

MEETING  
STATE OF CALIFORNIA  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 113  
SACRAMENTO, CALIFORNIA

TUESDAY, APRIL 13, 1999  
2:00 P.M.

CERTIFIED

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APPEARANCES

COMMISSION MEMBERS

Cruz M. Bustamante, Chairperson

Kathleen Connell, Member

B. Timothy Gage, Member, represented by  
Annette Porini

STAFF

Curtis Fossum, Senior Staff Counsel

Robert Lynch, Chief, Land Management

Pete Pelkofer, Senior Staff Counsel

Jack Rump, Chief Counsel

Sharon Shaw, Executive Secretary II

Paul Thayer, Executive Director

ALSO PRESENT

Dennis Eagan, Deputy Attorney General

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1                                    PROCEEDINGS

2                    CHAIRPERSON BUSTAMANTE: I'll call the meeting of  
3 the State Lands Commission to order. All the representatives  
4 of the Commission are present. My name is Cruz Bustamante  
5 and I am joined today by Controller Kathleen Connell and  
6 Chief Deputy Director of Finance, Annette Porini.

7                    For the benefit of those in the audience, the State  
8 Lands Commission was established to administer the  
9 sovereignties and submerged lands for the state as well as  
10 other public lands, which have been placed under our  
11 jurisdiction. Today we'll hear a variety of proposals  
12 concerning the management of these public properties in  
13 interest.

14                   The first item of business will be the adoption of  
15 the minutes from the Commission's last meeting. May I have a  
16 motion to approve the minutes.

17                   COMMISSIONER CONNELL: I move.

18                   ACTING COMMISSIONER PORINI: Second.

19                   CHAIRPERSON BUSTAMANTE: The minutes shall be  
20 recorded as being adopted unanimously.

21                   The next order of business will be the adoption of  
22 the consent calendar. I will call our Acting Executive  
23 Officer, Paul Thayer to indicate which items have been  
24 removed from the consent calendar.

25                   ASSISTANT EXECUTIVE OFFICER THAYER: Good afternoon,

1 Mr. Chair and Members of the Commission. There are three  
2 items that need to be pulled from the consent calendar. They  
3 will be heard at a future meeting. They are C41 Friant Water  
4 Users, C65, Output Exploration and C69, approval of amendment  
5 to crude oil sales contract from Long Beach.

6 COMMISSIONER CONNELL: Mr. Chair, I'd also like to  
7 move from the consent calendar C55 for discussion.

8 CHAIRPERSON BUSTAMANTE: Okay. Is there --

9 COMMISSIONER CONNELL: I move the consent calendar  
10 with the amendments.

11 CHAIRPERSON BUSTAMANTE: Is there anyone in the  
12 audience who wishes to speak on any item on the consent  
13 calendar?

14 Seeing none, there is a motion.

15 ACTING COMMISSIONER PORINI: Second.

16 CHAIRPERSON BUSTAMANTE: And a second. And it will  
17 be recorded that the motion passed unanimously.

18 This takes us to the regular calendar. Item 55 is  
19 off consent and onto a discussion item that will be part of  
20 the regular calendar. Mr. Thayer, could you give us some  
21 details on this item.

22 ASSISTANT EXECUTIVE OFFICER THAYER: One of our  
23 staff members, Paul Mount, will give the primary  
24 presentation. But preliminarily this item involves the  
25 Commission hiring a consultant to review safety matters of

1 Platform Holly off of Santa Barbara. I'd like to ask Paul  
2 Mount to explain this item.

3 COMMISSIONER CONNELL: Mr. Chair, as Paul is coming  
4 forward, let me just indicate for the record why I called  
5 this as a discussion item rather than consent. I had the  
6 opportunity recently to visit Platform Holly, which of course  
7 is off the coast of Santa Barbara. And as I did so, I became  
8 aware that there are a lot of issues of public safety  
9 connected with these oil platforms. As we're well aware of  
10 the recent merger of ARCO and BP, more and more of these  
11 platforms that we have leases on are being operated by  
12 companies that have less reserves than some of the major oil  
13 companies that once leased these facilities.

14 And I am concerned that we look at safety issues,  
15 insurance issues. And I just bring this to the attention of  
16 the Board because I think that as we go through the period of  
17 both your term and mine, Lieutenant Governor, we are going to  
18 be faced with the decision as to how we renew these leases.

19 One of the concerns that I have is whether or not  
20 we're dealing with entities that have sufficient financial  
21 resources to maintain these facilities. The second concern  
22 that I'd like to direct, Paul, to you is whether or not you  
23 feel the design life of these facilities was such that we are  
24 now at the end of what would be their normal life cycle. And  
25 if so, are we going to have to replace significant portions

1 of these facilities or is continued maintenance adequate to  
2 maintain the kind of safety that we need in these facilities?

3           And then finally, I guess I would raise this  
4 question for information. I have recently become aware that  
5 the federal government has maintenance and safety standards  
6 that are a bit different from the State. And I'd like to  
7 have a discussion of whether those standards are more  
8 rigorous than ours or if they are, why they are, because  
9 obviously with aging facilities, I think we should be very  
10 attuned to the potential problems that that aging might  
11 represent.

12           ASSISTANT EXECUTIVE OFFICER THAYER: Before Paul  
13 Mount responds on the discussion about the audit today, let  
14 me say that this question for a broad application for us can  
15 deal generally with them off the coast. And perhaps the best  
16 way to deal with these issues is to come back with a more  
17 comprehensive report to the Commission on it. But I think we  
18 need to be prepared to at least preliminarily deal with some  
19 of the responses of Mr. Mount's testimony.

20           CHAIRPERSON BUSTAMANTE: Why don't we let -- if the  
21 Commission doesn't have any problem, why don't we just go  
22 ahead and ask you to do that.

23           ASSISTANT EXECUTIVE OFFICER THAYER: We will do  
24 that.

25           MR. MOUNT: I'm Paul Mount, Chief of Resources

1 Management Division. I was out there with you on the visits  
2 at Platform Holly.

3 COMMISSIONER CONNELL: Right, with our hats on, our  
4 hard hats.

5 MR. MOUNT: And it wasn't the best day, but it could  
6 have been better. We had some concern about Platform Holly.  
7 The last time we did an audit was 1991. And generally, when  
8 you do an audit to a platform, you find a lot of equipment  
9 that needs to be upgraded and updated. You'll find  
10 procedures that maybe are outdated and you need to look at  
11 those procedures, look at the equipment to see if it meets  
12 State standards.

13 The life of the platforms aren't necessarily  
14 specified. They have a design life of maybe 20 to 30 years.  
15 However, if they're properly maintained, that life can be  
16 extended indefinitely. What's more important to us and what  
17 is an issue to us is, is the equipment on board of the  
18 platform up to date, is it warn out, does it need to be  
19 replaced, are we using state-of-the-art equipment, those  
20 types of things.

21 That's the kind of thing we identify in the audits  
22 and we determine if there's equipment that needs to be  
23 replaced or needs to be upgraded or changed to  
24 state-of-the-art.

25 As far as the maintenance of Holly goes, one of the



1 reasons we're doing this is because we do have some concerns  
2 that since 1991 there have been standards that have been  
3 raised both by the State and the MMS. And by the way, those  
4 standards are pretty much identical. The frequency of  
5 inspections for the State, for example, is at a greater  
6 frequency than what the MMS specifies in the federal  
7 regulations.

