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TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA
December 14, 1966

TRANSCRIPT OF
MEETING
of

STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA

December 14, 1966

PARTICIPANTS:

THE STATE LANDS COMMISSION :

Hon. Alan Cranston, Controller, Chairman

Hon. Glenn M. Anderson, Lieutenant Governor

Hon. Hale Champion, Director of Finance,
Acting Chairman first portion of meeting

F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Jay L. Shavelson, Assistant Attorney General

APPEARANCES:

(In the order of their appearance)

R. F. Outcalt, Jr., Attorney, Firm of
Lawler, Felix and Hall, representing
Standard Oil Company of California and
Atlantic-Richfield Company

James R. Christiansen
City Attorney, City of Carpinteria

I N D E X
(In accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
1	1					
2	1					
3	1a					
4	Call to order					
5	Confirmation of minutes of meeting of Oct. 27 1966					1
6	2					
7	PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:					
8	(a) Merced Irrigation Dist.	26	1			1
9	(b) Pacific Tel. & Tel. Co.	14	3			1
10	(c) Fairfield-Suisun Sewer Dist.	35	4			1
11	(d) Utah Constr. & Mining Co.	20	6			1
12	3					
13	PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:					
14	(a) Nomellini Constr. Co.	3	7			2
15	4					
16	OIL & GAS AND MINERAL LEASES AND PERMITS:					
17	(a) Dow Chemical Company	30	8			2
18	(b) Dow Chemical Company	32	10			2
19	(c) Standard Oil Co. of Calif. and Texaco Inc.	31	11			2
20	(d) Dow Chemical Co.	21	18			3
21	(e) Phillips Petroleum Co.	5	19			3
22	(f) Union Oil Co. of Calif.	23	20			3
23	(g) Eugene Sully Hancock Jr.	1	21			3
24	(h) Eugene Sully Hancock, Jr.	(1) 17	23			4)
25		(2) 18	26			4) Deferred
26		(3) 19	29			4)
27	(i) R. W. Cypher	24	32			4

continued

I N D E X
(In accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
4 OIL & GAS AND MINERAL LEASES AND PERMITS: (continued)			
(j) Decon Corporation	38	33	4
(k) McCulloch Oil Corp.	2	34	4
(1) (1) Offer of 480 acres Gray Lodge Waterfowl Management Area	11	35	4
(2) and (3) deferred			
5 <u>CITY OF LONG BEACH:</u>			
(a) Ninth Modif. 1966 Plan of Development Long Beach Unit	10	45	5
(b) no item			
(c) Informative: (1) Approaches to J. H. Davies Bridge	6	49	7
(2) Pipeline crossing Los Cerritos Channel	7	50	8
6 <u>LAND SALES:</u>			
(a) Robinet Logging Co.	29	51	8
7 <u>APPROVAL MAPS & BOUNDARY AGREEMENTS:</u>			
(a) Grant to City of Avalon	4	53	8
(b) Agreement fixing OHWM City of Rio Vista	9	54	8
(c) City of Coronado et al	13	55	9
(d) Lease - City of Coronado as part of settlement in <u>State of Calif. v. Coronado</u> <u>Beach Co.</u>	12	56	9

continued

I N D E X

(In accordance with Calendar Summary)

	<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
8	PROPOSED ANNEXATIONS:					
5	(a) City of Long Beach	27	57			10
6	Motion on (a)					12
7	(b) City of Carpinteria	25	58			10
8	Motion on (b)					36
9	ADMINISTRATION:					
10	(a) 1967-68 Budget State Lands Division	34	59			37
11	(b) Interagency agreement with Department of Justice	28	62			37
13	(c) Rio Ramaza Community Serv.	22	63			38 Candelero
14	(d) USC lease Fisherman's Cove Santa Catalina Island	39	65			38
15	10 CONFIRMATION OF TRANSACTIONS OF EXECUTIVE OFFICER:	36				39,41
17	Bay Toll Crossings, Div. of Cities Service Oil Co.		72			68
18	Mobil Oil Corp		67			67
19	Pan Petroleum Co.		71			71
19	Pauley Petroleum Co.		66			66
20	Phillips Petroleum Co.		69			69
20	Recreational Permits		73,74			73,74
21	San Diego Unif. Port Dist.		72			72
21	Signal Oil & Gas		67,69			67,69
21	Texaco Inc.		68,70			68,70
22	Union Oil Co.		66,70			66,70
22	U. S. Corps of Engineers		71			71
23	11 INFORMATIVE (a) Upper Newport Bay Land Exchange	33	75			39
24						
25	(b) Major litigation	37	76			41
26	<u>SUPPLEMENTAL</u>					
12	Tenth Modification 1965 Plan of Development, Long Beach Unit	40	78			42

I N D E X
(In accordance with Calendar Item Numbers)

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<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>	<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>
1	21	3	23	20	3
2	34	4	24	32	4
3	7	2	25	58	10
4	53	8	26	1	1
5	19	3	27	57	10
6	49	7	28	62	37
7	50	8	29	51	8
8	not on calendar		30	8	2
9	54	8	31	11	2
10	45	5	32	10	2
11	35	4	33	75	39
12	56	9	34	59	37
13	55	9	35	4	1
14	3	1	36	66	39
15	40	Deferred	37	76	41
16	42	Deferred	38	33	4
17	23	"	39	65	38
18	26	"			
19	29	"			
20	6	1	40	78	42
21	18	3			
22	63	Cancelled			

SUPPLEMENTAL:

1 DECEMBER 14, 1966 - 10:10 A.M.

2 MR. CHAMPION: The meeting will be called to order.

3 The minutes of the meeting of October 27, 1966 hav-
4 ing been submitted to the members of the Commission and there
5 being no objection, they will be approved as submitted.

6 Item 2 - Permits, easements, and rights-of-way to
7 be granted to public and other agencies at no fee, pursuant
8 to statutes:

9 (a) Merced Irrigation District -- Issuance of six-
10 month permit to enter upon 22.1 acres State school land, Mari-
11 posa County, for purpose of constructing facilities prelimin-
12 ary to purchase and completion of development.

13 (b) Pacific Telephone and Telegraph Company --
14 Execution of agreement approving location of submerged com-
15 munications cables across ungranted sovereign State lands in
16 San Francisco Bay, Marin and Contra Costa counties.

17 (c) Fairfield-Suisun Sewer District -- Extension
18 through July 1, 1968, of dredging permit P.R.C. 3404.9, cover-
19 ing 7.8 acres tide and submerged lands, Suisun Slough, Solano
20 County.

21 (d) Utah Construction and Mining Company -- Issu-
22 ance of permit to dredge approximately 158,000 cubic yards
23 material, without payment of royalty, from 11.542 acres tide
24 and submerged lands near mouth of the Russian River, Sonoma
25 County, and redeposit it on State-owned lands. (To improve
26 river access).

1 GOV. ANDERSON: So move.

2 MR. CHAMPION: Second. Is there any comment or
3 question? (No response) Stand approved.

4 Item 3 -- Permits, easements, leases, and rights-of-
5 way issued pursuant to statutes and established rental poli-
6 cies of the Commission:

7 (a) Nomellini Construction Company -- Assignment of
8 Lease P.R.C. 2212.1, tide and submerged land in San Joaquin
9 River at Venice Island, San Joaquin County, to Island Farms,
10 Inc.

