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MEETING
STATE OF CALIFORNIA
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2133
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, APRIL 27, 1978
10:10 A. M.

CATHY A. SINGER
C.S.R. License No. 3252

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MEMBERS PRESENT

1
2 Mr. Sid McCausland, Acting Chairman

3 Mr. Carl J. D'Agostino, Deputy State Contractor
4
5

MEMBERS ABSENT

6
7 Mr. Kenneth Cory

8 Mr. Mervyn M. Dymally

9 Mr. Roy M. Bell
10
11

STAFF PRESENT

12
13 Mr. William F. Northrop, Executive Officer

14 Mr. Richard S. Golden, Assistant Executive Officer

15 Mr. Greg Taylor

16 Mr. Robert Hight

17 Mr. James Trout
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P R O C E E D I N G S

--oOo--

1
2
3 ACTING CHAIRMAN McCausland: The meeting of the
4 State Lands Commission will come to order. Sitting today,
5 I'm Sid McCausland, Deputy Director of Finance acting as
6 Chairman. And joined by Carl D'Agostino, Deputy State
7 Controller.

8 Without objections, we will adopt the minutes of
9 the March 30th, 1978 meeting. And we're ready for a report
10 by the Executive Officer.

11 EXECUTIVE OFFICER NORTHROP: Thank you very kindly,
12 Mr. Chairman.

13 The initial plantings on our planned three and a
14 half year reforestation project commenced on schedule and with
15 enthusiasm on April 4, 1978, near Truckee.

16 California Conservation Corps members from the
17 Butte Conservation Center, under the direction of the California
18 Department of Forestry and the State Lands Commission foresters,
19 planted in excess of 5,000 one-year old Jeffrey Pine seedlings
20 on test plots ranging in size from one to eight acres.

21 Seedlings were placed on ten-foot centers with
22 plantings completed on the evening of the 4th. The plots
23 were permanently marked to facilitate future research involving
24 these test sites.

25 We believe this initial process was a success in

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1 that it gave everyone concerned a chance to iron out some
2 procedural problems before proceeding to our second planting
3 involving 35,000 seedlings, scheduled for May 1, 1978, on
4 87 acres south of Honey Lake in Plumas County.

5 Recently, the Staff was advised by the Department
6 of Forestry that there is a bark beetle infestation on school
7 land parcel near Mount Hannah Resort about 15 miles southeast
8 of Lakeport. The infestation is a threat to timber on
9 surrounding private lands.

10 The Staff has determined that about eight acres of
11 a 40-acre school parcel are involved. Eight trees with an
12 estimated 40 thousand board feet show signs of insect attack
13 and should be removed.

14 Approximately 50 percent of the material is estimated
15 to be sound, while the remainder is in trees in advanced
16 stages of decay. Because of poor quality of the timber, the
17 value is estimated to be less than \$500. The parcel is land-
18 locked and whoever purchases the timber will have to acquire
19 access right across about one-eighth mile of private land.

20 The Staff plans to solicit informal bids within
21 the next ten days from timber operations in the Lakeport area,
22 and upon the Commission's subsequent approval, enter into a
23 Timber Sale Agreement for the removal of the infected trees.
24 This project qualifies as an emergency action under CEQA and
25 does not require further environmental impact review. There

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1 are no streams or other environmentally sensitive areas
2 within the project site.

3 On October 21st, 1976, the Staff of the Commission
4 was --

5 ACTING CHAIRMAN McCAUSLAND: Let the record reflect
6 that the Commission has no objections to that course of
7 action.

8 EXECUTIVE OFFICER NORTHROP: Thank you very kindly,
9 Mr. Chairman.

10 On October 21st, 1976, the Staff of the Commission
11 was alerted by the Sutter-Yuba Health Department of the
12 presence of an illegal dump site located in the historical
13 bed of the Sacramento River at Collins Eddy in Yolo and
14 Sutter Counties.

15 Staff has since been in contact with the Yolo
16 County Health Department, and Resources Solid Waste Management
17 Board and the Department of Fish and Game in an effort to have
18 the health hazard removed from the State-owned land.

19 The Department of Fish and Game who manages the
20 adjacent uplands as part of a wildlife and fisheries habitat
21 has expressed their concern and is willing to remove the health
22 hazard.