8           Otherwise, we both use the API standards, American  
9 Petroleum Institute standards. API 14 is what it's called.  
10 And we apply those standards, both, to Holly as they do their  
11 federal platforms. The only thing that I'm aware of where  
12 there is a slight difference is they have cease and desist  
13 authority and they also have authority to issue fines, which  
14 we do not. Under our leases we use the authority granted  
15 under our leases and as per our regulations.

16           But generally our operators are very cooperative.  
17 They work very closely with us. We work very closely with  
18 them. If we request or ask that something be fixed or  
19 changed, we will then -- they will then comply and we have  
20 not had that problem.

21           But Holly was set in 1966. Now it's 33 years  
22 later. We have been monitoring it. We have checked the  
23 design of the platform. We have checked the stability of the  
24 platform. We've checked the structure of the platform. It  
25 seems to be sound, but we're going to pursue that further

1 jointly with the County of Santa Barbara.

2 COMMISSIONER CONNELL: Mr. Chair, may I?

3 CHAIRPERSON BUSTAMANTE: Please.

4 COMMISSIONER CONNELL: Thank you. I am concerned as  
5 we move forward that we try to put as much information on  
6 public record here, Paul. I know there is -- I'm a southern  
7 California resident, I know there is continued concern about  
8 the safety of these operations. And should this Commission  
9 choose to continue leases of these facilities up and down the  
10 coast, I think it is very important to establish the facts  
11 and the safety record and the maintenance requirements that  
12 we, as the State, have on these facilities.

13 We may not always be able to reach a decision which  
14 would be supported by all of the concerns -- the community  
15 concerns represented in some of these various regions of the  
16 state. But to the extent that we can clarify the fact that  
17 we've done due diligence, that we are going to maintain  
18 appropriate supervision and monitoring, I think it leads to  
19 less fear and concern in these local communities. And that's  
20 what I would like to try to establish, Mr. Chair, is a  
21 process that we go through the review of these facilities.

22 In that regard, from a management viewpoint, one of  
23 the things that I'm concerned about, going back to my  
24 investment banking days, is the transition that is occurring  
25 now between large company operation and smaller company

1 operation of these facilities. I have been impressed by the  
2 quality of the management of some of these smaller entities.  
3 Many of the owners and managers come from the large oil  
4 companies and they certainly have reputable backgrounds and  
5 extensive records.

6 I am concerned though that we somehow indicate when  
7 we talk about redefining the lease agreements, and this is a  
8 question for the Attorney General, I guess, Dennis, whether  
9 we can put into these lease agreements key management  
10 contract agreements, so that we have specific individuals who  
11 are currently working these facilities, if we can tie our  
12 lease to continuation of those individuals staying on board.

13 I think the last thing we want to have, because so  
14 many of these operations are very complex and specific  
15 operations, is to lose the value of several years of  
16 experience, in some cases almost two decades on Platform  
17 Holly. We have managers there that have been on board for  
18 that period of time. And these are very labor-intensive  
19 operations. And I would hate to lose the skill base that is  
20 represented in some of these facilities, because with that  
21 skill base goes the continued safety and operation of those  
22 platforms. Would you agree, Paul?

23 MR. MOUNT: I would agree, and we watch that as  
24 well. Just to let you know Venoco has a large investor in  
25 the company called Enron. Being a multi-billion dollar

1 corporation, I believe they have that corporation behind  
2 them. Also, in the case of Holly, we also have ARCO and  
3 Mobile Oil who are the previous owners.

4 So we have it pretty well covered. In addition, we  
5 required them to have a seven and a half million dollar bond  
6 to cover performance under the lease agreement and they also  
7 have a \$251 million liability insurance policy that covers  
8 all liabilities. It's a blanket coverage including oil  
9 spills. And in addition, they have a \$35 million oil spill  
10 policy with the State.

11 So their --

12 COMMISSIONER CONNELL: Do they have key-man  
13 insurance in that contract? I don't imagine that you needed  
14 to when you had major oil companies, but you've got a  
15 different operator today.

16 MR. MOUNT: Correct.

17 COMMISSIONER CONNELL: Venoco is a much thinner  
18 management team. It's a much smaller company.

19 Can we, Dennis, include kind of key-man insurance  
20 and language that assures us that we're going to have the  
21 kind of management team we want at the top of these  
22 organizations?

23 DEPUTY ATTORNEY GENERAL EAGAN: Well, what the  
24 Controller is proposing is some type of provision where the  
25 predecessor company might have to have some responsibility

1 for continuity and a transition-type function.

2           COMMISSIONER CONNELL: Well, not necessarily. I  
3 mean I think Venoco is now transferred completely from a  
4 large -- it's now, as I understand it, I can look it up in  
5 the tax records, but I think it is basically an independent  
6 entity now.

7           My concern here, Dennis, is some senior management  
8 people transferred from the original operation to Venoco.  
9 They stayed with the new operation, which is called Venoco.  
10 My concern is, do they have any obligation -- can we obligate  
11 them to stay with Venoco and make it a condition of our lease  
12 renewal that that kind of talent pool stay as part of the  
13 operation?

14           We do that, to a large extent, at STRS and PERS in  
15 retirement. When we do investments in companies, we carry  
16 key-man insurance. And we specifically tie our investment  
17 activity to specific partners being part of the operation of  
18 a corporate entity. When those partners resign, retire, die,  
19 we have an opportunity to automatically renew our investment  
20 in that company, because obviously it is sensitive to the  
21 continued leadership that might no longer be available.

22           I'm suggesting a similar pattern here for the oil  
23 operations in California.

24           DEPUTY ATTORNEY GENERAL EAGAN: I don't know the  
25 answer to that question. I think staff will have to look

1 into it.

2 MR. MOUNT: For your information, Venoco did have  
3 key-man insurance when they were an even smaller company,  
4 because they had very little depth to their organization. At  
5 this time, I don't believe they do because they have a  
6 broader organization and a little bit more depth, but we can  
7 look into that.

8 CHAIRPERSON BUSTAMANTE: I think I see where the  
9 Controller is going. I would have some concerns; and staff,  
10 as you develop some type of report; and I'd like to hear if  
11 there's any members of the audience that would like to talk  
12 about this particular issue as well.

13 But just off the top of my head, to have contractual  
14 language that specified people, specific people in the  
15 contract, that might give folks a bit of leverage in terms of  
16 negotiating their own contracts. I don't know to what level  
17 it would provide for financing when somebody leaves or not if  
18 we're going to pull the contract from somebody.

19 I think maybe something that would require what they  
20 would say and would normally go through anyway is a due  
21 diligence to put together the right team. Maybe there's a  
22 way of being able to do something generically that would  
23 provide us, not a way of micromanaging, but a way of just  
24 making sure that our due diligence is set in a way that  
25 enables us to be very protective of a very precious resource

1 that we have along the coast.

2 I don't think that they are going to be opposed. I  
3 don't think anybody would be opposed to making sure that we  
4 are protecting our coastline, but to get involved with  
5 micromanaging also is not probably something that we want to  
6 do. We just want to make sure that we do our due diligence.  
7 So as you go through the process of doing a report, on behalf  
8 of the Controller, if you could take those things into  
9 account.

10 ASSISTANT EXECUTIVE OFFICER THAYER: It seems like  
11 there's several different mechanisms here by which we can  
12 reach the same goal. We'll investigate those and any others  
13 that come to our attention and make sure the Commission --

14 CHAIRPERSON BUSTAMANTE: Make sure and meet with the  
15 operators to get a sense of some things that they either do  
16 automatically or that they would be interested in doing or  
17 things that you feel would be important for us to do in order  
18 to be able to make sure that due diligence, as expressed by  
19 the Controller, is, in fact, being done.