11 GOV. ANDERSON: I move it.

12 MR. CHAMPION: Second. Any question or concern by
13 anybody? (No response) Stand approved.

14 Item 4 -- Oil and gas and mineral leases and permits
15 issued pursuant to statutes and established policies of the
16 Commission:

17 (a) The Dow Chemical Company -- Assignment of an
18 interest in State Gas Leases P.R.C. 714.1 and P.R.C. 729.1
19 Sacramento and San Joaquin counties, to Standard Oil Company
20 of California.

21 (b) The Dow Chemical Company -- (1) Assignment of
22 interest in State Gas Leases P.R.C. 714.1 and P.R.C. 729.1 to
23 Union Oil Company of California, subject to a reserved produc-
24 tion payment; and (2) assignment of said reserved production
25 payment to C.M.D. Endowment Corporation.

26 (c) Standard Oil Company of California and Texaco

1 Inc. -- (1) Determination that formation of North River Island
 2 Unit by "Unit Declaration" executed January 31, 1966, and that
 3 the entering into and performance of the Operating Agreement
 4 of February 1, 1966, covering operations in said unit, are in
 5 the public interest for the purpose of promoting conservation
 6 and preventing unreasonable waste; (2) approval of aforesaid
 7 Declaration and aforesaid Operating Agreement; and (3) authori-
 8 zation for Executive Officer to execute Joinder Agreement.

9 (d) The Dow Chemical Company -- Assignment of inter-
 10 ests in State Compensatory Royalty Agreements P.R.C. 2966.1
 11 and P.R.C. 3131.1 to Union Oil Company of California.

12 (e) Phillips Petroleum Company -- Deferment of drill-
 13 ing requirements, State Oil and Gas Lease P.R.C. 2205.1,
 14 Santa Barbara County, through July 21, 1967 (to permit further
 15 review of pertinent geological and geophysical data).

16 (f) Union Oil Company of California -- Deferment of
 17 drilling requirements, State Oil and Gas Lease P.R.C. 3033.1,
 18 Orange County, through July 25, 1967 (to permit completion of
 19 evaluation to determine reservoir characteristics and advis-
 20 ability of conducting further drilling operations).

21 (g) Eugene Sully Hancock, Jr. -- Cancellation of
 22 authorization given September 26, 1966 to issue four pros-
 23 pecting permits for geothermal energy, mineral waters, and all
 24 minerals other than oil and gas on 215.64 acres vacant State
 25 land, Imperial County. (Applicant rejected the permits because
 26 permit areas are too small, in consideration of the costs of

4
1 development, to justify exploration.)

2 (h) Eugene Sully Hancock, Jr. -- Issuance of three
3 permits ...

4 MR. HORTIG: Mr. Chairman, may I interrupt at that
5 point? With respect to item (h), on the recommendation of
6 counsel for further review to assure that complete protective
7 conditions are included in the permits for the protection of
8 the State, it is recommended that item (h) be deferred for
9 further consideration.

10 MR. CHAMPION: All right. If there is no concern
11 about that, it will be deferred.

12 (i) R. W. Cypher -- (1) Approval and adoption of
13 form of lease to be used for geothermal resources; and (2)
14 issuance of four preferential mineral extraction leases cover-
15 ing total of 535 acres vacant State land in Imperial County,
16 at standard royalty rates.

17 (j) Decon Corporation -- Extension of term of Per-
18 mit P.R.C. 3355.1 through December 31, 1967, for dredging
19 approximately 40,000 cubic yards material, at royalty rate of
20 five cents a cubic yard, from 3.225 acres tide and submerged
21 lands, Sunset Harbor, Orange County.

22 (k) McCulloch Oil Corporation -- Issuance of oil
23 and gas lease, 64.71 acres State land acquired in connection
24 with the South Bay Aqueduct, Alameda County, in consideration
25 of cash-bonus payment of \$323.55. (Only one bid received)

26 (l) Proposed oil and gas leases: Authorization for

1 Executive Officer to offer following for oil and gas lease,
2 with lease award to be made to qualified bidder offering the
3 highest cash-bonus payment:

4 (1) 480 acres of land comprising a portion of the
5 Gray Lodge Waterfowl Management Area, Butte County, over
6 which the Department of Fish and Game has surface jurisdiction.

7 MR. HORTIG: Mr. Chairman, with respect to sub-
8 items (2) and (3) following, again on advice of counsel to
9 review and determine that the technically correct legal
10 descriptions are included within the offer, it is recommended
11 that these items be deferred for such review and further
12 report.

13 MR. CHAMPION: Is there anyone here to be heard?
14 (No response) This item will be deferred.

15 GOV. ANDERSON: I'll move item 4, then, with the
16 exception of (h), which was deferred, and (2) and (3) of (1)
17 which was deferred.

18 MR. CHAMPION: Second. Is there any further com-
19 ment? (No response) Stand approved.

20 Item 5 - City of Long Beach (Pursuant to Chapter
21 29/56, 1st Extraordinary Session, and Chapter 138/64, 1st
22 Extraordinary Session: (a) Approval of action taken by Execu-
23 tive Officer consenting to Ninth Modification of the 1966
24 Plan of Development and Operations and Budget, Long Beach
25 Unit, increasing the total budgeted amount by \$1,126,000.
26 (Total budget after Ninth Modification, \$54,925,390.)

1 **GOV. ANDERSON:** I move it.

2 **MR. CHAMPION:** Second. I'd like to ask the Execu-
3 tive Officer one question about this. Now, it is in this
4 area of this budget and budget modifications that this ques-
5 tion of the purchase of steel is really determined, isn't it?

6 **MR. HORTIG:** The purchase of steel has an influence
7 on the amount in the budget, yes.

8 **MR. CHAMPION:** I received a communication from you,
9 saying that the steel companies ask deferment of consideration
10 of their, the domestic steel companies', case for the use of
11 more domestic steel until later.

12 **MR. HORTIG:** That is correct.

13 **MR. CHAMPION:** What effect does the deferment have
14 so far as this action is concerned?

15 **MR. HORTIG:** None. This simply continues the policy
16 established by the Commission one year ago, which is a con-
17 tinuing policy and recommendation until modified.

18 **MR. CHAMPION:** What I am interested in is: For
19 how long does this action commit us?

20 **MR. HORTIG:** Only for expenditures during the
21 calendar year 1966. You have already approved a 1967 budget.

22 **MR. CHAMPION:** And what is the basis of purchases
23 in the '67 budget?

24 **MR. HORTIG:** Still the continuation on the basis
25 that was established by the Commission one year ago.

26 **MR. CHAMPION:** If the decision were to be changed,

1 when would be the earliest time there would be a change?

2 There would have to be an amendment of the '67 budget.

3 MR. HORTIG: Almost immediately if the program were
4 to be changed; but that would have to be considered at the
5 first available meeting of the Lands Commission after today.
6 That would be the earliest date at which this could be accom-
7 plished.

8 MR. CHAMPION: When would that be translated into
9 action?

10 MR. HORTIG: If there is consideration at the Janu-
11 ary meeting of the State Lands Commission, this would be the
12 time of translation into action.