23 The Department is currently seeking immediate
24 authorization from the State Lands Commission to erect a fence
25 around the perimeter of the dump site in order to eliminate

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1 vehicular access and additional dumping at the site prior to
2 their clean-up project. With your consent, we will advise
3 the Department of Fish and Game of the approval for the fence

4 During the interim, Staff will negotiate for a
5 permit with Fish and Game to include the State's interest in
6 Collins Eddy as part of their wildlife and fishery habitat.

7 Staff would like to get an indication from the
8 Commissioners.

9 ACTING CHAIRMAN McCAUSLAND: You've already got
10 one in the case of support from us today. How many more do
11 you need?

12 EXECUTIVE OFFICER NORTHROP: Two for two ain't bad.

13 ACTING CHAIRMAN McCAUSLAND: Without objection, it
14 may go.

15 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that
16 completes my report.

17 ACTING CHAIRMAN McCAUSLAND: Mr. Golden, are you
18 prepared to give a report today?

19 MR. GOLDEN: Yes, Mr. Chairman and Mr. D'Agostino.

20 There are several items of significance to report
21 regarding the State Lands Commission staff interaction with
22 the Coastal Commission and San Francisco Bay Conservation and
23 Development Commission.

24 First, BCDC. The San Francisco Bay Conservation
25 and Development Commission recently approved a dredging and

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1 marina expansion project proposed by the City of San Leandro.
2 Included within the marina's dredge area are Board of Tideland
3 Commissioner lots. (BTLC lots as we refer to them). Because
4 of the attendant unresolved State interests involved within
5 these lands, the Commission voiced no objection. However,
6 the spoils deposition area (the Jeras parcel) has slough
7 beds traversing the area. The State Lands Commission
8 representative at the BCDC meeting requested that the City
9 clear up any title claims with our Staff.

10 In other BCDC matters, permit applicants before
11 BCDC have been offering to dedicate BTLC lots in mitigation
12 and trade-off for their projects. Although fee ownership of
13 these lands has not been definitely resolved (it's currently
14 in litigation), it is possible that fee title may properly
15 reside with the State. If the court's determination is
16 favorable to the State, all prior land dedications may be
17 affected.

18 Under State Coastal Commission activities, Marine
19 Sanctuary Program, our Staff attended a recent public hearing
20 at Mill Valley regarding the federally sponsored marine
21 sanctuary program. Present at the hearing were Coastal
22 Commission representatives in addition to the Director of the
23 program from Washington, D.C.

24 Should an area receive the endorsement of the State
25 by the Governor and subsequently this endorsement is concurred

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1 in by the President, such area will be included in the
2 federal program. These areas once designated are managed
3 by the State. Initial indications are that the Resources
4 Agency may be the administering entity. While the Commission
5 has direct jurisdictional authority in each of the nominated
6 areas, the exact effect of this program upon the Commission
7 has not yet been determined.

8 Long Beach Port Master Plan. A Staff representative
9 presented oral comments at the recent Coastal Commission
10 meeting in Los Angeles concerning the Long Beach Port Master
11 Plan. His statement reemphasized the Commission's role and
12 concern with the Port Master Plan. Previously, the Commission
13 had submitted extensive comments to the Port for their review
14 and consideration.

15 Due to the Commission's concern and plan involvement
16 there is a meeting scheduled with the Port this afternoon
17 to discuss these issues.

18 Finally, the Agua Hedionda Lagoon. We are presently
19 having discussions with the Coastal Commission and property
20 owners regarding the public trust issue in Agua Hedionda
21 Lagoon in San Diego County.

22 We will continue having discussions this next month
23 and should have a definitive report on the public trust
24 status in the lagoon by the next Commission meeting.

25 That concludes my report, Mr. Chairman.

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1 ACTING CHAIRMAN McCAUSLAND: Thank you, Mr. Golden.
2 For those of you in the audience, there are several items
3 which have been removed from the agenda today. Item 23 will
4 not be discussed. Item 29 will not be discussed. And item
5 34 will not be discussed.

6 Also, this meeting tends to move rather rapidly
7 through agenda items. And so, if you have a desire to
8 testify on any item, make certain that you've completed one
9 of the blue slips which is available from the lady by the
10 door and submitted them. Because once we roll by an item,
11 it's sometimes hard to get our attention again.

