



# CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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June 7, 2011

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the Transfer of the City's Portion of the Tidelands Oil Revenue Fund net Profits into the Tidelands Operating Fund for Specified Capital Improvement Projects and Transfer \$3,397,000 into the Harbor Revenue Fund.

Increase appropriations in the Tidelands Oil Revenue Fund (NX 420) in the Long Beach Gas and Oil Department (GO) by \$18,000,000.

Increase appropriations in the Tidelands Operating Fund (TF 401) and the Department of Parks, Recreation and Marine (PR) by \$3,550,000, increase appropriations in the Tidelands Operating Fund (TF 401) and the Department of Public Works (PW) by \$8,850,000, increase appropriations in the Tidelands Operating Fund (TF 401) and the Department of Citywide Activities (XC) by \$2,000,000. (Districts 2 and 3)

## DISCUSSION

The passage of Measure D last year clarified the City Charter, that the City Council has complete jurisdictional oversight over all City owned or controlled oil operations presently owned or hereafter acquired including but not limited to both existing and new oil contracts and oil revenue. Formerly, some oil leases within the Harbor District were being handled through the Board of Harbor Commissioners.

Between November 30, 2010 and April 30, 2011, \$18 million has been deposited into the Tidelands Oil Revenue Fund (TORF) from the City's net profits in the Harbor District. TORF is the depository for all Tidelands oil revenues including those revenues belonging to the State. Under the direction of the City Council, the City's portion of TORF funds can be transferred into the Tidelands Operating Fund (TOF) and/or the Harbor Revenue Fund. To date this fiscal year, no such transfer has occurred.

Consistent with the City Council-approved Harbor Department FY 11 budget, the Harbor Department will be allocated approximately \$3.4 million in oil revenue from TORF. It is recommended that the City Council authorize the transfer of the remaining TORF balance of City-controlled net oil revenue into TOF.

A Tidelands oil field abandonment liability reserve account will be established, similar to the existing abandonment reserve account for the City Uplands oil interests. The new Tidelands reserve account will be funded annually by setting aside a dollar portion of each barrel produced to provide funding for the City's share of future abandonment liabilities for the wells and facilities cited in the Optimized Waterflood Agreement implemented on January 1, 2010. It is strongly recommended that the City Council require this reserve account to be funded prior to the transfer of the City's net oil revenue to TOF for other purposes. The recommended reserve funding amount for FY 11 is approximately \$2 million.

After the abandonment reserve has been funded, staff recommends using the remaining net revenue to fund the Tidelands capital improvement projects identified on Attachment A. These projects reflect high priority needs for the City's waterfront facilities that are in significant need of repair.

This item was reviewed by Principal Deputy City Attorney Charles Parkin and Budget Management Officer Victoria Bell on May 26, 2011.

#### TIMING CONSIDERATIONS

City Council action is requested on June 7, 2011, in order to begin construction of the proposed improvements and to provide sufficient notice to the Harbor Department.

#### FISCAL IMPACT

An appropriation increase of \$18,000,000 is necessary for the transfer of projected net oil revenue from the TORF to TOF, and appropriation increases are also required for the departments to begin work on the high priority FY 11 capital projects. Additional capital improvements will be included in the FY 12 Proposed Budget request.

This will have a positive fiscal impact to the Tidelands Operating Fund and will allow the completion of several capital improvement projects that have been deferred for years.

#### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

  
PATRICK H. WEST  
CITY MANAGER

Attachment

**FY 11 Projects Funded by Oil Revenue**

Oil Field Abandonment Liability Reserve

Replace Beach Restrooms:

- Bayshore
- Coronado
- 8th Place
- 62nd Place
- Belmont Pier

New Restroom Between Belmont Pier and Granada

Repave Parking Lots and Replace Parking Equipment:

- Alamitos Beach
- Belmont Pool
- Marina Green

Resurface and Replace Meters in the Junipero Parking Lot

Bluff Stabilization, New Bluff Path and Stairwell at Bixby Park

Water Quality Improvements

Design for Leeway Sailing and Aquatics Center Improvements

Convention Center Improvements

Seed Funding to Replace Harbor Area Water Lines