13 MR. CHAMPION: In other words, it could be done al-
14 most immediately upon modification of the budget by the Lands
15 Commission?

16 MR. HORTIG: This is correct -- although, of course
17 there are purchases in advance on the old basis, so very prob-
18 ably the only practical arrangement would be for a modifica-
19 tion starting with the second quarter purchases.

20 MR. CHAMPION: That's what I wanted to know. Thank
21 you.

22 (c) Informative only -- no Commission action re-
23 quired: (1) Construction of approaches to J. H. Davies Bridge
24 completed. Staff audit indicates a total of \$188,284.03 dis-
25 bursed against construction thereof and charged to the Tide-
26 land Oil Fund, plus \$9,414.20 for inspection costs, or total

1 disbursement of \$197,698.23, which is within amount authorized
2 by the Commission.

3 (2) Submarine pipeline crossing at Los Cerritos
4 Channel completed. Staff audit indicates a total trust ex-
5 penditure of \$9,740.10 of the estimated \$20,000 cost approved
6 by the Commission.

7 Those are the items under Long Beach.

8 GOV. ANDERSON: I moved the one and you seconded it.

9 MR. CHAMPION: That will stand approved unless
10 there is any further discussion. (No response)

11 Item 6 -- Land Sales (Cleared with all State agen-
12 cies having a land acquisition program) (a) Authorization
13 for sale to Robinet Logging Co. of 29.30 acres vacant State
14 land, Del Norte County, at \$31,602 (appraised value -
15 \$31,592.73).

16 GOV. ANDERSON: I move it.

17 MR. CHAMPION: Second. Any question? (No response)
18 Stands approved.

19 7 - Approval of Maps and Boundary Agreements:

20 (a) Authorization for Executive Officer to approve
21 and have recorded Sheet 1 of map entitled "Grant to the City
22 of Avalon, Santa Catalina Island, Los Angeles County," dated
23 October 1966.

24 (b) Authorization for Executive Officer to execute
25 an agreement with the City of Rio Vista, fixing the Ordinary
26 High Water Mark as the permanent boundary between State

1 sovereign land and adjacent uplands along the right bank of
2 the Sacramento River in Solano County.

3 (c) Approval of boundary agreement with the City of
4 Coronado, H D C Company, and Harry L. Jacobs as trustee of
5 the John K. Goodman and Gerre Gene Trust under the will of
6 Barney Goodman, deceased, and authorization for the Executive
7 Officer to execute said agreement, which agreement provides
8 for a 100-foot easement to the City of Coronado for public
9 recreational beach use; said easement may not be terminated
10 or substantially changed without approval of the Commission.

11 (d) Authorization for Executive Officer to issue
12 to the City of Coronado a 15-year lease commencing May 27,
13 1963, at a rental in the total sum of \$10, covering all tide
14 and submerged lands between the easterly and westerly bound-
15 aries of the City of Coronado, extended southerly into the
16 Pacific Ocean one geographical mile from the line of ordinary
17 high tide of the Pacific Ocean and between said line of ordi-
18 nary high tide and a line every point of which is located
19 one geographic mile seaward from said line of ordinary high
20 tide, as part of the negotiations and settlement of the tide-
21 land boundary dispute in the case State of California v.
22 Coronado Beach Company, San Diego County Superior Court Case
23 No. 251089.

24 GOV. ANDERSON: I move it.

25 MR. CHAMPION: Second. Any question? (No response)

26 Stand approved.

1 8 -- Proposed Annexations: (a) Authorization for
2 Executive Officer to notify the City Council of the City of
3 Long Beach, Los Angeles County, that full present value of
4 State-owned tide and submerged lands proposed to be annexed
5 under the designation of Increment 205, unincorporated terri-
6 tory lying southerly of the City of Long Beach between the
7 City of Los Angeles and the County of Orange, is \$20,000,000.

8 (b) Authorization for Executive Officer to notify
9 the City Council of the City of Carpinteria, Santa Barbara
10 County, that full present value of the State's interest in
11 tide and submerged lands sought to be annexed under the pro-
12 posed annexation designated as "Carpinteria Tide and Submerged
13 Lands Annexation No. 1-A-1," is \$7,825,000.

14 MR. HORTIG: Mr. Chairman, with respect to item (b)
15 and the proposed annexation by the City of Carpinteria, the
16 lands involved are the subject of an oil and gas lease by the
17 State Lands Commission to the Standard Oil Company of Cali-
18 fornia, and Standard Oil Company has requested the opportunity
19 for a presentation to the Commission today with respect to
20 this proposed annexation insofar as it affects their lease-
21 hold interest.

22 MR. CHAMPION: Well, now, this will require staff
23 analysis of their material; and this Lands Commission will
24 not again meet. Is it, therefore, appropriate to simply have
25 this presented to staff and thereafter brought before the
26 new Lands Commission?

1 MR. HORTIG: No, Mr. Chairman, for one reason --
2 that the annexation proceedings of the City of Carpinteria
3 are now scheduled for January 9th and unless there is an ac-
4 tion by the present Lands Commission, either in terms of fil-
5 ing a protest or requesting (and this would be the staff
6 recommendation) a deferment of the annexation proceedings in
7 order to permit the staff with the Attorney General to review
8 the problems and then make a report to the Lands Commission
9 for final report to the City of Carpinteria -- unless we
10 have either of those two actions today, the annexation will
11 take place.

12 MR. CHAMPION: Is the testimony necessary for ac-
13 tion on the request for deferment?

14 MR. HORTIG: No, sir -- unless the Attorney General
15 wishes to amplify.

16 MR. SHAVELSON: Just one slight modification, Mr.
17 Chairman: I believe the authorization should be for a re-
18 quest for deferment but that in the event the deferment is
19 not granted there would have to be an authorization to file
20 a protest -- because if it were not granted, as Mr. Hortig
21 mentioned, it would go through automatically.

22 MR. CHAMPION: Is the testimony in support of the
23 staff recommendation?

24 MR. HORTIG: I believe it will be. He could answer
25 that question.

26 MR. CHAMPION: I guess we should hear from the

1 representative from Standard -- although I guess you can tell
2 I am trying to shorten the meeting as much as possible.

3 MR. OUTCAULT: If the meeting is willing to defer
4 the matter, we are agreeable to that. If not, I would like
5 an opportunity to be heard on the merits.

6 MR. CHAMPION: Is there any opposition at present
7 to request for deferment?

8 MR. HORTIG: The City Attorney of the City of
9 Carpinteria is here.

10 MR. CHAMPION: Well, we better hear the matter. I
11 give up.

12 GOV. ANDERSON: When we establish the value of the
13 land, is this followed by other proceedings?

14 MR. HORTIG: Yes, sir.

15 GOV. ANDERSON: Then on these two items, (a) and (b)
16 we are just establishing the value of the lands, to be heard.

17 MR. HORTIG: ... to be heard at future annexation
18 proceedings.

19 MR. CHAMPION: All right. We can act on that.

20 GOV. ANDERSON: I move item (a).

21 MR. CHAMPION: Second. Is there any question on
22 that? (No response) Stands approved.

23 Then, on item (b) ...

24 GOV. ANDERSON: I move them both.

25 MR. CHAMPION: All right; second.

26 MR. OUTCAULT: We wish to be heard with respect to

1 the valuation on item (b), Mr. Chairman.