12 Item C1 through C10 constitutes the consent calendar.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, item C6
14 for continuity --

15 ACTING CHAIRMAN McCAUSLAND: I will move item C6
16 off of the consent calendar. It's the Chairman's prerogative
17 because it's directly related to another item on the calendar.

18 So, item C1 through C10 constitute our consent
19 calendar. We will vote on them as a block with the exception
20 of item C6 which will be dealt with at a later time.

21 Does anyone wish to testify on any of the items on
22 the consent calendar?

23 If not, items C1 through C10 with the exception of
24 C6 are approved as submitted by Staff.

25 Item 11, Pacific Gas and Electric Company's 20-year

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1 lease for approximately 75 acres of submerged land offshore
 2 of Moss Landing. Is there anyone in the audience who wishes
 3 to testify on item 11 today? All right. This matter has
 4 been before the Commission before. We've had extensive
 5 discussions of the project. We've had reviews of the
 6 Environmental Impact Report. We've also been in contact with
 7 the Coast Guard. And while no project is perfect, I believe
 8 that a substantial amount of effort has gone into this project.
 9 And that where we have existing energy facilities in this
 10 State, we should do everything we can to expedite their
 11 effective use.

12 Let me ask one additional time. Is there anyone
 13 who wishes to testify on item 11? Do we have any comment?

14 MR. TROUT: Mr. Chairman, we have two things that
 15 we'd like to get into the record concerning item 11. First,
 16 there were a number of questions presented by three individuals
 17 at the last Commission meeting. And we have prepared a
 18 detailed response which is in your Commission package to each
 19 of these questions. And we would like this to be included
 20 as part of the record of the Commission. And also at the
 21 suggestion of the Attorney General's office, two additional
 22 findings should be added to item 11 on page 55. They would
 23 be items 3(d) and 3(e). And those suggestions are also in
 24 your package. And the Staff would recommend that these be
 25 included as a part of the recommendation when you act on item

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1 11.

2 ACTING CHAIRMAN McCAUSLAND: All right. Mr.
3 D'Agostino has a question.

4 MR. D'AGOSTINO: I had one question. On page 51,
5 the second to the last paragraph, it indicates that the
6 existing pipeline is being abandoned, or the existing terminal
7 is being abandoned but the pipeline is left in place. What
8 detrimental effect does that have of what future problem in
9 terms of removal of those pipelines is that creating?

10 MR. TROUT: The Staff finds that we don't see any
11 problem with that. The present pipeline is in an area that
12 PG&E condemned from the State. We have serious reservations
13 about the validity of that action by the company. But, the
14 pipeline would remain and would be available in an emergency.
15 They could reconnect to it to keep the fuel flowing to the
16 power plants. And they would be compelled to remove it in
17 the same fashion that they are now compelled. So, we don't
18 see any problems.

19 The line will be sealed so that there won't be any
20 leakage from it.

21 ACTING CHAIRMAN McCAUSLAND: Without objections,
22 item 11 is approved as amended by the Staff.

23 MR. TAYLOR: And the comments are made a part of the
24 record?

25 ACTING CHAIRMAN McCAUSLAND: And those comments,

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1 that was what constituted the amendments by Staff.

2 Item 12 relating to criteria for the implementation
3 of Assembly Bill 884 relating to projects and related
4 delegation of authority to the Executive Officer. The Staff
5 has provided us with extensive background on 884, but if
6 you'd like to make a few terse comments, it would be appropriate.

7 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think
8 that, in putting item 884 together, it's the time frame that
9 we have to look as to whether an application is complete.
10 And what we've attempted to do in this calendar item is list
11 the criteria so that we know when application is complete.
12 More importantly, the Applicant knows when it's complete
13 and the clock starts running.

14 ACTING CHAIRMAN McCAUSLAND: Without objection,
15 item 12 is adopted.

16 Item 13 relates to an EIR for the Shell Beta
17 Development offshore San Pedro Bay, authorizes the Executive
18 Officer to seek requests for proposals and develop such an
19 Environmental Impact report. Without objection, item 13 is
20 adopted as submitted.

21 Item 14 relates to a compromise settlement along
22 Redwood Creek in the City of Redwood City. Without objections,
23 item 14 is adopted as submitted.

24 Item 15 relates to a compromise settlement clearing
25 Caltrans title to parcel in South San Francisco.

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1 MR. TAYLOR: Excuse me.