20 ASSISTANT EXECUTIVE OFFICER THAYER: Okay.

21 COMMISSIONER CONNELL: Venoco is -- the people who  
22 are managing Venoco are currently the investors in that  
23 company. And so I think that you'll find that their  
24 interests merge with what I'm discussing here. So Venoco is  
25 not a good point. I'm not using them as an example. Venoco

1 happens to be a company that operates Holly.

2           But if you look at some of the other platform  
3 operators up and down the state, there is now a separation  
4 between the investor and the manager. And I think what we  
5 have to do is make certain that the management is always  
6 reflective of a standard. You don't have to put names in the  
7 contracts if you have assurances that the management team is  
8 going to represent a certain expertise. That's what we need  
9 to do.

10           In the case of Venoco, they are the team, because  
11 they own and operate the facility. That's different than  
12 would be true in these others, as you know, Paul, as you look  
13 at the other facilities up and down the state. I'm not  
14 certain that that merging of interests occurs on any other  
15 facility. I'm trying to recall the management arrangements.  
16 I don't think it does. I think Venoco may be an exception in  
17 that regard, Mr. Chair.

18           So in that case, it's not a problem with Venoco. It  
19 would be more of an issue as we look at other facility leases  
20 up and down the coast. But I think the objective here is to  
21 protect the continued safety and operation of these  
22 facilities. And I think it's more challenging now to operate  
23 these facilities, because they're aging and also because  
24 they're less profitable. At least Venoco and others will  
25 tell you, I mean, they're taking out a lower grade of oil



1 from the ocean now and so there's less margin of profit  
2 associated with oil drilling than there was in the earlier  
3 years.

4 CHAIRPERSON BUSTAMANTE: Paul, can you tell us if  
5 there were any other lessons that you learned after reviewing  
6 this facility, something that would help us in establishing  
7 or considering other kinds of changes, because -- as you put  
8 it, in aging or in out-of-date standards, and how they  
9 conflict with today's standards?

10 MR. MOUNT: I would prefer to make a recommendation  
11 after we complete this audit and look at the whole  
12 situation. I think we can gain some insight there. Yes, I  
13 think we have some concurrent recommendations, but I'd like  
14 to combine it all. We do have a set of new regulations we're  
15 considering that will consider some of these things and  
16 address some of these issues that we have.

17 You'll be hearing about the joint regulations with  
18 the Division of Oil and Gas in the near future, we hope. And  
19 those regulations, as well as what we find from these audits,  
20 will also help us in addressing the future.

21 CHAIRPERSON BUSTAMANTE: Okay. Well, what is the  
22 process for the issuance of those regulations?

23 ASSISTANT EXECUTIVE OFFICER THAYER: We have to go  
24 through the statewide process that's required of all state  
25 agencies in terms of holding public hearings, going through a

1 process with the Office of Administrative Law, where they  
2 ensure that the statutes, in fact, authorize us to adopt  
3 these regulations. We can't adopt regulations that are not  
4 otherwise authorized.

5           We have -- I think the regulations that Paul is  
6 talking about are joint regulations which we've been working  
7 on with the Department of Oil and Gas and the Department of  
8 Conservation. There's actually some twin benefits of this,  
9 because it consolidates the regulation in a way that there's  
10 not duplicative requirements, unnecessary requirements,  
11 between the two different agencies. At the same time, it  
12 brings them up to date with respect to new innovations.  
13 We're very close to finalizing that. We'll probably be  
14 bringing that to you later this year.

15           CHAIRPERSON BUSTAMANTE: So persons of industry or  
16 of any groups that are interested in the way these are going  
17 to be laid out will have several opportunities to be able to  
18 speak on this particular issue.

19           ASSISTANT EXECUTIVE OFFICER THAYER: They have been  
20 intensely involved in all the discussions leading up to the  
21 completion of these.

22           CHAIRPERSON BUSTAMANTE: And do you anticipate those  
23 regulations being recommended approximately when?

24           MR. MOUNT: Later this year.

25           CHAIRPERSON BUSTAMANTE: June?

1 MR. MOUNT: No, I'm thinking more in November.

2 CHAIRPERSON BUSTAMANTE: November. Okay.

3 COMMISSIONER CONNELL: May I make a suggestion that  
4 when we do have the regulations ready for public comment, and  
5 I think the Lands Commission, Mr. Chair, has always had a  
6 reputation of being very supportive of community involvement  
7 in those public hearings, it might be a thought to try to  
8 alert the local communities that are immediately adjacent to  
9 these facilities so that they can feel, and their governing  
10 bodies can feel, that they've had input to that regulation.  
11 I'd rather err on the side of being -- you know,  
12 proliferating these regulations to every governing body up  
13 and down the coast, because it is a sensitive issue, rather  
14 than finding out that we're at a point, Mr. Chair, of making  
15 a decision and receiving faxes on the day of the decision  
16 making from Mayors or Boards of Supervisors of a concern that  
17 they might express.

18 CHAIRPERSON BUSTAMANTE: I think that that's well  
19 taken. And if we could have staff make sure and contact at  
20 least the counties in order to be able to allow them to issue  
21 additional notices of the appearance.

22 ASSISTANT EXECUTIVE OFFICER THAYER: Absolutely.

23 CHAIRPERSON BUSTAMANTE: If there are other areas or  
24 groups specific --

25 COMMISSIONER CONNELL: Well, I think we're all aware

1 from the last go round of this that, you know, we have the  
2 typical groups, Heal The Bay --

3 ASSISTANT EXECUTIVE OFFICER THAYER: There are  
4 organizations out there that are very involved.

5 COMMISSIONER CONNELL: There's a very active series  
6 of organizations in Santa Barbara as you go up the coast, you  
7 know, in the San Luis Obispo area. As we go into Santa Cruz,  
8 there's some very strong organizations. And I think all  
9 those are known to us. They have certainly contacted us in  
10 the past. We have to share those names with you. I do want  
11 them to be involved in the process so that they can feel  
12 comfortable with the regulations and the level of protection  
13 provided by them.

14 ASSISTANT EXECUTIVE OFFICER THAYER: All right.

15 CHAIRPERSON BUSTAMANTE: Is there any other --  
16 staff, is there anything else?

17 MR. MOUNT: No further comments.

18 ASSISTANT EXECUTIVE OFFICER THAYER: I think that  
19 concludes the staff presentation. I don't think there's  
20 anybody in the audience who wants to speak, but you might  
21 want to check.

22 CHAIRPERSON BUSTAMANTE: Is there anyone in the  
23 audience who would like to speak on this issue?

24 Okay. Well, what is the pleasure of the Commission?

25 COMMISSIONER CONNELL: Well, what is the action

1 we're actually taking on this today?

2 ASSISTANT EXECUTIVE OFFICER THAYER: Approval of the  
3 contract with the consultants so things will go out.

4 COMMISSIONER CONNELL: I move approval of that.

5 ACTING COMMISSIONER PORINI: Second.

6 CHAIRPERSON BUSTAMANTE: Motion and a second. The  
7 record will show that it passed unanimously.

8 And on to the regular agenda beginning with, I  
9 believe, number 71 on the agenda.

10 COMMISSIONER CONNELL: Didn't we have item 41 or is  
11 that in consent?

12 CHAIRPERSON BUSTAMANTE: That item was pulled.

13 ASSISTANT EXECUTIVE OFFICER THAYER: That was taken  
14 off the consent. That was the one on the San Joaquin River.  
15 That will be heard in the future.