2 MR. CHAMPION: All right. We will hold item (b).
3 Would you like to give your name?

4 MR. OUTCAULT: Yes. My name is R. F. Outcault. I
5 am an attorney and I am here representing Standard Oil Com-
6 pany and Atlantic-Richfield Company, as lessees of State Lease
7 3150. The proposed Carpinteria annexation would cover about
8 ninety-five percent, approximately, of this State lease.

9 As the Commission no doubt knows, the owners of
10 territory within the proposed annexation have arrived at no
11 basis and the majority of the value in the territory can stop
12 the annexation. It is for that reason that we wish to com-
13 ment on this valuation, as well as the annexation itself.

14 We would urge here today that the Commission should
15 protest the annexation and join with the State lessees in pro-
16 testing the annexation, and thereby stop it.

17 In the alternative, if that is not done, then we
18 think the matter should be deferred so that careful considera-
19 tion, additional consideration, can be given to the valuation
20 of the State's interest for reasons which I want to point out.

21 Regarding the annexation itself, we see no advantages
22 to the State or its lessees and we see certain disadvantages.
23 Briefly, we do not anticipate that the City of Carpinteria
24 could or would be rendering any services to us as lessees in
25 this offshore area.

26 Secondly, we think that the operations there are

1 adequately regulated at present by a number of governmental
2 entities including this Commission, the County of Santa Bar-
3 bara, Corps of Engineers, the Coast Guard, the water authori-
4 ties, and probably the Department of Fish and Game is another
5 name that comes to mind. So we doubt there is anything to
6 be served in adding another layer of government so far as our
7 operations in the offshore area.

8 Further, we think it is probably safe to predict
9 that sooner or later annexation of this area will be reflected
10 in increased taxes of some sort by the City. We think that
11 both the lessees who will have to bear these taxes and the
12 State will have an interest in opposing this burden.

13 In the first place, adding another tax, the lease
14 becomes a little more uneconomic to operate than it would
15 otherwise. Secondly, if these annexations are going to be a
16 pattern on the coast, bids are going to be affected on off-
17 shore leases because the oil companies must add an added tax
18 burden to their bidding.

19 So for these reasons we think the State does have
20 an advantage in joining with its lessees in protesting and
21 stopping this annexation.

22 In the alternative, what I want to point out is
23 what may be the effect upon us of the valuation that is here
24 proposed and added reasons for giving further consideration
25 to this value. Our interest as a lessee must be valued
26 under the statute for protest purposes based on the County

1 Assessor's roll. The State valuation is proposed to the
2 City by the State Lands Commission, as we understand it - -
3 and we only had an opportunity I think day before yesterday
4 to consult briefly with Mr. Hortig and his staff regarding
5 this valuation - - but, as we understand it, it involves a
6 calculation of reserves, the application of the dollar value
7 of those reserves, then the application of the average of a
8 twenty-six percent royalty factor to determine the State's
9 interest in the offshore minerals involved in this annexa-
10 tion.

11 If the State's interest is twenty-six percent, by
12 hypothesis the lessees' interest should be seventy-four per-
13 cent; and comparing what we think will be a nominal value
14 for the County's interest in the surface out there, we as
15 lessees would normally be able to protest and stop the annex-
16 ation because we would have fifty percent of the value of
17 the annexed land; but if the Commission's valuation is made
18 without reference to the County Assessor's valuation and
19 comes in much larger, this has the effect of reducing our
20 proportion and making it impossible for the State's lessees
21 to protect themselves against this annexation.

22 Thus, if the Commission didn't choose to protest
23 or chose to remain neutral, by its valuation it would prevent
24 us from exercising what would normally be a right to come
25 in with a seventy-four percent interest and stop the annexa-
26 tion. Consequently, we think it is important that the

1 relationship between the State's valuation and the County
2 Assessor's valuation ...

3 MR. CHAMPION: What is his valuation?

4 MR. OUTCAULT: On the current tax bill the minerals
5 are valued at \$1.3 million. Now, we have an additional value
6 for improvements...

7 MR. CHAMPION: That's at what ratio?

8 MR. OUTCAULT: Our improvement value is \$1.7 mil-
9 lion, so there is a total valuation of \$3 million on the
10 rolls of the County at a twenty-five percent discount, plus
11 an additional discount on other taxes paid by the lessee --
12 which, of course, are not amenable for application to a one
13 hundred percent valuation as required to be reported to the
14 Lands Commission.

15 We think probably we will be faced with a problem
16 because two-thirds of our lease is in this annexation, that
17 this Assessor's valuation on our entire lease might have to
18 be reduced. We propose to protest this, so the Assessor's
19 valuation may not be what we are entitled to protest. So
20 you can see if the State value is pushed way up and the State
21 does not protest, what we thought to be a three-fourths value
22 position has dropped well below the fifty percent we think
23 we are entitled to protest.

24 I'd like to mention two or three factors that I
25 think would, perhaps, among others go into the further con-
26 sideration that we ask be given to this. One is that, as we

1 understand it, in the present value that has been recommended
2 by the staff there is no discount for present value; in other
3 words, the State's value is just a dollar value for all of
4 the reserves that are there. But, as they are going to be
5 produced in the future, we think the application of a discount
6 factor in this case might be forty percent or more, which
7 might tend to bring the State's value here more in line with
8 the County Assessor's valuation and can tend to accord us a
9 bigger share.

10 MR. CHAMPION: This only becomes important if we
11 are neutral in the matter.

12 MR. OUTCAULT: That is precisely true.

13 MR. CHAMPION: If we are really in opposition to
14 this, we don't need to worry about that.

15 MR. OUTCAULT: Neither we nor the Commission has to
16 be concerned with the value; but in the event the Commission
17 does not determine that, I do want to lay before you that one
18 matter on the discount factor -- the possibility that there
19 may be elements of reserves that have been included in this
20 valuation that do not really have a value. I have in mind
21 gas, which may or may not be used in production operations,
22 and this is a minor matter but it is very

23 MR. CHAMPION: Unless Governor Anderson feels dif-
24 ferently, my reaction to this kind of discussion is that it
25 is not particularly useful to us. This sort of analysis
26 should be made to the staff.

1 MR. OUTCAULT: I appreciate that, and my purpose in
2 making it here is to be sure that we, in fact, have laid our
3 point before the Commission, so if it comes up later ...

4 GOV. ANDERSON: I would not want to be a part of a
5 protest.

6 MR. CHAMPION: Well, shall we hear from the City
7 Attorney of Carpinteria?

8 MR. OUTCAULT: May I just in one sentence sum up
9 our position on this?

10 MR. CHAMPION: Surely.

11 MR. OUTCAULT: That we strongly urge that the State
12 here has an interest in protesting, stopping this annexation;
13 and, secondly, if the Commission does not determine to pro-
14 test on behalf of the State and stop the annexation, then this
15 matter should be deferred so that further consideration can be
16 given to fixing a value for the State's value that will accord
17 to the lessees' interest its proper and fair proportion of the
18 protest rights.

19 GOV. ANDERSON : How long would a deferral like
20 this take? What are we talking about?

21 MR. OUTCAULT: I suppose this would be a matter for
22 us to work out with the staff. We can meet with the staff
23 very quickly.