2 ACTING CHAIRMAN McCAUSLAND: Yes.

3 MR. TAYLOR: With regard to item 13, there will be
4 a statement inserted in that paragraph that is without
5 prejudice to position of the State and pending litigation
6 against the Federal Government with regard to OCS lease sale
7 number 35.

8 ACTING CHAIRMAN McCAUSLAND: The record will
9 reflect the Attorney General's office's comments in regard
10 to item 13. Moving back to item 15, item 15 is adopted as
11 submitted.

12 Item 16 relates to an amendment of a commercial
13 lease to answer the shareholders' liquidating trust by
14 increasing the land area involved and adjusting the rents
15 accordingly. Without objections, item 16 is adopted.

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think
17 at this time C6 would be considered at the same time.

18 ACTING CHAIRMAN McCAUSLAND: Your notes must read
19 like my notes. Item 16 is adopted as submitted.

20 Item C6 is essentially an extension of the same
21 item. And without objections, item C6 is adopted as submitted.

22 Item 17 is regarding the Executive Order B-40-73
23 as it relates to lands under the jurisdiction of the State
24 Lands Commission. Staff has submitted a report on this item,
25 but you may wish to comment further.

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1 EXECUTIVE OFFICER NORTHROP: Bob?

2 MR. HICHT: Mr. Chairman --

3 ACTING CHAIRMAN McCAUSLAND: I take it that the
4 report was exhaustive. Without objection, item 17 is adopted
5 as submitted.

6 (Laughter.)

7 Item 18 authorizes the granting of a security
8 interest to the Southwest Production Credit Association in
9 school land near Fallbrook, San Diego County. Without objections.
10 item 18 is adopted as submitted.

11 Item 19 authorizes a cutting boundary agreement
12 between the State Lands Commission and the US Forest Service
13 in Siskiyou County. Without objection, item 19 is approved
14 as submitted.

15 Item 20 regards consideration of interest and a
16 possible boundary settlement and exchange agreement affecting
17 the boundary of the Colorado River near Blythe and Riverside
18 County.

19 MR. TROUT: Mr. Chairman, there's one change on that
20 calendar item. On page 131, the recommendations that the
21 agreement be consummated within five years, the Applicant has
22 asked that that be changed to one year which is great as far
23 as the Staff is concerned because that shortens the period in
24 which we have to worry about it.

25 ACTING CHAIRMAN McCAUSLAND: At what point is that

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1 again?

2 MR. TROUT: It's on page 131, item 3.

3 ACTING CHAIRMAN McCAUSLAND: All right.

4 MR. TROUT: Where it says "concluded within five
5 years", that would be "one year".

6 ACTING CHAIRMAN McCAUSLAND: Right. Without
7 objections, item 20 is adopted as submitted and amended.

8 Item 21 regards an amendment of a ten-year renewal
9 of -- I'm sorry. Regards an amendment and a ten-year
10 renewal of the industrial lease to Union Oil Company of
11 California in San Pablo Bay. Without objections, item 21 is
12 approved as submitted.

13 Item 22 authorizes the issuance of a compensatory
14 gas agreement to Shell Oil Company in the Riego Area of the
15 Sacramento Airport gas field.

16 Last month, Shell Oil asked to put it over a month.
17 Do they want it put over another month? Without objections,
18 item 22 is approved as submitted.

19 Item 23 is off calendar.

20 Item 24 regards the approval of a proposed drilling
21 of new wells in the Geysers Steam Field for Union Oil, Magma
22 Power and Thermal Power. Without objections, item 24 is
23 approved as submitted.

24 Item 25 regards a permit to the City and County of
25 San Francisco to dredge for test trenches for the southwest

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1 ocean outfall. Without objection, item 25 is approved as
2 submitted.

3 Item 26 regards an application to prospect for
4 mineral resources on school land in Kern County for George
5 J and Marcia M. Nielsen. Without objections, item 26 is
6 approved as submitted.

7 Item 27 I'm not sure we'll approve as submitted.
8 So, let us have a discussion of item 27 relating to the plan
9 of development and operations and budget for 1978-79 at t'
10 Long Beach unit of the Wilmington Oil Field in Los Angeles
11 County.

12 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr.
13 Thompson, Manager of the Long Beach Unit will make a presen-
14 tation to the Commission.