16 CHAIRPERSON BUSTAMANTE: That's going to be heard in  
17 the future?

18 ASSISTANT EXECUTIVE OFFICER THAYER: Yes, that's  
19 correct.

20 CHAIRPERSON BUSTAMANTE: Okay.

21 ASSISTANT EXECUTIVE OFFICER THAYER: I show that the  
22 other two consent calendar items that were removed will be  
23 brought back to the Commission at a future date rather than  
24 put on --

25 CHAIRPERSON BUSTAMANTE: Okay. Next item for

1 consideration is the maritime salvage permit to recover  
2 further items from Brother Jonathan. Mr. Thayer.

3 ASSISTANT EXECUTIVE OFFICER THAYER: This, of  
4 course, relates to the press conference that all of you were  
5 involved in an hour ago. And Mr. Pelkofer will present this  
6 item.

7 SENIOR STAFF COUNSEL PELKOFER: Peter Pelkofer,  
8 Senior Counsel of the State Lands Commission. You're all --

9 COMMISSIONER CONNELL: You're losing your gold  
10 coins.

11 (Laughter.)

12 COMMISSIONER CONNELL: We don't want you to damage  
13 the artifacts. We're very protective.

14 EXECUTIVE SECRETARY SHAW: Peter, could you speak  
15 into the mike, please.

16 SENIOR STAFF COUNSEL PELKOFER: Knock these over  
17 one more time, before I get there.

18 I don't wish to take a lot of your time. You're  
19 quite familiar with the background of this item. This is a  
20 salvage permit for Deep Sea Research Incorporated. And they  
21 are the salvagers of the Brother Jonathan to this point.  
22 They spent considerable time and money in this effort and  
23 they wish to return to the site and pick up additional items.

24 The staff has asked them, as part of the settlement  
25 agreement, to provide us with all the required information

1 and pay the same fees that any other applicant would do and  
2 they've done so. They've met all the Commission's  
3 requirements and the staff is prepared to recommend that they  
4 be granted a permit.

5           The conditions are in the permit in your packet and  
6 they're extensive. I won't try to go through them. But they  
7 are the kinds of conditions that we require in an applicant  
8 for this type of an operation, keeping in mind that they are  
9 dealing with a very historic vessel. We have agreed to an  
10 80/20 percent split for monetary items. The artifacts and  
11 historical items will belong exclusively to the State of  
12 California. And the staff recommends, as I said, that you  
13 authorize the issuance of a permit for them.

14           COMMISSIONER CONNELL: I move the item.

15           ACTING COMMISSIONER PORINI: Second.

16           CHAIRPERSON BUSTAMANTE: Is Deep Sea Research here?

17           SENIOR STAFF COUNSEL PELKOFER: Yes, your Honor --  
18 your Honor.

19           (Laughter.)

20           SENIOR STAFF COUNSEL PELKOFER: Too many years in  
21 court, Mr. Chairman. Mr. Fletch Alford, his counsel and Mr.  
22 James Wadsley who's the principal in the Deep Sea Research  
23 Corporation.

24           CHAIRPERSON BUSTAMANTE: Would you like to make any  
25 comments?

1 MR. ALFORD: Good afternoon ladies and gentleman of  
2 the Commission, we are happy to be here and happy to have  
3 reached an agreement.

4 EXECUTIVE SECRETARY SHAW: Would you state your name  
5 for the record.

6 MR. ALFORD: I'm sorry. My name is Fletcher Alford.  
7 I'm the attorney for Deep Sea Research. Good afternoon,  
8 ladies and gentleman of the Commission. We're happy to be  
9 here and we're glad that we put the litigation behind us and  
10 reached an agreement and look forward to working with the  
11 State Lands Commission in a mutually profitable and  
12 acceptable endeavor.

13 COMMISSIONER CONNELL: I want to know whether it's  
14 beer or wine in those jugs at the press conference.

15 (Laughter.)

16 MR. ALFORD: We drank that on the way over here.

17 (Laughter.)

18 COMMISSIONER CONNELL: Don't let them near our  
19 artifacts.

20 (Laughter.)

21 MR. WADSLEY: I think you'll find that's vinegar.

22 COMMISSIONER CONNELL: Well, I'm glad we didn't sample  
23 it then, Mr. Chair. We were tempted.

24 EXECUTIVE SECRETARY SHAW: Excuse me, could you  
25 state your name for the record, please.



1 MR. WADSLEY: I'm Jim Wadsley.

2 CHAIRPERSON BUSTAMANTE: Well, thank you so much for  
3 finally putting this litigation to rest. I think that staff  
4 feels very comfortable with what was worked out. It allowed  
5 us to maintain a certain integrity in terms of what the State  
6 Lands Commission does, and it worked out, I hope, what is an  
7 amicable split on all the cache.

8 It is for historical purposes that we maintain this.  
9 I'm glad that you were able to find a way of being able to  
10 get to a conclusion on it. We, on behalf of the State of  
11 California, thank you for the work that you've done. I know  
12 that this is a business and I think that hopefully this  
13 resolution will allow you to go and do your business and  
14 hopefully we'll be able to do a lot more business in the  
15 future.

16 MR. ALFORD: We look forward to that and thank you  
17 for your cooperation.

18 COMMISSIONER CONNELL: I have one question. Do you  
19 ever shoot any video in your under-water salvage operations?  
20 I'm thinking, again, of the comments I made at the press  
21 conference. You know that to the extent that you would be  
22 willing to share any of your videos with us, it could be part  
23 of our rotating museum, once we are able to put our artifacts  
24 and coins into that.

25 I don't know if you've heard, but we're trying to do

1 this rotating museum. It would be nice for the children of  
2 California to see how these operations work and to get some  
3 sense of the, you know, procedure.

4 CHAIRPERSON BUSTAMANTE: I understand. I'm sure for  
5 a small fee they'd be willing to do that.

6 (Laughter.)

7 SENIOR STAFF COUNSEL PELKOFER: We have, as part of  
8 our agreement, worked out terms by which they will share with  
9 us everything that they have recorded on video and/or any  
10 other fashion by which --

11 COMMISSIONER CONNELL: That's great. It just makes  
12 it much more in-depth for --

13 CHAIRPERSON BUSTAMANTE: And for the website, it  
14 would be great.

15 MR. WADSELY: We view this as a shared adventure  
16 with everybody who would like to step up and share this with  
17 us.

18 COMMISSIONER CONNELL: Well, I myself will not be  
19 stepping down into the salvage operations.

20 (Laughter.)

21 COMMISSIONER CONNELL: While I visited oil wells, I  
22 don't quite see myself scuba diving down to those depths.

23 (Laughter.)

24 CHAIRPERSON BUSTAMANTE: Thank you. There's a  
25 motion and a second. Let the record show that it was

1 approved unanimously.

2 MR. WADSLEY: Thank you.

3 CHAIRPERSON BUSTAMANTE: Thank you both.

4 Item number 72, sale of school lands to the  
5 California Department of Parks and Recreation for -- in  
6 addition to the Ocotillo, is that how you pronounce that?  
7 Well, for state recreation area.

8 Staff presentation.

9 ASSISTANT EXECUTIVE OFFICER THAYER: This item  
10 involves the sale of about 2,600 acres of school lands to the  
11 Department of Parks and Rec for use as part of an existing  
12 off-road vehicle park. The map on the corner over here shows  
13 some of the existing parks as well as the lands that would be  
14 sold.

15 The lavender squares up here as well as this small  
16 section over here are the lands that are up for sale. The  
17 green squares represent sales that have occurred at school  
18 lands previously approved by the State Lands Commission on  
19 this park. The park itself includes all of these light green  
20 areas as well as more land to the west.