24 MR. CHAMPION: In this case if we ask for a deferral
25 it would simply be in order for us to review this matter of
26 the amount of the valuation, and so on, and then present it.

1 Eventually this decision is going to be made by the appro-
2 priate body elsewhere.

3 GOV. ANDERSON: If we remain neutral, is our per-
4 centage counted as a negative vote?

5 MR. HORTIG: If we remain neutral, it would be the
6 majority vote under the present condition of the statistics
7 and would preclude the lessee from exercising what he feels
8 is his proper voting strength in connection with the proposed
9 annexation. If the State Lands Commission remains neutral,
10 there is a serious question that, despite the protest of the
11 State's lessee, the annexation would be completed on January
12 ninth.

13 MR. OUTCAULT: As a matter of fact, I take it if
14 the State remains neutral, that is an affirmative vote. By
15 not protesting its value, it is in effect in favor.

16 GOV. ANDERSON: If it is deferred and the State
17 took the same position, what would be the difference? The
18 lowering of our assessment or appraisal on this -- would
19 that change it?

20 MR. OUTCAULT: Yes, because I think it would bring
21 it more in proportion with our lessees' interest.

22 MR. CHAMPION: My inclination would be to defer it
23 so that we got a settlement of that question if we were not
24 going to take a position against it; but I would like to hear
25 from the City Attorney of Carpinteria as to his opposition to
26 even a deferment.

1 MR. OUTCAULT: Thank you very much.

2 MR. CHRISTIANSEN: Gentlemen of the staff, gentle-
3 men of the Commission, my name is James R. Christiansen, City
4 Attorney for the City of Carpinteria.

5 This is not a brand new item coming up here. The
6 matter has been discussed at some length with your staff,
7 primarily in the drawing of the boundaries. The original
8 matter was started some time back last summer and the staff
9 requested a deferment at that time so that new boundaries
10 could be drawn in accordance with the specifications, and
11 this was done by the City; and we submit to you the fact we
12 have had this problem in mind, raised it with them at that
13 time, and they indicated they were aware of it way back last
14 summer.

15 Briefly, I'd like to answer a few points presented
16 by the attorney for the oil companies. First of all, he says
17 there is no service to the area and no advantages to the
18 State. One of the reasons that precipitated this annexation
19 was the fact that the City would normally be entitled to
20 receive certain revenues under the Public Resources Code for
21 the use of its beach park. It amounts to only a small per-
22 centage, but it is significant to the City. We derive a
23 certain amount of revenue because the City does go up the
24 leasehold areas a half mile. We propose to take in more of
25 the leasehold areas so we can get these monthly revenues which
26 are segregated for public park purposes open to the State.

1 MR. CHAMPION: This is the so-called Beach bill?

2 MR. CHRISTIANSEN: One percent subvention.

3 MR. CHAMPION: What amount of money are you getting
4 now?

5 MR. CHRISTIANSEN: I don't have the exact amount --
6 fifty or seventy-five dollars a month; while, if we had this
7 annexation, we would get close to six, seven, eight hundred
8 dollars a month, I don't know exactly. Even then that's not
9 enough to take care of the public beach park, but it is sig-
10 nificant. It is not a very large city and is significant to
11 us.

12 This whole matter was brought up by the Standard
13 Oil Company and the related company to the local agency for
14 formation of this annexation, which was charged with consider-
15 ing the benefits to be received from protesting parties or
16 other parties in regard to the entire area, at the County
17 level, the City level. At that time the local agency forma-
18 tion commission determined that it would be a benefit to the
19 whole area.

20 In other words, we are not dealing with just a few
21 isolated platforms sitting out in the ocean that have no re-
22 lationship to onshore facilities or services to employees;
23 but there is a whole area to be benefitted as an integral
24 economic unit. Standard Oil, with those two very large plat-
25 forms located offshore, are rather significant in Carpinteria
26 development and growth. We can't ignore them, sitting out

1 there, and their processing facilities onshore. I suppose
2 their employees use City services and attend City schools.
3 They are already included in a special district, taxing dis-
4 trict, districts which had ad valorem taxes -- school dis-
5 tricts, sanitary district, and even a cemetery district.

6 The counsel for Standard Oil Company, although he
7 couldn't see any need for the cemetery district, said he
8 would be willing to be in the cemetery district -- that was
9 part of their community relationship -- but as far as adding
10 on new City taxes, he was opposed to it.

11 The City has another desire in regard to this annexa-
12 tion and that is particularly in relationship to the sanitary
13 district and fire district -- which now our sanitary district
14 includes a portion of the area to be annexed and the fire
15 district includes all of it. The City definitely desires to
16 have the amalgamation of these districts with the City govern-
17 ment so it can provide more efficiently; but unless they can
18 get the basis these other districts are, they will not be
19 able to do this economically or otherwise.

20 Now, the question came up as far as the protest was
21 concerned. I believe the Commission probably has a copy of
22 the statutory provisions relating to the protest in their
23 staff report, indicating the exact statutory language. Now,
24 it is our position that the State Legislature intended to give
25 the State Lands Commission a certain amount of authority over
26 this and to value their interest for protest purposes on

1 a different basis, to give the Lands Commission a better
2 control over what was desirable and what was not desirable
3 in the area. That is the reason why the recommendation of
4 the staff is worded in exactly that way --"at its full present
5 value."

6 If the Standard Oil Company does not desire this
7 method of approach, I don't think that this is the proper
8 forum to present the argument that it should be reduced by
9 twenty-five percent valuation. That argument is proper to
10 be presented either to the State Legislature to amend this,
11 or, if they feel that the State Legislature did not intend
12 this, present it to a court.

13 The language of this particular section is clear.
14 It says: "The State Lands Commission shall fix the value of
15 the tide or submerged lands owned by the State." It does
16 not say it will be reduced by any twenty-five percent.

17 I agree with Mr. Hortig that the request is to re-
18 port the valuation of the State interests in this area, to
19 report it to the City. In fixing this valuation I had no
20 knowledge of what this valuation would be or exactly how it
21 would be determined until this last report on it. It was a
22 calendar item that came out and that was the amount that was
23 listed, and I don't think the staff was partial or misled in
24 any way in making their valuation; and I would presume they
25 relied on their counsel and your counsel in making this
26 determination.

1 The staff has already studied the matter and we
2 would be very much opposed to any continuance in the situation.
3 The matter has been pending for some time. We also have a
4 problem legally. We have a hearing set; other people in the
5 area have been noticed; the matter has been published in the
6 newspapers and - - I don't know; this whole question of a
7 continuance came as a surprise to me and I don't think the
8 City has any authority to continue it to a later meeting.
9 There are some statutory conditions I am not familiar with and
10 I don't know whether, if we continue it, we start all over
11 again.

12 It is not something new and different, and it is a
13 matter determined by the staff and, we think, in accordance
14 with the statutes. If Standard Oil opposes it, then I think
15 this is the improper forum to present it.

16 MR. CHAMPION: There is, however, no special pres-
17 sure of time for this annexation -- you'd just like it as
18 soon as possible?