15 MR. THOMPSON: Since we seem to be working on a
16 short schedule day, to keep it brief, there are only two parts
17 of this thing I think that are worth pointing out. One is
18 that this is not a true budget of what we'll be doing in a
19 year because taxes are not included. Since at the present
20 time we don't know the impact of Proposition 13.

21 ACTING CHAIRMAN McCAUSLAND: I notice that last
22 year that's the way I put my budget together, too, so I
23 understand it.

24 MR. THOMPSON: So, we know we're obligated to pay
25 the taxes, but at the present time, we don't know the tax

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1 amount.

2 The second point is that this is a budget, a full
3 development-type budget based on receiving oil prices that
4 are commensurate with the risk and economic returns.

5 Now again, we're depending on prospective action
6 by the Department of Energy and also the oil producers, so
7 this is the reason for the Staff's third recommendation there
8 that we come back and review the oil pricing in the June
9 meeting, the month prior to the start of the budget period
10 to see what's happened.

11 ACTING CHAIRMAN McCAUSLAND: Well, during the current
12 budget year, we've invested a substantial amount of money
13 in improvements to fields which we thought were important to
14 maintaining their integrity and their production capability.
15 Can you give me a feeling for how those expenditures have
16 progressed and whether or not they continue to be sound
17 economic decisions in light of the fact that we've had no
18 affirmative response to our request for major changes in the
19 price for the oil that's coming out of the ground?

20 MR. THOMPSON: Well, of necessity, I think we're
21 acting like every other producer in the US has to. We tend
22 to orient our money-spending towards maximizing our production
23 of upper tier oil. So that, since we receive about \$9.50,
24 almost \$10 compared to the \$4.35 for lower tier oil, therefore
25 the risk is much less, return is much greater. So, wherever

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1 possible, we spend the dollars available to us on upper tier
2 development, stimulation, production acceleration.

3 ACTING CHAIRMAN McCAUSLAND: Are we watching any
4 r are we monitoring any deterioration of our ability to
5 extract oil from those reservoirs that are considered the
6 lower tier?

7 MR. THOMPSON: Well, there's no doubt that if we
8 continue on this oil pricing trend were on now that we will
9 lose all of the recovery because oil recovery is definitely
10 tied into oil pricing.

11 ACTING CHAIRMAN McCAUSLAND: Now, the budget which
12 you have before us today appears to me to continue the practice
13 of investing funds with the ultimate hope that the day will
14 come when it's worth our while to take the oil out of the
15 ground. And you've advised us that you want to proceed in
16 that direction. And then, if it turns out prices don't
17 change, you'll come back and modify the budget in June. Are
18 you envisioning a situation in which we might actually want
19 to close down production to a substantial degree in the
20 lower tier portions of the fields?

21 MR. THOMPSON: I don't know whether I could use
22 the word "substantial" or not. But, I think that if we don't
23 get crude oil price increases that we're going to have to
24 make value judgments every time we spend money on lower tier
25 production as to whether the risk involved and the pay-back

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1 is commensurate with the environment we're in.

2 ACTING CHAIRMAN McCAUSLAND: I would assume that
3 under the pricing conditions that we're working with now that
4 the tier share and treatment techniques that we were
5 experimenting with are not at all cost effective. Is that
6 a fallacious assumption on my part?

7 MR. THOMPSON: Yes. Now, of course, the Department
8 of Energy is a partner in the one we're doing on the Long
9 Beach Unit, so they're absorbing some of the risk. That's
10 why we went on the project to begin with. The fact that the
11 Federal government is underwriting part of the cost of that.
12 Again, we have to be prospective on that in the fact that these
13 techniques take about four or five years to evaluate. And
14 unless we get started on them, then we won't know four or five
15 years down the road if the oil price climate will fail, at
16 that time what to do. So, it's kind of a no -- it's a no-go
17 situation if you don't spend the money, you have a certain
18 amount of risk involved.

19 ACTING CHAIRMAN McCAUSLAND: Do we have any in-house
20 assessments of what a reasonable price level would have to
21 be to guarantee a rate of return on those kinds of techniques
22 that would make them worth our while? How far away are we
23 from a price level that makes it worth our while to get the
24 maximum recovery out of the ground?

25 MR. THOMPSON: We probably could make this type of

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1 application rather widespread if we could get upper tier
2 price at the present time with an idea of being able to go
3 through a crude oil price control removal, say, within three
4 years.