21 CHAIRPERSON BUSTAMANTE: I find it a very thoughtful  
22 approach being able to do that. I love the little squares on  
23 this. It's sort of a thoughtful way of --

24 ASSISTANT EXECUTIVE OFFICER THAYER: Well, it also  
25 demonstrates --

1           CHAIRPERSON BUSTAMANTE: -- outlining the geographic  
2 boundaries.

3           ASSISTANT EXECUTIVE OFFICER THAYER: It also  
4 demonstrates the difficulty we have in administering the  
5 school lands, because instead of -- the federal government  
6 did not give us one block of land, they gave us lots of  
7 little squares like this. They're all over the desert and  
8 it's very difficult to deal with. But that bracket displays  
9 that problem.

10           We eventually -- the present park is about 50,000  
11 acres. And the eventual park, with all the additions  
12 including this, will total 75,000 acres. Several of the  
13 Commissioners were concerned about the environmental impacts  
14 that might come from this. And those issues have been  
15 discussed and treated with documents. One is a negative  
16 declaration, which was prepared specifically for this  
17 acquisition by the Parks.

18           Another one is a general plan prepared in '80 for  
19 the park as a whole, required of all parks. Finally, an EIR  
20 was prepared.

21           All three of these documents generally require the  
22 Department of Parks and Recreation to survey biological and  
23 cultural resources and adopt mitigation to address any  
24 potential impacts from the use. Parks and Rec has already  
25 conducted the survey on this site on the proposed sale area

1 and found no inhibited species. One potential cultural site  
2 was discovered and the Department is working with the State  
3 Office of Preservation to determine the best treatment for  
4 that area.

5 But with respect to the overall environmental  
6 issues, the sale to the Parks and Recreation would be a great  
7 overall benefit. This is because the site already is being  
8 used by off-road vehicles and in a way that hasn't been  
9 controlled. And the result of the sale will be causing this  
10 land to come under the management of the Department of Parks  
11 and Recreation. They have on-site personnel already that are  
12 experienced in this use and on-site environmental personnel  
13 for the impacts.

14 There's no opposition to the proposed sale and staff  
15 recommends commission approval. There are three staff here  
16 from the Department of Parks and Rec in case there are any  
17 questions.

18 CHAIRPERSON BUSTAMANTE: Any comments by the  
19 Commission Members?

20 COMMISSIONER CONNELL: No, I move approval.

21 ACTING COMMISSIONER PORINI: Second.

22 CHAIRPERSON BUSTAMANTE: Any comments by anybody in  
23 the public?

24 Motion and a second. Let the record show that the  
25 motion passes unanimously.

1           Item number 73. Item for lease to the U.S. Fish and  
2 Wildlife Service of lands in San Diego were discussed at our  
3 last meeting.

4           Presentation by staff.

5           ASSISTANT EXECUTIVE OFFICER THAYER: As the Chairman  
6 pointed out this is the lease that we discussed really  
7 recently at our last meeting in San Diego. At that time, the  
8 item for the Commission was the sale of the Western Salt  
9 Lands to the Commission or to the Port to the Commission as  
10 well as the quitclaim of the Western Salts lease.

11           This is the implementation of the ultimate plan  
12 proposed here to lease this property to the Fish and Wildlife  
13 Service for their use as a refuge. And Curtis Fossum of our  
14 staff will make the presentation.

15           I should also point out that we have -- while he's  
16 coming up, there are two who wish to speak on this item. One  
17 from -- a representative from the applicant from Fish and  
18 Wildlife Service, Dean Rundel.

19           SENIOR STAFF COUNSEL FOSSUM: Chairman Bustamante,  
20 Commissioner Connell and Commissioner Porini, good afternoon.  
21 I'm Curtis Fossum, Senior Staff Counsel for the Commission.  
22 Item 73 requests your approval of a public agency public  
23 benefit lease to the United States Department of the Interior  
24 Fish and Wildlife Service.

25           The lease involves 2,200 acres of state owned public

1 trust lands included in the South San Diego bay unit in the  
2 San Diego National Wildlife refuge.

3           This constitutes about 56 percent of the total area  
4 that's indicated in red on this map that the Commission will  
5 be leasing. There's three particular areas that will be the  
6 leasing area of purchase, in the dark here and the dark area  
7 from the Western Salt area that was previously leased to  
8 Western Salt and then another additional area on the  
9 northwest area bay. That's shallow bay area.

10           First of all, I'd like to congratulate you. On  
11 April 1st the Commission took title to the largest privately  
12 owned functioning wetland and saltwater habitat in southern  
13 California. That transaction was approved, as previously  
14 stated by you, at the last meeting. The 722-acre acquisition  
15 together with the leasehold area acquired from Western Salt  
16 comprises 60 percent of the lands for both to be leased by  
17 the Commission.

18           The 2,200-acre area proposed. Significantly, this  
19 acquisition was not paid for by any State tax, revenues or  
20 bonds but by port district airport user fees designated for  
21 environmental mitigation for critically needed expansion of  
22 the field. This transaction constitutes a major win both for  
23 the environment and the regional transportation in San Diego  
24 county.

25           Because south San Diego bay holds a large share of

1 remaining estuary and wetlands, channel waters and other  
2 coastal habitat existing on the south coast of California,  
3 the refuge is international. It serves as a critical link in  
4 the Pacific flyway by providing habitat for hundreds of  
5 thousands of migrating shore birds and wintering water fowl.

6           The creation of the refuge is an important step  
7 towards protecting endangered species, especially the  
8 California Least Tern. This will be done by facilitating  
9 enhancement of their nesting and foraging habitat. This  
10 action exemplifies the type of action that is needed if we  
11 are to restore and mitigate the loss of thousands of acres of  
12 wetlands that we've lost over the last 150 years.

13           I'd like to take special thanks -- or a special  
14 opportunity to thank our previous Executive Officer, Robert  
15 Hight, for his pivotal role in the success of this project.  
16 He gave us great guidance in bringing these actions to you.

17           In closing, I would like to thank the Port of San  
18 Diego and the Fish and Wildlife Service and the public  
19 interest groups for their participation and support and read  
20 a few excerpts from the letters of support for this lease.

21           First of all, from the Environmental Health  
22 Coalition. "This is the single most important conservation  
23 effort that has ever been undertaken for San Diego Bay. This  
24 action demonstrates a strong commitment on the part of the  
25 // ////



1 Commission to help the bay and the natural resources that  
2 depend on it. We thank you for that."

3 CHAIRPERSON BUSTAMANTE: Any comments from the  
4 Members of the Commission?

5 COMMISSIONER CONNELL: I am delighted that we can  
6 expand, Mr. Chair, on what we've already done in San Diego.  
7 And I think the ability to preserve habitat is a continuing  
8 major objective of this Commission. It's my understanding  
9 that we are comfortable with the necessary permits, is that  
10 correct, under CEQA?

11 SENIOR STAFF COUNSEL FOSSUM: Yes.

12 COMMISSIONER CONNELL: Then I will move, Mr. Chair,  
13 staff recommendation.

14 ACTING COMMISSIONER PORINI: Second.

15 CHAIRPERSON BUSTAMANTE: Is there any comment from  
16 anyone in the public?

17 There is, my understanding, two people, Laura Hunter  
18 and Dean Rundel who would like to speak.

19 Please come forward.

20 MR. RUNDEL: Thank you, Mr. Chairman and  
21 Commissioners. My name is Dean Rundel and I'm with the U.S.  
22 Fish and Wildlife Service. And, as Curtis mentioned, we're  
23 here today to hopefully continue, what I think, is a landmark  
24 action which you started in January. And I appreciate your  
25 action in bringing this important wetlands and habitat into

1 public ownership.

