

C-9

March 21, 2023

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve the Modification and Supplement of the Long Beach Unit Annual Plan (July 1, 2022 to June 30, 2023). (Citywide)

DISCUSSION

In accordance with Chapter 138, California Legislature, 1964 First Extraordinary Session, an Annual Plan of Development and Operations and Budget for the Long Beach Unit (LBU) must be adopted by the City of Long Beach (City) and approved by the State Lands Commission (SLC).

Chapter 941, California Legislature, 1991 Sessions, amended Chapter 138 and requires the City and the Contractor, California Resources Corporation, Inc., to prepare a one-year plan (Annual Plan), which includes an itemized budget of intended expenditures.

The Annual Plan covering the period of July 1, 2022 through June 30, 2023 was adopted by the City Council on March 22, 2022 and approved by the SLC on April 26, 2022.

In accordance with the provision of Section 2.06 of the Optimized Waterflood Program Agreement (Agreement) and provisions of Part IV, Sections A and B of the Annual Plan, we are submitting the First Modification and Supplement of the Annual Plan covering the period of July 1, 2022 through June 30, 2023. The modification and the supplement are required to account for an increase in the Operating Expenses category of the Annual Plan. The increase in operating costs projected for the period is mainly due to increased downhole maintenance and higher electricity rates. The Agreement dictates that no such expenditure shall be incurred that would result in any category of expenditures to exceed the budget. Expenditures are anticipated to be higher than budget, however, will be offset by higher net profits. The requested supplement is wholly funded out of LBU operating profits.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 27, 2023 and by Revenue Management Officer Geraldine Alejo on March 6, 2023.

TIMING CONSIDERATIONS

Chapter 941, California Legislature, 1991 Sessions, requires that any modification is subject to review and revision by the SLC, and that the SLC has a thirty-day review period after formal submission by the City. Chapter 138 (Section 5g) gives the SLC Executive

HONORABLE MAYOR AND CITY COUNCIL

March 21, 2023

Page 2

Officer the power to consent to a modification provided that the consent is ratified by the SLC at its next scheduled meeting (April 25, 2023). To meet these timing requirements, City Council action on this matter is requested on March 21, 2023.

FISCAL IMPACT

There is no net fiscal impact associated with this recommendation. Expenditures related to the plan are incurred in the Tidelands Oil Revenue Fund Group in the Energy Resources Department and are fully offset by net revenues from operations. Annual expense and revenue will be based on actual realized oil prices. The department is closely monitoring performance throughout the year and, if needed, will return to City Council with a request to increase appropriation offset by revenue. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT M. DOWELL
DIRECTOR OF ENERGY RESOURCES

APPROVED:



THOMAS B. MODICA
CITY MANAGER