19 MR. CHRISTIANSEN: It means we have all this adver-
20 tising to do. We have advertised the meeting and would have
21 to cancel the meeting. There is the time factor in the sense
22 we would very much like to have it accomplished and we would
23 like these Public Resources funds that would come in; and
24 there is no assurance that if the matter is concluded here
25 today it will go to the City Council -- that Standard Oil
26 might not protest the matter before the courts.

1 MR. CHAMPION: Well, no action of ours would pre-
2 clude such a decision.

3 MR. CHRISTIANSEN: I think the matter will be de-
4 layed long enough anyway and we would like to have it done
5 at least by next year; and if the matter goes to court it
6 will take a long time. For that reason I don't think there
7 is any reason or necessity for delay at this point. I think
8 the staff acted honestly and fairly in their report. I take
9 it the motion has already been approved -- the only question
10 is: Should the Lands Commission request deferment under the
11 question of the protest.

12 MR. CHAMPION: Mr. Hortig, I presume you feel your
13 report was honest and fair; but do you feel there are any
14 open questions that ought to require further consideration,
15 or do you regard that as being unnecessary?

16 MR. HORTIG: I believe there are open questions in
17 terms of the very dissimilar statutory criteria which are
18 provided in connection with valuations for incorporation,
19 valuations for annexation, and valuations for other tax
20 assessment purposes; and all of these issues having been
21 raised today, I can only say that the staff can't possibly
22 make an objective recommendation to the Lands Commission with-
23 out the opportunity to review the presentations in conjunction
24 with the Office of the Attorney General.

25 MR. CHAMPION: Have we had similar circumstances
26 before or are we on new ground?

1 MR. HORTIG: This actually would be precedent-
2 setting in that while there have been partial representations
3 in connection with annexations heretofore, there has never
4 been one where there has been a specific new request for con-
5 sideration that the Lands Commission join in the protest
6 based on the interrelationship of valuations and fragmented
7 property ownerships that are involved herein.

8 This is ^{an} anomalous situation in that we have a tide-
9 land lease, but only the minerals are leased by the State
10 Lands Commission, the surface of the tidelands having been
11 previously granted by the Legislature to the County of Santa
12 Barbara, who are also involved in these proceedings as a
13 landowner.

14 MR. CHAMPION: Are they in support of the annexa-
15 tion or is their status in this still undetermined?

16 MR. HORTIG: Their official position, I believe,
17 is to be presented at this meeting January 9th.

18 MR. CHRISTIANSEN: I have heard no opposition.
19 There was opposition by Standard Oil Company.

20 MR. CHAMPION: What was their position on the
21 matter?

22 MR. CHRISTIANSEN: Their position was that the
23 annexation should not be approved -- Standard Oil and the
24 related companies said that the annexation should not be
25 approved.

26 MR. CHAMPION: Did the local agency formation

1 commission take any position?

2 MR. CHRISTIANSEN: Yes.

3 MR. CHAMPION: What was their position?

4 MR. CHRISTIANSEN: They approved the annexation.

5 GOV. ANDERSON: Is there any question in their
6 approval?

7 MR. CHRISTIANSEN: There was a three to one vote,
8 I believe, one supervisor voting against it.

9 GOV. ANDERSON: When was this meeting of the local
10 agency?

11 MR. CHRISTIANSEN: This was in October and Standard
12 Oil Company was represented there. I would say all these
13 statutory questions -- the annexation and incorporation
14 statutes are very confusing; but I don't think the staff is
15 going to be able to resolve all those questions. The courts
16 can't resolve them.

17 MR. CHAMPION: I am basically sympathetic to the
18 annexation and I don't think the State, if you would put it
19 in straight economic terms, would have an interest to oppose
20 such an annexation. I don't think it is our position to do
21 this and I don't think we would at this point; but it would
22 seem to me there are some questions that should be settled,
23 so if we are setting precedents and going into new ground
24 we ought to be very clear and firm on what our position is.

25 MR. CHRISTIANSEN: I just don't think they are
26 going to be resolved on the staff level.

1 MR. CHAMPION: Well, we have a responsibility for
2 what we do and other people have the responsibility for what
3 they do. Maybe we can't resolve it, but we have a position
4 to take.

5 GOV. ANDERSON: Frank, I am a little confused on
6 this. You went on in your own way of determining the
7 State's interest and you came in with this \$7,825,000 figure.
8 Now it has been suggested if we took a neutral position and
9 left it where it was, this would preclude our lessees from
10 having an overriding vote. The suggestion is you could come
11 in with a lower valuation. Is this possible? It seems to me
12 we have one set of figures. Do we bring in one so they can
13 have a majority vote and then come in with another figure?
14 It seems to me if this \$7,825,000 figure is right, it is
15 right.

16 MR. HORTIG: It is right, but the problem is that
17 the criteria for comparative valuations for various purposes
18 that are specified in the law are not the same criteria that
19 we felt were applicable as a result of the type of report
20 that the Lands Commission is required by statute to make to
21 a public agency desiring to annex lands.

22 (Mr. Cranston came into the meeting at this time.)

23 GOV. ANDERSON: What would be the difference in
24 criteria?

25 MR. HORTIG: This is the fair market value of the
26 State's interest in these lands and this is correct; but, as

1 Mr. Outcault explained at the outset, a lessee's interest to
2 be reported in connection with a protest in an annexation pro-
3 ceeding goes on a different and parallel series of statutes,
4 but arriving at the same end point must be based on the valu-
5 ation which is applied to the lands by the County Assessor
6 for tax assessment purposes.

7 So we have the lessee's interest measured by one
8 yardstick, the State Lands Commission's interest measured by
9 another larger yardstick; and I inferred from Mr. Outcault's
10 presentation his suggestion is there might be a basis for
11 resolution of the problem, to get both of these yardsticks on
12 the same datum plane.

13 So we really are no longer comparing apples and
14 oranges, but a slightly discounted State apple, which is dis-
15 counted with the same discount factors required as a result
16 of the Revenue and Taxation Code in connection with assess-
17 ments and appraisals by county assessors.

18 GOV. ANDERSON: Using our method of setting the
19 value, where you came up with the \$7,825,000 figure, what
20 would that in round figures establish the lessees' value?

21 MR. HORTIG: Well, as Mr. Outcault said, by our
22 own appraisal, if this is the twenty-six percent interest,
23 seventy-four percent would be over twenty million.

24 GOV. ANDERSON: On the other hand, the Assessor has
25 assessed their property at \$1,300,000 and they assess at
26 twenty-five percent of that.

1 MR. HORTIG: No; the \$1,300,000 is the assessed
 2 value against which you will find, in your agenda item on
 3 page 58, the comparable figure suggesting that if the tide
 4 and submerged land proposed to be annexed were assessable to
 5 the State, the value would be approximately twenty-five per-
 6 cent thereof, or \$1,973,750; and that \$1,973,750 is to be
 7 compared with the Assessor's one million-three -- which again,
 8 in the assessment practice in Santa Barbara County, includes
 9 other discount factors other than the twenty-five percent for
 10 uniform assessment ratio.