2 I won't try to reiterate too much the incredible  
3 benefits of this area. I will say that since our January --  
4 since your January meeting the south bay has been designated  
5 an international significant important bird area by the  
6 National Audubon Society. And just last week it was  
7 recognized for designation as part of the Western Hemisphere  
8 Shore Bird Reserve System.

9 And so with some significant humility, I hope that  
10 you approve this lease to us. It is a lot to ask. And I  
11 just wanted to tell you that myself, my staff and my agency  
12 are very dedicated to public trust in this area. We will try  
13 to take care of this land as if it were our own. And we look  
14 forward very much to working with you and the Commission's  
15 staff in a long, productive partnership.

16 I'd like to reiterate what Curtis said to thank  
17 former Director Hight and his efforts and also to thank the  
18 staff and especially Senior Counsel Curtis Fossum who's been  
19 an incredibly wonderful partner in moving this for us.

20 Thank you very much.

21 CHAIRPERSON BUSTAMANTE: Thank you.

22 Do you have a question?

23 COMMISSIONER CONNELL: No.

24 MS. HUNTER: Hello. My name is Laura Hunter from  
25 the Environmental Health Coalition. It's a pleasure to be

1 here, again, today. And it's good to finally sit on this  
2 side of the dais for a change. I just wanted to reiterate  
3 our support for this lease. We have had the pleasure of  
4 speaking before you when you came to San Diego. This is such  
5 an important part of our natural infrastructure, if you will,  
6 for San Diego bay.

7           Again, I just would ask you to support this today.  
8 Maybe I'll give you two little examples that may help people  
9 understand just how important this is. One is as a stop on  
10 the Pacific Flyway. As the salt and the sea continues to  
11 crash and cause a lot of ecological trouble, the ability to  
12 have a stop in the Pacific Flyway in the same area as San  
13 Diego bay will be critically important as the years go by.  
14 If we're not able to save the sea, we're going to desperately  
15 need San Diego bay.

16           And the other thing I just wanted to point out, that  
17 it's not only people that love San Diego in the winter. I  
18 was out doing the Christmas bird count this year and I saw a  
19 Red-Throated Loon that likes to winter in San Diego bay. And  
20 this was the same kind of bird that you go -- when you go on,  
21 you know, wild kyaking trips and river trips in northern  
22 Alaska up above the Arctic circle, that's where that species  
23 spends the summer. But in the winter, they're down in our  
24 urban area in San Diego. So it's a very important area.

25           Thanks for putting us on the map. And we're going

1 to work hard to finish the refuge. And we have a standing  
2 invitation to all of you to come down and tour our resource  
3 as soon as we get those signs up. So we'd love to host you.  
4 Thank you.

5 COMMISSIONER CONNELL: Don't disappear, Laura. I  
6 have a question for you. You're going to get the theme of my  
7 questions today.

8 Is there a way that the activity that is going on in  
9 San Diego bay now can be shared with the children of  
10 California? Again, going back to my point, that if we can  
11 put more of this in terms of photos and habitat and the care  
12 for the environment and the importance of preserving  
13 reserves, if we can educate our children, as the next  
14 generation of Californians, with respect for the environment,  
15 I think we do ourselves a tremendous service and create a  
16 legacy.

17 So I'm wondering what we can do with our web site to  
18 enhance the children's knowledge of this reserve, now that  
19 we've created it and expanded it.

20 MS. HUNTER: I think there's a lot of things that we  
21 can do. Lots of people have web sites that are following  
22 this issue. So I think it's not only the State Lands  
23 Commission web site, but it's the Environmental Health  
24 Coalition web site, it's the Nature Center web site that we  
25 should be developing these programs.

1           The other thing that's great about this refuge is it  
2 is so close to an urban area, so it will be heavily used by  
3 schools and classrooms that are in urbanized areas. So you  
4 don't have to go very far to see nature in San Diego bay and  
5 in San Diego anymore. So we intend to do that once we get  
6 the resources to protect it, and that's very much a part of  
7 the grand plan, if you will, for how we want to exploit this  
8 resource.

9           COMMISSIONER CONNELL: Thank you.

10          CHAIRPERSON BUSTAMANTE: Thank you so much. Any  
11 other comments from the public, staff?

12          There is a motion and a second. Let the record show  
13 that it passes unanimously.

14          Going on to item number 74. This issue is being  
15 brought up by me as a result of the Governor's executive  
16 order dealing with the phasing out of MTBE in 2002. The  
17 stewardship means that we need to understand what condition  
18 our land is going to be in and to what degree we need to work  
19 with either vendors or other folks involved in the  
20 stewardship of the land to ensure that the cleanup is done  
21 and that further mitigation and damage is not being done.  
22 And so we've asked the staff to put together a presentation  
23 on how we might be able to deal with this particular issue.

24          Mr. Thayer.

25          ASSISTANT EXECUTIVE OFFICER THAYER: Thank you, Mr.

1 Chairman. As you pointed out, you requested that we look  
2 into whether or not there were facilities under the  
3 jurisdiction of the State Lands Commission that might  
4 contribute to the problem of MTBE contamination that we've  
5 heard a lot about recently.

6 We conducted that investigation and therefore  
7 brought back this item to you in response to your inquiry.  
8 As you are aware, the presence of MTBE in the ground and  
9 surface waters has become a major environmental concern.  
10 MTBE is a gasoline additive originally intended to improve  
11 air quality by causing the fuel to burn more cleanly as an  
12 oxygen additive.

13 Unfortunately, since it was introduced in 1996 gas  
14 has contained this additive, which has been found in storage  
15 tanks and pipelines, in wells and waterways throughout the  
16 state. The problem seems to be a particular issue at gas  
17 stations and storage tanks.

18 This problem also has the potential of occurring  
19 from certain facilities located on lands under the  
20 Commission's jurisdiction and marina fuel docks. In some  
21 respects, these refueling facilities are exactly the same as  
22 gas stations that provide products.

23 Currently, there are -- we've found 36 of these  
24 facilities directly under the jurisdiction of the Commission.  
25 So there are a fair number of facilities that are under this

1 category.

2           While we have no specific reports, at this time,  
3 that there are leaks from these facilities, there is  
4 certainly a possibility of gas leaks from other tanks or  
5 pipelines or docks. Of particular concern are the ten docks  
6 at Lake Tahoe. In order to take all steps necessary to  
7 prohibit MTBE into the state waterways, staff is proposing  
8 that the Commission undertake an inspection of all of those  
9 refueling facilities. The inspection would determine if  
10 there's any leakage or any possibility of leakage from  
11 wearing or getting old, whether there's contamination of soil  
12 adjacent to waterways and what action is necessary.

13           Now, we're still working on some of the particulars  
14 in this program, but we certainly intend to inspect all of  
15 those 36 marinas. We expect to make use of the talent and  
16 skill and experience that we have in the Commission. We  
17 already examined related issues with respect to water  
18 prevention of major marine terminals at all our ports, so we  
19 do have expertise and we will apply that to the marinas.

20           CHAIRPERSON BUSTAMANTE: It's really unfortunate  
21 that the marinas and the operators are saddled with the  
22 problem that was created by another industry. But good  
23 stewardship requires both the operators and us to ensure that  
24 if there is any way of being able to mitigate the problem,  
25 that we make sure that we do all we can to make that happen.