5 ACTING CHAIRMAN McCAUSLAND: Okay.

6 MR. D'AGOSTINO: What does the 83 cents do for us?

7 MR. THOMPSON: Eighty-three cents really keeps us
8 in business fairly well because again, you're looking at the
9 net side and property costs are somewhat in excess of 50
10 percent of the cost of oil. You can see, if this is
11 incremental, it increases your net much greater than just
12 the price of the oil. So, it's really a good margin to work
13 on.

14 And what it does, for example, will tend to cut
15 your pay-back for drilling wells down to maybe a reasonable
16 time of like two or three years instead of now sometimes
17 extending to four or five years.

18 ACTING CHAIRMAN McCAUSLAND: All right. I appreciate
19 the diligence with which you've been administrating our
20 trust. I hope that you can report favorable news to us when
21 you come back with a modification of this budget next time.
22 So far, you haven't told me anything that doesn't convince
23 me that I'm not giving you a lot of money for another lost
24 leader.

25 MR. THOMPSON: I have to go along with your conclusion.

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1 since our experience the last three or four years with the
2 Federal government has not been very satisfactory.

3 ACTING CHAIRMAN McCAUSLAND: Without objection,
4 item --

5 MR. D'AGOSTINO: I have another question. A couple
6 of things that we've received. Have you seen these at all?

7 MR. THOMPSON: Yes.

8 MR. D'AGOSTINO: These are some mailings that we've
9 received in the last several months from the City of Long
10 Beach. We got this one three or four months ago. And I
11 thought they've really outdone themselves. This was an
12 invitation to an event at the new convention center. And I
13 thought that was pretty much the ultimate in invitations.

14 ACTING CHAIRMAN McCAUSLAND: We were surprised to
15 find --

16 MR. D'AGOSTINO: About a month or two later, we got
17 this one. And I'm just curious as to whether any State or
18 trust moneys are going into these things?

19 EXECUTIVE OFFICER NORTHROP: I think the Attorney
20 General's office would probably be better to address that
21 than the Long Beach operation.

22 ACTING CHAIRMAN McCAUSLAND: I don't know. If he
23 wants it set, I think he should get to it unless it jeopardizes
24 his career or something.

25 (Laughter.)

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1 MR. THOMPSON: No, actually, this involves the
2 convention center down there and the Pacific tier center.
3 And this was posed as a City of Long Beach as being a
4 promotional for the convention center. Now --

5 MR. D'AGOSTINO: There are no trust moneys involved?

6 MR. THOMPSON: There is title trust money on this
7 and also there's a trust issue on it, I think the Attorney
8 General is much more qualified to answer those questions
9 than I am.

10 ACTING CHAIRMAN McCAUSLAND: Mr. Taylor, would you
11 like to address that issue?

12 MR. TAYLOR: Mr. Chairman, Mr. D'Agostino, there
13 have been meetings between representatives of Mr. Thompson's
14 Staff and Sue Wyley who is a Deputy Attorney General and
15 representatives of the City Managers office and the City
16 Attorney's office. And the new tidelands department with
17 regard to the accounting problems that have been presented
18 in connection with the Neil Simon concert and the other
19 festivities opening the convention center. There is currently
20 a dispute with the City over the accounting for those various
21 items, one of which has been the cost of the invitations
22 which was discussed.

23 I understand that the second invitation which you
24 have there cost \$5 per invitation.

25 MR. D'AGOSTINO: Five bucks? I'd be amazed if they

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1 could produce this for five. I mean, the envelope alone has
2 got to be worth four or five dollars.

3 MR. TAYLOR: There is a -- basically, the problem
4 concerns whether the City is abiding by the settlement
5 agreement entered into between the Commission and the City
6 regarding events that are held at the convention center, the
7 manner in which profits and losses are to be dealt between
8 City proprietary funds and City trust funds.

9 ACTING CHAIRMAN McCAUSLAND: It's clear that, with
10 this kind of promotional activity, it's going to be academic
11 as to whether or not there are any profits to allocate between
12 the two.

