

**CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

June 17, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution requesting that the Board of Harbor Commissioners approve the transfer of 5 percent of Fiscal Year 2014 (FY 14) gross operating revenue, from the Harbor Revenue Fund (HR 430) to the Tidelands Operations Fund (TF 401), with a true-up adjustment, if necessary, to reflect the final gross revenue amount upon issuance of the Harbor Department's FY 14 audited financial statements. (Citywide)

DISCUSSION

City Charter Section 1209(c)(4) provides for the transfer of a maximum of 5 percent of Harbor gross operating revenue. The Charter provides that the City Council, by a 2/3 vote expressed by Resolution, may request the transfer in order to meet the lawful obligations of the Tidelands Operating Fund. The provision requires a majority vote of the Harbor Board of Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department operations. The Harbor Department FY 15 Proposed Budget, approved by the Harbor Commission, will include a transfer amount calculated on 5 percent of estimated FY 14 operating revenues (estimated at approximately \$17,300,000 based upon the Harbor Department's FY 13 audited financial statement amount). Approval of the transfer to Tidelands will be considered by the Harbor Commission as a separate budget action in response to this formal request by the City Council.

Tidelands Fund Requirements

Department operating revenues generated in the Tidelands area (parking, leases, service agreements, etc.) and Tidelands base oil revenue are insufficient to fund Tidelands operations. The Harbor revenue transfer to Tidelands is a critical funding source necessary to support lifeguards, waterfront maintenance, the Convention Center, and Aquarium debt payments.

The passage of Measure D in 2010 clarified the City Charter with regard to the City Council's complete jurisdictional oversight over all City-owned or controlled oil operations and oil revenue. Given the unpredictable nature of oil prices, Measure D oil funds are best used for one-time infrastructure projects, as opposed to operations. The Measure D oil funds are budgeted annually for infrastructure projects, and the FY 15 Proposed Budget will reflect the same use.

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This matter was reviewed by City Attorney Charles Parkin and Budget Management Officer Victoria Bell on June 2, 2014.

TIMING CONSIDERATIONS

Authority to transfer the funds must be expressed by Resolution (attached). Since the adoption of the FY 15 Tidelands budget is dependent upon the annual transfer, the City Council and Board of Harbor Commissioners must adopt resolutions prior to the City Council's adoption of the FY 15 Proposed Budget, which includes the budget of the Harbor Department. City Council approval is requested on June 17, 2014 to allow time for the FY 14 transfer amount to be approved by the Board of Harbor Commissioners for the FY 15 Proposed Budget.

FISCAL IMPACT

The FY 14 transfer of 5 percent of gross operating revenue from the Harbor Revenue Fund (HR 430) to the Tidelands Operations Fund (TF 401) will be included in the City Manager's FY 15 Proposed Budget to support Tidelands operations. The transfer amount will be paid quarterly, and will be based on the actual operating revenues reported in the Harbor Department's FY 14 audited financial statements.

The FY 13 transfer of 5 percent of gross operating revenue was previously estimated at \$18,373,000 for the FY 14 Proposed Budget. The actual FY 13 gross operating revenue reported in the Harbor Department's FY 13 audited financial statements was \$346,244,082, which provides for an adjusted transfer amount of \$17,312,204 to support Tidelands operations in FY 14.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH MAKING CERTAIN FINDINGS AND
DETERMINATIONS AND REQUESTING THE BOARD OF
HARBOR COMMISSIONERS OF THE CITY OF LONG
BEACH TO APPROVE A TRANSFER FROM THE HARBOR
REVENUE FUND TO THE TIDELAND OPERATING FUND
PURSUANT TO THE PROVISIONS OF CITY CHARTER
SECTION 1209(C)(4)

WHEREAS, City Charter Section 1209(c)(4) authorizes the transfer of
monies deposited to the credit of the Harbor Revenue Fund to the Tideland Operating
Fund under certain conditions; and

WHEREAS, the City Council finds and determines that a transfer of funds
from the Harbor Revenue Fund to the Tideland Operating Fund is required to meet the
lawful obligations of the Tideland Operating Fund; and

WHEREAS, City Charter Section 1209(c)(4) provides for the transfer of a
maximum of five percent of the gross operating revenues of the Harbor Department.

NOW, THEREFORE, the City Council of the City of Long Beach resolves as
follows:

Section 1. A transfer of funds from the Harbor Revenue Fund to the
Tideland Operating Fund is required to meet the lawful obligations of the Tideland
Operating Fund.

Section 2. That five percent (5%) of the gross operating revenues of the
Harbor Department be transferred to the Tideland Operating Fund.

Section 3. The transfer is being requested quarterly with a reconciliation,
as necessary, to reflect the final audited gross operating revenues as shown on the

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 Harbor Department's independently audited financial statements for the period ending
2 September 30, 2014.

3 Section 4. The City Council by a vote of two-thirds (2/3) of all its
4 members requests that the Board of Harbor Commissioners approve the transfer of five
5 percent (5%) of the gross operating revenues (estimated at approximately \$17,300,000
6 based upon the Harbor Department's FY13 audited financial statement amount) from the
7 Harbor Revenue Fund to the Tideland Operating Fund, which transfer shall be made by
8 journal entry on the books of the City of Long Beach.

9 Section 5. This resolution shall take effect immediately upon its adoption
10 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

11 I hereby certify that the foregoing resolution was adopted by the City
12 Council of the City of Long Beach at its meeting of _____, 2014, by the
13 following vote:

14 Ayes: Councilmembers: _____

15 _____

16 _____

17 _____

18 Noes: Councilmembers: _____

19 _____

20 Absent: Councilmembers: _____

21 _____

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23 _____
24 City Clerk

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