1 Is there any questions by Members of the Commission?

2 COMMISSIONER CONNELL: Mr. Chair. Do we have any  
3 idea, Paul, what the cost will be for this investigation?

4 ASSISTANT EXECUTIVE OFFICER THAYER: We're working  
5 on that. And, as a matter of fact, the Chair had  
6 specifically asked us to find out whether or not what the  
7 expense to the Commission would be, what the expense to the  
8 marina operators would be and whether or not the  
9 manufacturers of MTBE bear any legal responsibility for that.  
10 And we're reviewing all that.

11 We think, though, that at least as a first cut, that  
12 the expense to the staff will be absorbed. We have the  
13 staff. We won't have to hire consultants to help us. We  
14 have the staff on board that have expertise in working with  
15 this, so that we're hoping to be able to conduct this with  
16 the Commission resources.

17 We certainly will report back to the Commission the  
18 results of this. Since we don't have that, I expect at our  
19 next meeting and the following meeting we'll be able to  
20 report back to you.

21 COMMISSIONER CONNELL: You anticipate that you'll  
22 report back at the next meeting?

23 ASSISTANT EXECUTIVE OFFICER THAYER: Or the  
24 following, I'm not sure.

25 COMMISSIONER CONNELL: Thank you. Mr. Chair, I



1 approve the investigation.

2 CHAIRPERSON BUSTAMANTE: There's a motion.

3 ACTING COMMISSIONER PORINI: Second.

4 CHAIRPERSON BUSTAMANTE: Is there any comments by  
5 members of the public regarding this issue?

6 None. I think that the prudent course would be that  
7 we, in fact, pursue this investigation. I think it would be  
8 important. However, what I'd like to do is I'd like for you  
9 to also, in your report, make sure and check to see if there  
10 are any existing State or federal funding mechanisms for  
11 cleanup. I think from everything from the Superfund to any  
12 other pieces that might be out there that we'll qualify for,  
13 to assist either the operators or the State in ensuring  
14 cleanup activities that will take place.

15 With that in mind, there's been a motion and a  
16 second, and let the record show that the motion passed  
17 unanimously to, in fact, undertake the investigation that  
18 would be done with absorbable costs by staff.

19 CHAIRPERSON BUSTAMANTE: Item number 75,  
20 consideration of replacement of the Executive Officer. As  
21 Robert Hight has departed to the Department of Fish and Game,  
22 the Commission has a vacancy to fill the position of the  
23 Executive Officer. This item presents an opportunity for the  
24 Commission to discuss their desires in filling that  
25 position.

1           May I hear from my fellow Commissioners.

2           COMMISSIONER CONNELL: Yes. As I think the only  
3 seasoned member of this board at this point -- it's amazing  
4 what term limits does. I've only been here for four years.  
5 I had an opportunity to work with Paul Thayer and certainly  
6 had the greatest respect for him. I think his credibility  
7 with the environmental community, his respect with the  
8 business community, his thoroughness of presentation, his  
9 ability to present all sides of an argument have been  
10 evidenced again and again through my four years of tenure on  
11 this board.

12           I have done my due diligence with the groups that I  
13 have represented and they have his respect and credibility.  
14 And I would be willing to approve the appointment of and  
15 recommend the appointment of Paul Thayer as our Executive  
16 Director.

17           ACTING COMMISSIONER PORINI: As the newest person on  
18 the Commission, I feel the same way and would be delighted to  
19 second a motion, if it's made, to go ahead and approve Paul  
20 Thayer.

21           CHAIRPERSON BUSTAMANTE: I think a motion was made.

22           COMMISSIONER CONNELL: Yes.

23           ACTING COMMISSIONER PORINI: Second.

24           CHAIRPERSON BUSTAMANTE: There is a motion and a  
25 second. Quite Frankly, Members, I was very concerned about

1 the process. This particular agency has been taken, I think,  
2 to an extremely competent level. The question is could we  
3 find, in fact, the best person in the country to replace Bob  
4 Hight.

5           There has been a long stewardship as we were able to  
6 look back for the last 20, 25 years of people who have taken  
7 this particular position and have taken it to an extremely  
8 important level. To maintain that kind of quality was an  
9 extremely important issue on my mind, the issue and integrity  
10 of the system. And I thought about the possibility of a  
11 search, and other searches both not only within the state but  
12 also outside the state.

13           I did also do some due diligence in contacting a few  
14 people, including somebody that I respect highly, the former  
15 Executive Director, and asked, well, can he do the job,  
16 Bob?

17           (Laughter.)

18           CHAIRPERSON BUSTAMANTE: Give it to me straight. No  
19 BS, let me have it.

20           And I think through that conversation and others  
21 that I've had with people about the integrity of Mr. Thayer,  
22 I believe that people are not only -- have had a chance to  
23 see him work, but they believe that his work is not just some  
24 end of a political spectrum, but somebody who is going to  
25 step up to the plate and work hard to make sure that every

1 case is dealt with with due diligence, but also with the  
2 proper reviews and science, and that he will move  
3 courageously further, and I think in the words of Bob Hight,  
4 "will take it to a level far beyond even me."

5 I will, in that instance -- there's a motion and a  
6 second, and let the record show that the motion passes  
7 unanimously. Mr. Thayer, congratulations for being the new  
8 Executive Director.

9 EXECUTIVE OFFICER THAYER: I'd like to thank the  
10 Commission and all the Commissioners individually for their  
11 vote of support. And obviously, I look forward to working  
12 with all of you. And I hope that I can exceed your  
13 expectations.

14 Obviously, I'm interested in pursuing a program that  
15 we can work together on to the mutual benefit of all  
16 Californians. And I know that's the goal of the  
17 Commissioners and I'd like that to be my goal as well.

18 Thank you so very much for this.

19 COMMISSIONER CONNELL: Thank you. And I certainly  
20 hope you don't get to the level of rhetoric that our former  
21 Executive Director does in his flattery.

22 (Laughter.)

23 COMMISSIONER CONNELL: Or we're going to have to  
24 have a prose contest here.

25 CHAIRPERSON BUSTAMANTE: We were told that, Mr.

1 Hight, that Mr. Thayer was going to have big shoes to fill.  
2 But I was also told that Mr. Hight only has an eight and a  
3 half.

4 (Laughter.)

5 CHAIRPERSON BUSTAMANTE: So it should be an easy  
6 fit.

7 (Laughter.)

8 EXECUTIVE OFFICER THAYER: I think you're absolutely  
9 right.

10 (Laughter.)

11 CHAIRPERSON BUSTAMANTE: Your modesty is just  
12 amazing.

13 Can I ask Mr. Hight to please come up.

14 On behalf of the Commission, I would ask the  
15 Controller to join me as well as Annette to join me in making  
16 this presentation to you.

17 It is a beautiful plaque that is only a symbol of  
18 the kind of work that you have done here for the last 26  
19 years. There's really no way to put 26 years of work on a  
20 plaque. We do it every day in government and the private  
21 sector represented by a little wood and a little metal.  
22 Hopefully it does, in fact, represent, however, to the legacy  
23 of Bob Hight, a legacy of extreme professionalism and a  
24 legacy of so many projects in the state that provides, not  
25 only us, but our children and our children's children an

1 opportunity to have a better California.

2           So on behalf of the State Lands Commission, on  
3 behalf of the people of the state of California, let me  
4 present this to Bob Hight. "In recognition," excuse me, "of  
5 27 years of service to the Commission and to the people of  
6 California, to the future generations of Americans, for your  
7 stewardship of the State's public trust and other natural  
8 resources. Presented by the State Lands Commission, myself,  
9 Kathleen Connell, Member, State Controller and B. Timothy  
10 Gage, Member, Director of Finance." It is my pleasure.