11 MR. CHRISTIANSEN: I understand, in talking with
 12 the County Assessor, there has been some question over the
 13 assessments even at this point by the oil companies relative
 14 to the valuation he has placed upon the property. I would
 15 say if the oil companies feel their assessment is too low, I
 16 don't think this Lands Commission should stand up and say the
 17 Assessor of Santa Barbara is assessing it properly or improv-
 18 erly. It is made on an entirely different basis or it could
 19 be, or it could be made on the same; but it is a question
 20 that the Assessor is an entirely different agency and has a
 21 lot of different formulas, all of which are under discussion
 22 with oil companies from time to time. And I don't think the
 23 position of the oil companies is that they are over-assessed
 24 in Santa Barbara County.

25 As you can see, there is a considerable discrepancy
 26 between the State's appraisal even at a twenty-five percent

1 discount value than what the local assessment is; and I don't
2 think the State Legislature in passing the statutory provi-
3 sion intended that you were going to discount your valuation
4 in accordance with local assessment practices.

5 MR. CHAMPION: Without a close reading, I would
6 guess the Legislature had no intention one way or the other.

7 MR. CHRISTIANSEN: If they had that intention, I
8 think they would have put it in.

9 MR. CHAMPION: Well, intention-reading is difficult
10 They just weren't conscious of the problems. I am not hold-
11 ing the Attorney General to this, but what is your view of
12 this, Jay?

13 MR. SHAVELSON: Mr. Champion, I feel that certainly
14 strong arguments could be made against a one hundred percent
15 valuation being weighed against a twenty-five percent valua-
16 tion. I think your statement is correct -- the Legislature
17 did not consider the problem; but I think reading the statute
18 so as to reach that result could possibly be erroneous.

19 Our Office has not been consulted on this; however,
20 perhaps one suggestion we had was that the Commission report
21 the full value as so many dollars and if it were assessed the
22 assessed value would be at a certain amount, and then leave
23 it as between the oil company and the City to determine which
24 value should apply. In other words, let the court determine
25 which is the correct valuation. That is, it is not a matter
26 of doctoring that valuation, Governor. It is a question of

1 which one should be applied legally -- whether it should be
2 the twenty-five percent weighed against the one hundred per-
3 cent or should they be brought into equity.

4 GOV. ANDERSON: Wouldn't it be better, then, to
5 keep this value and make it clear this is the fair market
6 value, and let the courts determine that; rather than, as you
7 say, try to doctor it down to fit this particular case? It
8 seems to me we get into great difficulty. It raises the
9 question that all the things we have done in the past are on
10 the same yardstick.

11 MR. SHAVELSON: I think in any action the Commis-
12 sion takes it should be clear this is based on the one
13 hundred percent value.

14 MR. CHRISTIANSEN: I think that would be applicable,
15 that this is made without any assessment ratio.

16 MR. HORTIG: I might add, particularly with regard
17 to the Governor's comment on past actions, none of the past
18 reports by the Lands Commission have in any way been preju-
19 diced because none of these reports and none of these valua-
20 tions were utilized in connection with any protest actions.

21 GOV. ANDERSON: There were a couple of them where
22 we could; we talked about them at the time. One was a simi-
23 lar area.

24 MR. HORTIG: Having chosen not to protest, it was
25 immaterial whether the full market value or the assessed
26 value would have been applicable. This point,, as Mr.

1 Shavelson pointed out, has not been adjudicated and is the
2 primary legal issue -- although we are having difficulty in
3 making a comparison.

4 MR. CHAMPION: Well, now, let me try to summarize
5 this discussion and I'll come back to you. If I understand
6 it, the feeling is we don't want to oppose the annexation
7 ourselves and, therefore, the only question is whether there
8 should be a deferment. Now, from the questions I asked Mr.
9 Hortig earlier about determination of these questions and
10 from this discussion we just had, do I take this as an indi-
11 cation that it might be appropriate to approve this valua-
12 tion, with the statement that it should not be prejudicial
13 as against assessed valuation by the County, and that would
14 really end our responsibility and there would be no need to
15 defer it? Or have any other questions been raised? Is that
16 where we stand?

17 MR. HORTIG: I believe, subject to concurrence by
18 Mr. Shavelson, that this could complete the actions required
19 by the State Lands Commission. This would, of course, put
20 the problem of final determination up to whatever court ac-
21 tion that the State lessees might seek and if there were in
22 the future a resolution, for example, that the full market
23 value should be considered and it is not the practice of the
24 Lands Commission to protest -- then the discount will be
25 taken from future State bids to insure that the lessee does
26 not pay any additional taxes that are imposed by reason of

1 areas being annexed in the future.

2 MR. CHAMPION: Well, we have been in the discount
3 business before.

4 Would you like to speak again?

5 MR. OUTCAULT: I'd like to add one comment, Mr.
6 Chairman. We certainly don't request any doctoring of the
7 figures here.

8 MR. CHAMPION: I think that is understood and it
9 should be on the record.

10 MR. OUTCAULT: I think there are two factors here
11 involved -- one that has been lately alluded to, that the
12 Assessor comes up with a valuation and then he reduces to
13 twenty-five percent before he goes on the roll; but there
14 is another element in this present figure -- that the Lands
15 Commission, as I understand it, is purporting to come up
16 with the present market value of the State's interest, but
17 yet there is no discount for the present dollar value of
18 royalty which is going to be received over a long period of
19 years in the future.

20 The thing that we want to carefully point out to
21 the Commission, and which we think merits further considera-
22 tion by the staff, is that normal principles of valuation
23 would say that if you are going to receive a dollar a year
24 over a period of a number of years, twenty years we will say,
25 it isn't worth twenty dollars today. It is worth something
26 less than twenty because most of it is going to be received

1 in the future. So on that basis we contend that the value
2 that has been proposed here ought to be reconsidered.

3 MR. CHAMPION: You know there are various factors
4 that enter into an attempt to project that value into the
5 future. Inflation is only one of those; the price of oil is
6 another; and we are in a guessing game. How would you at-
7 tempt from the present value to make any determination?

8 MR. OUTCAULT: It is an appraisal matter, but you
9 first have a determination of what the income is going to be.
10 Once you have estimated your income is going to be so many
11 dollars per year over a certain period of years, you cer-
12 tainly discount, take off, a certain percentage to get the
13 present interest -- what a buyer would pay today to buy that
14 interest, having in mind he wasn't going to receive the re-
15 turn on it for a number of years. This is a substantial
16 factor in evaluation practice.

17 MR. CHRISTIANSEN: You do get into another problem.
18 There are a lot of problems ...

19 MR. CHAMPION: One question: We have been asked
20 to provide an estimate of value. How does the statute define
21 a value if it does define a value?

22 MR. HORTIG: The statute requires that when a terri-
23 tory proposed to be annexed consists wholly or partly of tide
24 or submerged lands owned by the State, the legislative body
25 of the city shall determine the value of such tide or sub-
26 merged lands for the purpose of this article. For purposes

1 of such determination, the State Lands Commission "shall fix
2 the value of tide or submerged lands owned by the State and
3 shall notify in writing the legislative body of its deter-
4 mination" -- end of total criteria and definitions on how to
5 do it.

6 MR. CHAMPION: We are on our own?

7 MR. HORTIG: Right.

8 GOV. ANDERSON: I would think we should use the
9 present criteria we have used on all the rest and let them
10 take it to the court and have them determine the assessed
11 valuation versus our own market value.