13 MR. TAYLOR: I think the initial position of the
14 City is that the trust bears the risk and the City gets the
15 profit. And that was the initial exchange. The conversations
16 are continuing. I think that it's an accounting matter that
17 has arisen because there are new personnel that weren't aware
18 of the previous agreements, or if they were, they didn't
19 put them into effect soon enough. And there's going to have
20 to be some kind of an adjustment entered into between the
21 City and the Commission with regard to how matters are going
22 to be handled in that area. And there will be a report back
23 to the Commission as there's something definitive to report.

24 MR. D'AGOSTINO: Okay.

25 ACTING CHAIRMAN McCAUSLAND: Now that that makes

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1 you happy.

2 MR. D'AGOSTILLO: It doesn't make me very happy,
3 but if this works, maybe they should try it on the Queen
4 Mary.

5 (Laughter.)

6 MR. TAYLOR: I understand that, to date, there has
7 been no profit on the opening and there may be a loss, although
8 it is expected in the long run through the sale or the resale
9 of the Neil Simon concert for TV use, that there may be a
10 profit.

11 EXECUTIVE OFFICER NORTHROP: I think it's important
12 that the profit does not go -- does that go to the trust? I
13 think that's the important thing.

14 MR. TAYLOR: Well, there is a discussion as to, if
15 there is a profit, as to where it goes.

16 MR. D'AGOSTINO: Maybe to the invitations.

17 ACTING CHAIRMAN McCAUSLAND: Let me ask one question
18 before we vote on this item. This is a very graphic portrayal
19 of the total expenditures in the Long Beach Unit. And this
20 is the current fiscal year and this is the proposed budget.
21 How much of this do you expect to flow over into the next
22 year?

23 MR. THOMPSON: Normally, with the type of capital
24 project we're doing now, we probably will have a carry out
25 somewhere around six or seven million dollars. This is long

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1 lead items that have been ordered and also a delay of the
2 structural projects will have to be carried over. Then again,
3 the right-hand number, of course, does not include taxes.
4 So, that is really an artificial presentation.

5 ACTING CHAIRMAN McCAUSLAND: Well, it's always
6 nice to have a technique for budgeting low. That's not very
7 low, though. Without objection, the Staff proposal on item
8 27 for the Long Beach operations is approved as submitted.

9 Item 28 regards the decision of the State Lands
10 Commission minute item number 24 of December 19th, 1977. And
11 authorizes a new request for proposal for marine survey in
12 offshore Ellwood, Goleta, Summerland and El Capitan Refuge
13 in the Santa Barbara County. Without objection, the Staff
14 recommendation will be adopted as submitted.

15 Item 29 is off calendar.

16 Item 30 is authorizing the State Lands Commission
17 Staff to effectuate the settlement of Greenbrae Yacht Harbor
18 versus the State of California, et al. in Marin County
19 Superior Court Number 79042. Would you like to comment on
20 that or is the calendar item sufficient as submitted?

21 MR. TAYLOR: Self-explanatory.

22 ACTING CHAIRMAN McCAUSLAND: I found it so. So,
23 without objection, item 30 is adopted as submitted.

24 Item 31 is authorizing the Attorney General to enter
25 a stipulation for a judgment in condemnation in San Francisco

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1 Bay Area Rapid Transit District versus the City of Oakland,
2 et al. in Alameda County Superior Court Number 419-468 , 419
3 through 468. Is that 419 through or 409 dash?

4 MR. TAYLOR: Dash.

5 ACTING CHAIRMAN McCAUSLAND: It is 419-468. See,
6 if you'd go to law school, you'd know that kind of stuff.
7 Without objection, item 31 is adopted as submitted.

8 Item 32 is the rescission of prior authorization to
9 sue Roy Rook. And I want you to know that I'm glad to see us
10 rescinding authorization to sue every once in a while, although
11 the conditions of this one are not ideal in my estimation.
12 Without objection, item 32 is approved as submitted.

13 Item 33 is authorizing the Staff to execute a
14 memorandum of understanding regarding Commission participation
15 in the Bolsa Chica Study Group. Without objection, item 33
16 is approved as submitted.

17 Item 34 is an authorization to accept quitclaim deeds
18 from private parties to lands within -- ah yes. This is
19 another one that I took off the calendar. You'll recall that
20 I took item 34 off the calendar earlier.

21 Item 35 relates to the acceptance of the bid for
22 \$4,350 and authorization to enter into a timber sale agreement
23 with Croman Corporation for the sale of fire-killed timber in
24 Siskiyou County. Without objection, item 35 is approved as
25 submitted.