11           (Applause.)

12           CHAIRPERSON BUSTAMANTE: One last opportunity --

13           COMMISSIONER CONNELL: Before you do that, Mr.  
14 Chair, let me just add my comments to those of yours. I sit  
15 as a member of 57 boards and commissions, and when we were  
16 having our last meeting last year as Chair of the Commission,  
17 we gave a number of these plaques out. As you remember, Bob,  
18 we gave them to, at that time, the Director of Finance, who  
19 was representing Governor Pete Wilson on the Board. We gave  
20 it to Gray Davis for his service on the Board as both  
21 Controller for eight years and for Lieutenant Governor for  
22 four.

23           And I asked, at that point, when I would get my  
24 plaque.

25           (Laughter.)

1           COMMISSIONER CONNELL: I still have not gotten my  
2 plaque and here we are giving another plaque today.

3           CHAIRPERSON BUSTAMANTE: The normal one takes a  
4 little longer.

5           (Laughter.)

6           COMMISSIONER CONNELL: In terms of your tenure, I  
7 think it's just important for the audience to review some of  
8 the more important accomplishments that you've had just even  
9 over the last four years. As I was looking back on our work  
10 together, I think one of the most amazing ones was the Elk  
11 Hills Petroleum Reserve activity. And I sit with the  
12 Director of Finance on the STRS Board. And STRS is the  
13 Teachers Retirement System for those of you who are not  
14 familiar with the acronym.

15           And Bob worked for years in trying to put together  
16 an agreement that represented an opportunity for the teachers  
17 to receive what was truly their just due in terms of  
18 financial settlement for the land, which was involved in Elk  
19 Hills. And as a result of that, retired teachers are now  
20 receiving \$324 million as a result of the Elk Hills  
21 settlement. And we're going to be having an opportunity to  
22 discuss that next week.

23           And I know how long you worked on that and the long  
24 nights and the many meetings that that represented. And I  
25 think that was truly one of your major accomplishments.

1 I think back on Bolsa Chica. I never thought that  
2 we would get that deal done. We worked on that for hours.  
3 Gray joined me in the conference room, the executive session.  
4 We had people flying in from Washington down in Orange  
5 County, and to agree in pen kind of what represented the  
6 solvent agreement as was drafted by the Board in public  
7 session.

8 That represented at least ten, maybe fifteen years  
9 of work with the local community group and the federal  
10 government. A major piece of environmental achievement to  
11 southern California, certainly to Orange County.

12 You've been instrumental in terms of the federal  
13 government relationship to the Desert Protection Act. And I  
14 think all of us in this room certainly appreciate what that  
15 means for future generations of Californians.

16 You've been involved in the transfer of federal  
17 bases. I think there are about 15 of them now, at last  
18 count, in California. And those have been closed. And what  
19 that represents to the opportunity for the State Lands  
20 Commission, and the environmental community in California.

21 And I just, you know, refer to those, Bob. There  
22 have been dozens more that preceded my tenure on this board.  
23 And I want to thank you for your leadership. I want to thank  
24 you for your schooling. I want to thank you for your  
25 friendship. And I think you deserve another standing



1 ovation. Thank you.

2 (Applause.)

3 COMMISSIONER CONNELL: And now some comments.

4 ACTING COMMISSIONER PORINI: Well, I'll just add one  
5 thing. I do want to add my congratulations to those of the  
6 other Commissioners. But I'll just switch hats a little bit.

7 I regret not having been able to work with you. I  
8 know that many people in the state, in fact 22 different  
9 states, elected you the President of The Association of Land  
10 Commissioners. But from Finance's point of view, in addition  
11 to Elk Hills, which is wonderful for the teachers that we  
12 have the pleasure of representing, I just want to  
13 congratulate you too on the settlement you were able to  
14 achieve in terms of Tide Lands Oil in Long Beach. That was  
15 \$320 million. So from Finance's perspective, we'll miss you.

16 (Laughter.)

17 CHAIRPERSON BUSTAMANTE: Bob, it sounds like you  
18 earned your pay.

19 (Laughter.)

20 MR. HIGHT: Well, thank you very much. I mean it's  
21 been an honor to work for you and this body for 28 years.  
22 Clearly, when the Governor called, it was the hardest  
23 decision that I'd ever made in my life, because the Lands  
24 Commission and what the Lands Commission does has been my  
25 life ever since I graduated from law school.

1 All of the things that you've talked about here and  
2 that have been successes could not have been possible but for  
3 the superb staff. I mean I was the band leader that led them  
4 to do all the things. I mean you have an excellent staff. I  
5 want to be the first to compliment you and congratulate you  
6 on selecting Paul Thayer as the new Executive Officer.

7 Annette and I will have the opportunity to work  
8 together on the Wildlife Conservation Board. And there, I'm  
9 sure, we'll be able to find additional opportunities to join  
10 with the Wildlife Conservation Board for the Lands Commission  
11 to buy new wetlands. I have a new appreciation of wetlands  
12 and flyways having to do with, you know, ducks and geese and  
13 the other fowl.

14 (Laughter.)

15 MR. HIGHT: As an aside, I've been invited to three  
16 dinners already and they've served duck.

17 (Laughter.)

18 MR. HIGHT: I'm not a big fan of duck, but I  
19 guess --

20 (Laughter.)

21 MR. HIGHT: It's been a pleasure working with you.  
22 We've had an immense amount of fun and accomplished some very  
23 major, major accomplishments. As you said, Controller, I  
24 think the personal relationships probably rank number one  
25 with me. I'll never forget you and I'm not very far away.

1 So I'm here to help.

2 COMMISSIONER CONNELL: Just don't invite us to those  
3 duck dinners.

4 (Laughter.)

5 MR. HIGHT: Thank you very much.

6 COMMISSIONER CONNELL: Do you want to introduce any  
7 members of your family?

8 MR. HIGHT: My wife is here. And most of the staff  
9 knows my wife.

10 COMMISSIONER CONNELL: Thank you for sharing, Bob,  
11 with us.

12 (Laughter.)

13 MR. HIGHT: There's a fact you probably don't know.

14 CHAIRPERSON BUSTAMANTE: Who's that guy in the red  
15 tie?

16 MR. CAMPBELL: Your driver.

17 CHAIRPERSON BUSTAMANTE: Former Assemblyman Bob  
18 Campbell.

19 MR. HIGHT: Well, I was going to say, there's a fact  
20 you don't know. My wife continues to work for you. She  
21 works for the Commission.

22 MRS. HIGHT: He didn't hire me.

23 (Laughter.)

24 COMMISSIONER CONNELL: That's good. Thank you very  
25 much.

1           CHAIRPERSON BUSTAMANTE: Is there anything else to  
2 come before the Commission?

3           EXECUTIVE OFFICER THAYER: No, Mr. Chairman, that  
4 concludes the agenda.

5           CHAIRPERSON BUSTAMANTE: Do we have an executive  
6 session?

7           EXECUTIVE OFFICER THAYER: Yes, we do. We have a  
8 closed session, which I believe will be held in the  
9 Department of Finance conference room. So we're able to  
10 leave here and go to that one.

11           CHAIRPERSON BUSTAMANTE: Well, then I think that  
12 makes us adjourned.

13           (Thereupon the State Lands Commission was  
14 adjourned at 3:10 p.m.)

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