12 MR. CHAMPION: I agree with you.

13 MR. CHRISTIANSEN: I would agree with you.

14 MR. CHAMPION: May I have a motion on the matter
15 before us, then?

16 GOV. ANDERSON: That's approved -- 8(a) and (b).

17 MR. CHAMPION: We have approved 8(a).

18 GOV. ANDERSON: I move we approve item 8(b).

19 MR. CHAMPION: I'll second and that will stand
20 approved, with the understanding that we make very clear the
21 basis upon which this determination is made and it has a
22 limited application.

23 MR. CHRISTIANSEN: Thank you.

24 MR. CHAMPION: The real Chairman having arrived
25 and since I am ten minutes late to another meeting, I will
26 surrender the Chair.

1 MR. CRANSTON: I believe we go to Classification
2 9 -- Administration - (a) (1) Approval of proposed budget of
3 the State Lands Division for fiscal year 1967-68, in the
4 total amount of \$1,552,909 (inclusive of \$100,420 for imple-
5 mentation of the decision in U. S. v. California on the estab-
6 lishment of offshore boundaries); and (2) approval of the
7 establishment of eight additional staff positions.

8 MR. HORTIG: At that point, Mr. Chairman, might I
9 report further to the Commission that in accordance with pre-
10 viously established procedure the proposed budget before you
11 is that which was submitted by staff about October first to
12 the Budget Division of the Department of Finance and, there-
13 fore, now with this submittal will be subject to reconsidera-
14 tion and modification in accordance with the directives that
15 have been issued to the Budget Division by the incoming ad-
16 ministration.

17 MR. CRANSTON: You mean you want us to increase it
18 now?

19 MR. HORTIG: No, sir -- just approve it as it was
20 submitted.

21 GOV. ANDERSON: I move it.

22 MR. CRANSTON: Moved, seconded, so ordered.

23 (b) Authorization for Executive Officer to execute
24 interagency agreement with the Department of Justice for
25 fiscal year 1966-67, providing for the services of the Attor-
26 ney General's Office and covering the Division's Long Beach

1 operations under Chapter 29/56, 1st E.S., and Ch. 138/64, 1st
2 E.S., at a cost not to exceed \$125,000.

3 GOV. ANDERSON: Move it.

4 MR. CRANSTON: Moved, seconded; without discussion
5 so ordered.

6 MR. HORTIG: Mr. Chairman, with respect to item
7 (c) which you were just about to read, indicated action
8 necessary in order to collect past due rent -- As of Monday
9 I am happy to report the past due rent was received. There-
10 fore, it is requested that consideration of this item be
11 cancelled.

12 MR. CRANSTON: (d) Authorization for Executive
13 Officer to issue to the University of Southern California
14 a 15-year lease (with three ten-year renewal options) cover-
15 ing 40 acres tide and submerged lands at Fisherman's Cove,
16 Santa Catalina Island, Los Angeles County, at nominal \$100
17 annual rent (the use to be related to oceanographic and other
18 scientific research).

19 GOV. ANDERSON: I move it.

20 MR. HORTIG: Mr. Chairman, the resolution as it
21 appears on page 65 of your agenda should be amplified to in-
22 clude the following language, following "... and other scien-
23 tific research" add: "to be made available to institutions
24 of higher learning, public and private."

25 Also, following "\$100 annually" add: "and the public
26 benefit."

1 MR. CRANSTON: Approval is in order.

2 GOV. ANDERSON: (Nodded affirmatively)

3 MR. CRANSTON: Approval moved, seconded, so ordered.

4 Item 10 -- Confirmation of transactions consummated
5 by the Executive Officer pursuant to authority confirmed by
6 the Commission at its meeting on October 5, 1959.

7 Anything to report?

8 MR. HORTIG: Nothing unique. These were predom-
9 antly extensions of geological and geophysical exploration
10 permits, and for the conduct of test borings for feasibility
11 studies for various projects.

12 GOV. ANDERSON: I move it.

13 MR. CRANSTON: No action is required on that.

14 Item 11(a) -- Report of firm of Livingston and
15 Blayney, consultants, (1) analyzing the Upper Newport Bay
16 Land Exchange Plan, (2) outlining the criteria which the Com-
17 mission should consider in reviewing the proposal, and (3)
18 recommending steps to attain a land exchange plan that will
19 be in the Statewide interest. Report to be on file and
20 available for review in the official records of the Commission
21 at Sacramento and Los Angeles.

22 I'd like to state that the Commission plans no
23 action on this matter at this time. What this report com-
24 prises is not a suggestion for any detailed new approach on
25 the Newport land exchange, but it does propose criteria that
26 this Commission should perhaps consider in analyzing

1 this and any other future action this Commission may contem-
2 plate. I would simply like to place it in the record. The
3 view, I think, is that of the Commission -- that this report
4 should be very carefully considered by the new Lands Commis-
5 sion. We hope it will be very carefully considered by the
6 County of Orange and by the Irvine Company and any citizens
7 interested in this project; and with that blessing we pass
8 it on to you.

9 GOV. ANDERSON: It should be made public.

10 MR. HORTIG: That was the question I was just going
11 to raise.

12 GOV. ANDERSON: I would feel it should be made
13 public.

14 MR. CRANSTON: I'd like to go further than saying
15 it should be made available. I think we should have copies
16 made and copies sent to interested public officials in Orange
17 County and the Irvine Company. How many copies do we have,
18 Frank, now?

19 MR. HORTIG: Thirty-five.

20 MR. CRANSTON: Would you distribute it to those
21 who have possible interest -- to the officials of Orange
22 County and Irvine Company and any others?

23 VOICE: Representing the County of Orange, I'd
24 like to have a copy of this.

25 MR. CRANSTON: You are most welcome and more
26 copies are available. Is there any discussion? I trust not.

1 on that particular item. (No response) If not, we move to
2 (b), which is report of status of major litigation.

3 MR. HORTIG: Which is informative only and no ac-
4 tion required by the Commission at this time.

5 However, Mr. Chairman, might I ask that we return
6 to Item 10 for purposes of clarification of the record?
7 Governor Anderson moved and I thought I understood you to
8 say "no action is required."

9 GOV. ANDERSON: He really said "seconded and carried
10 unanimously."

11 MR. HORTIG: I am glad I misunderstood.

12 MR. CRANSTON: There is a supplemental item, item
13 12 -- Confirmation of action by Executive Officer, approving
14 and consenting to the Tenth and Final Modification of the
15 1965 Plan of Development and Operations and Budget, Long Beach
16 Unit, as set forth in THUMS Approval Request 38-66. (The en-
17 tire development program contemplated by the 1965 Plan and
18 Budget has now been accomplished with a total expenditure of
19 \$15,672,832, or \$1,195,058 less than budgeted.)

20 Motion is in order.

21 GOV. ANDERSON: I move it.

22 MR. CRANSTON: Approval is moved, seconded, and so
23 ordered.

24 Missing, I noted, is scheduling of the next meeting.
25 Don't you have any notice on that?

26 MR. HORTIG: I have no recommendation on that.

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There being no further business, the meeting will be adjourned. Thank you for your attendance now and over the years and for all your cooperation. Thank you.

ADJOURNED 11:20 A.M.

CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing forty-two pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Sacramento, California, on December 14, 1966.

Dated: Los Angeles, California, December 21, 1966.

Louise H. Lillico