sums of tideland oil revenues for purposes not authorized by Chapter 138 and the tideland trust intent.

Warren J. Abbott, Deputy Attorney General, commented on several points of concern to the Attorney General's office which have been included in the report: expenditures of tideland oil revenue for the commercial portion of the Queen Mary Project, legal problems involved in the accounting for all the trust expenditures, and space allocations for museum purposes and commercial purposes.

The Executive Officer then reported on the present status of the Queen Mary Project. He indicated that the City originally announced that only 30 percent of shipboard space would be leased for commercial purposes whereas nearly half of that space, and over half of the new landfill, is devoted to commercial use. The Queen Mary Project today, rather than being a maritime museum with incidental commercial uses for the benefit of museum visitors, is instead a commercial enterprise with a maritime museum as its appendage.

The Executive Officer continued by reporting on the financial status of the Project. He stated that the State's responsibility lies not with the success or failure of the Project's commercial lessees, but with the use and management of the tidelands trust fund on behalf of the people, and that the staff's review was applied to the consideration of payments to that trust fund. The net effect on the tidelands trust indicates that there was a net operating deficit in the trust fund of \$2 million in 1972, and a deficit of \$1.8 million in 1973, for a total operating deficit of \$3.8 million to the trust funds since the Queen Mary Project was opened. The Project, therefore, is not amortizing the investment--which was the intent expressed to the Commission and to the Legislature--it is actually not even self-sustaining and has created a deficit in the tidelands trust fund.

The Executive Officer concluded in supporting the staff recommendations to the Commission in two areas:

1. Correction of past actions by the City: The Attorney General has indicated that there have been substantial unauthorized tideland oil revenue expenditures made by the City of Long Beach in connection

with the Queen Mary Project and that the Commission has a cause of action against the City. The Attorney General also advises that the decision of whether or not to sue the City lies within the discretion of the Commission. The staff recommendation is that suit be brought.

2. Preventive measures against such actions ever reoccurring: It is recommended that the Commission forward the staff report to the Legislature with a recommendation for remedial legislation. The present procedures are not in the public interest, and corrective legislation should be sought by the Commission.

Mr. Robert W. Parkin, Deputy City Attorney representing the City of Long Beach, requested that the Commission give further study to the Project before taking action. He stated that the preliminary staff report contained many inaccuracies, inconsistencies and contradictory statements. He further requested that the City of Long Beach be given an opportunity to study the final report and be given the opportunity to respond.

Chairman Flournoy directed the Executive Officer to deliver a copy of the staff report to the City of Long Beach in order that the City can prepare a rebuttal to be presented at the next Commission meeting on February 6, 1974.