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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  
18  
19  
20  
21  
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P R O C E E D I N G S

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

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

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

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

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

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

We believe this initial process was a success in

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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