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1 The next item is on the status of major litigation.
2 And Mr. Taylor, is that --

3 MR. TAYLOR: There are three items, Mr. Chairman.
4 The first is that Nevada has filed a motion seeking to expand
5 the issues in the interstate boundary case. We're filing
6 in opposition and also amending our complaint to say that if
7 the acquiesce boundary is not the boundary, we want a resurvey
8 of the true boundary which would put the boundary somewhere
9 in Nevada as we presently regard it. Nevada has made a claim
10 that it's somewhere in California.

11 ACTING CHAIRMAN McCAUSLAND: I thought they had
12 some pretty persuasive arguments. How did we get ourselves
13 in this pickle?

14 MR. TAYLOR: It's due to the fine art of surveying.
15 Nevada's also seeking to extend the dispute from Lake Tahoe
16 to the Colorado River and there will be an argument on that
17 motion.

18 Second item is with regard to high water, low water
19 litigation. We have filed our opening brief with the Court
20 of Appeal or will file it by next week. Our opening brief on
21 appeal of an injunction issued against the Commission where we
22 hope to have the Court consider the high water, low water
23 controversy or that issue as a part of the appeal. The title
24 company has tried to get the -- and the private parties tried
25 to get the appeal dismissed and it was not. That motion was

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1 denied. Simultaneously, we'll also file a --

2 ACTING CHAIRMAN McCAUSLAND: Just a minute now.
3 You've out-maneuvered me. If our appeal is on an injunction,
4 did I hear that right?

5 MR. TAYLOR: Yes.

6 ACTING CHAIRMAN McCAUSLAND: All right.

7 MR. TAYLOR: They tried to dismiss the appeal on
8 the grounds that it wasn't a proper appealable order and that
9 was denied. Concurrent with our filing of an opening brief,
10 we also filed a motion to transfer the case to the Supreme
11 Court on the grounds that this same issue is pending in
12 two other counties and that, for the expediting of the
13 administration of justice, it was better to have the question
14 resolved now rather than to have the process go in three
15 different counties and two different appellate districts.
16 The third item is on --

17 ACTING CHAIRMAN McCAUSLAND: Would that allow us
18 to lower our budget next year for the consolidating?

19 MR. TAYLOR: There will be plenty remaining in those
20 lawsuits to do as far as allocation is concerned.

21 ACTING CHAIRMAN McCAUSLAND: You told me that before.
22 It's always been true.

23 MR. TAYLOR: The third item is the Davis Lake
24 litigation on the Colorado River. The State of Arizona has
25 filed an opposition to our request to file the complaint in

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1 the United States Supreme Court. We are preparing an
2 opposition or a response actually, reply to their objection.
3 And the Federal Government is expected to let us know what
4 their position is by the end of this week. And if they do
5 that, we'll also file a response to that. Arizona essentially
6 wants the case brought in Federal District Court. And it had
7 to be in Los Angeles. We don't know what the Federal
8 government is going to do. They haven't received instructions
9 from the Department of Interior yet.

10 Those are the three major items of litigation which
11 are outstanding.

12 MR. D'AGOSTINO: How many casinos do we pick up if
13 we hit our line?

14 MR. TAYLOR: Three to four casinos.

15 ACTING CHAIRMAN McCAUSLAND: They get the CAL TRPA
16 headquarters, though if they get their way.

17 (Laughter.)

18 ACTING CHAIRMAN McCAUSLAND: Are there any monuments
19 that exist in the middle of Lake Tahoe to show you where
20 that little line radiates from there that heads down to the
21 Colorado River? That's going to be a fun one to litigate,
22 isn't it?

23 MR. TAYLOR: The field surveying will be very
24 interesting.

25 MR. D'AGOSTINO: You should negotiate for casinos

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1 for the CAL TRPA headquarters.

2 (Laughter.)

3 ACTING CHAIRMAN McCAUSLAND: That completes your
4 report?

5 MR. TAYLOR: Yes, sir.

6 ACTING CHAIRMAN McCAUSLAND: Thank you. The next
7 meeting of the State Lands Commission will be in Sacramento
8 beginning at 10:00 A.M. on Wednesday, May 31st, 1978. You've
9 been a marvelous group today. Without objection, the meeting
10 is adjourned.

11 (Thereupon the meeting was adjourned at
12 10:45 A.M.)

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