



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-35

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

June 5, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

- 1) Adopt the attached Resolution requesting the Board of Harbor Commissioners to approve the transfer of \$15,399,535 from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) as of October 1, 2007; and
- 2) Request the Board of Harbor Commissioners to make said transfer in equal quarterly installments on October 1, 2007, January 1, 2008, April 1, 2008 and July 1, 2008. (Citywide)

DISCUSSION

At the beginning of each fiscal year, City Charter Section 1209(c)(4) provides for the transfer of 10 percent of the Harbor Department's net income, as shown by the most recent available independently audited financial statements, to the Tidelands Operating Fund. Since Fiscal Year 2007 (FY 07) has not yet ended, the FY 06 audited financial statements are the basis for the FY 08 transfer. The requested transfer of \$15,399,535 represents 10 percent of the Harbor Department's \$153,995,350 net income, as shown on the audited financial statement (Attachment A) for the fiscal year ended September 30, 2006. The Harbor Department would retain a significant net income of \$138,595,815 after the 10 percent contribution to the Tidelands Operating Fund.

Staff has determined that without the requested transfer for FY 08, the Tidelands Operating Fund would not be fiscally able to fund necessary capital asset maintenance and replacement without closing beaches and eliminating safety services in the Tidelands areas.

Authority to transfer the funds must be expressed by Resolution (attached). The transfer cannot occur until the Resolution is approved by a two-thirds majority of the entire City Council and a separate Resolution is approved by a majority of all members of the Board of Harbor Commissioners. Since the adoption of the FY 07 budget is dependent upon this transfer, the City Council and Board of Harbor Commissioners must adopt these Resolutions prior to the Council's adoption of the Proposed Budget, which includes the budget of the Harbor Department.

HONORABLE MAYOR AND CITY COUNCIL

June 5, 2007

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Assistant City Attorney Heather A. Mahood and Budget and Performance Management Bureau Manager David Wodynski reviewed this letter on May 22, 2007.

TIMING CONSIDERATIONS

City Council approval is requested on June 5, 2007, prior to adoption of the FY 08 budget.

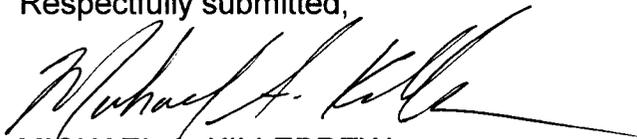
FISCAL IMPACT

The 10 percent net income transfer from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) will be included in the FY 08 Proposed Budget of the Harbor Department (HA). In addition, the annual transfer amount was utilized to balance the FY 07 budgets of the various departments that provide services in the Tidelands. Continuity of services in the Tidelands area, such as capital replacement, beach maintenance, lifeguards, fire and police is contingent on the Port transfer.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

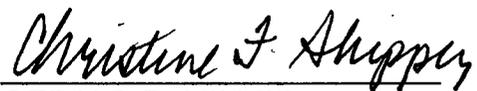


MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

MAK:DW:TL
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ATTACHMENTS

APPROVED:

for 
GERALD R. MILLER
CITY MANAGER

Statements of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Years Ended September 30, 2006 and 2005

	2006	2005
Port operating revenues (Note 10):		
Berths and special facilities	\$ 337,675,886	\$ 314,563,390
Rental properties	11,458,464	10,925,736
Miscellaneous	4,160,127	3,718,336
Total Port operating revenues	<u>353,294,477</u>	<u>329,207,462</u>
Port operating expenses:		
Facility maintenance	5,336,502	5,801,372
Infrastructure maintenance	22,787,336	16,738,700
Fire and safety	17,527,101	14,210,253
Other indirect	8,690,263	6,155,509
General and administrative	21,199,838	19,109,527
Port operating expenses before depreciation and amortization	<u>75,541,039</u>	<u>62,015,361</u>
Depreciation and amortization	<u>85,465,306</u>	<u>86,753,892</u>
Total Port operating expenses	<u>161,006,345</u>	<u>148,769,253</u>
Operating Income	<u>192,288,132</u>	<u>180,438,209</u>
Non-operating income (expense):		
Intergovernmental (Note 13)	(14,222,184)	(9,499,689)
Interest income	28,301,965	17,964,410
Interest expense	(54,109,749)	(57,447,850)
Income from Harbor oil operations	6,125,571	13,540,959
Loss on disposition of capital assets	(1,391,832)	(399,737)
Income from equity in joint ventures (Note 11)	4,301,663	3,535,373
Other expense, net	(9,596,403)	(8,118,298)
Net non-operating expense	<u>(40,590,969)</u>	<u>(40,424,832)</u>
Income before capital grants	151,697,163	140,013,377
Capital grants	2,298,184	2,208,461
Increase in net assets	→ 153,995,347	142,221,838
Total net assets, October 1	<u>1,828,150,506</u>	<u>1,685,928,668</u>
Total net assets, September 30	<u>\$ 1,982,145,853</u>	<u>\$ 1,828,150,506</u>

See accompanying notes to the financial statements.

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH MAKING CERTAIN FINDINGS AND
5 DETERMINATIONS AND REQUESTING THE BOARD OF
6 HARBOR COMMISSIONERS OF THE CITY OF LONG
7 BEACH TO APPROVE A TRANSFER OF \$15,399,535 FROM
8 THE HARBOR REVENUE FUND TO THE TIDELAND
9 OPERATING FUND PURSUANT TO THE PROVISIONS OF
10 CITY CHARTER SECTION 1209(C)4
11

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

15 WHEREAS, the City Council finds and determines that the lawful
16 obligations of the Tideland Operating Fund for the fiscal year commencing October 1,
17 2007 and ending September 30, 2008 will exceed the anticipated revenues to and
18 reserves of the Tideland Operating Funds by an amount approximating \$15,399,535; and

19 WHEREAS, the net income of the Harbor Department for the fiscal year
20 commencing October 1, 2005 and ending September 30, 2006 as shown on the audited
21 financial statements of the Harbor Department prepared by KPMG LLP and the Long
22 Beach City Auditor, is the sum of \$153,995,350 and ten percent (10%) thereof is the sum
23 of \$15,399,535;

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

26 Section 1. The lawful obligations of the Tideland Operating Fund for the
27 fiscal year commencing October 1, 2007 and ending September 30, 2008 will exceed the
28 total reserves and anticipated revenues of the Tideland Operating Fund for the same

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1 period.

2 Section 2. That ten percent (10%) of the net income of the Harbor
3 Department as shown on the most recent available independently audited financial
4 statements for the period ending September 30, 2006 is the sum of \$15,399,535.

5 Section 3. The City Council by a vote of two-thirds (2/3) of all its
6 members requests that the Board of Harbor Commissioners approve the transfer of the
7 sum of \$15,399,535 from the Harbor Revenue Fund to the Tideland Operating Fund
8 which transfer shall be made by journal entry on the books of the City of Long Beach.

9 Section 4. 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 _____, 2007, by the
13 following vote:

14 Ayes: Councilmembers: _____
15 _____
16 _____
17 _____

18 Noes: Councilmembers: _____

19 _____

20 Absent: Councilmembers: _____

21 _____

22 _____

23 _____

24 _____
25 City Clerk

26 _____

27 _____

28 _____

HAM:fl
5/22/07; rev. 5/24/07
#07-02557