



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-26

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

May 20, 2008

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 \$16,059,464 from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) as of October 1, 2008.
- 2) Request the Board of Harbor Commissioners to make said transfer in equal quarterly installments on October 1, 2008, January 1, 2009, April 1, 2009 and July 1, 2009. (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 2008 (FY 08) has not yet ended, the FY 07 audited financial statements are the basis for the FY 09 transfer. The requested transfer of \$16,059,464 represents 10 percent of the Harbor Department's \$160,594,640 net income, as shown on the audited financial statement (Attachment A) for the fiscal year ended September 30, 2007. The Harbor Department would retain a significant net income of \$144,535,176 after the 10 percent contribution to the Tidelands Operating Fund.

Staff has determined that without the requested transfer for FY 09, the Tidelands Operating Fund would close the fiscal year with a deficit, which would necessitate the closing of beaches and elimination of 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 09 budget is dependent upon this transfer, the City Council and Board of Harbor Commissioners must adopt these Resolutions prior to the City Council's adoption of the FY 09 Proposed Budget, which includes the budget of the Harbor Department.

This matter was reviewed by Assistant City Attorney Heather A. Mahood on April 18, 2008 and Budget Management Officer Victoria Bell on April 30, 2008.

HONORABLE MAYOR AND CITY COUNCIL

May 20, 2008

Page 2

TIMING CONSIDERATIONS

City Council approval is requested on May 20, 2008, prior to adoption of the FY 09 budget.

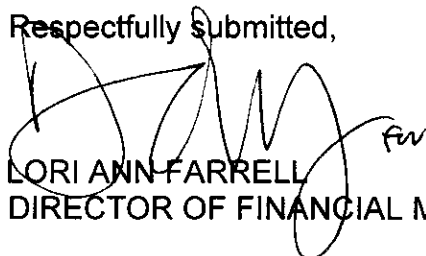
FISCAL IMPACT

The 10 percent net income transfer from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) will be included in the FY 09 Proposed Budget of the Harbor Department (HA). In addition, the annual transfer amount was utilized to balance the FY 08 budgets of the various departments that provide services in the Tidelands. Continuity of services in the Tidelands area, such as beach maintenance, lifeguards, fire and police is contingent on the Port transfer.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

LAF:DW:JC:TL  
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APPROVED:

ATTACHMENTS



PATRICK H. WEST  
CITY MANAGER

**The Harbor Department of the City of Long Beach  
Statements of Revenues, Expenses, and Changes in Fund Net Assets  
For the Fiscal Years Ended September 30, 2007 and 2006**

	2007	2006
Port operating revenues (note 10):		
Berths and special facilities	\$ 351,891,119	\$ 337,675,886
Rental properties	14,633,060	11,458,464
Miscellaneous	4,307,754	4,160,127
Total Port operating revenues	370,831,933	353,294,477
Port operating expenses:		
Facility maintenance	9,777,839	5,336,502
Infrastructure maintenance	29,916,302	22,787,336
Fire and safety	20,472,349	17,527,101
Other indirect	9,792,836	8,690,263
General and administrative	27,004,526	21,199,838
Port operating expenses before depreciation and amortization	96,963,852	75,541,040
Depreciation and amortization	83,067,090	85,465,306
Total Port operating expenses	180,030,942	161,006,346
Operating Income	190,800,991	192,288,131
Non-operating income (expense):		
Interest income	43,374,260	28,301,965
Interest expense	(53,072,903)	(54,109,749)
Income (loss) from Harbor oil operations	(21,070,305)	6,125,571
Gain (loss) on disposition of capital assets	179	(1,391,831)
Income from equity in joint ventures (Note 11)	4,674,546	4,301,663
Other income (expense), net	1,267,487	(9,596,403)
Net non-operating expense	(24,826,736)	(26,368,784)
Income before capital grants and transfers	165,974,255	165,919,347
Capital grants	10,019,920	2,298,184
Transfers to the City of Long Beach (note 13)	(15,399,535)	(14,222,184)
Increase in net assets	160,594,640	153,995,347
Total net assets, October 1	1,982,145,853	1,828,150,506
Total net assets, September 30	\$ 2,142,740,493	\$ 1,982,145,853

See accompanying notes to the financial statements.

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

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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 OF \$16,059,464 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 the lawful obligations of the Tideland Operating Fund for the fiscal year commencing October 1, 2008 and ending September 30, 2009 will exceed the anticipated revenues to and reserves of the Tideland Operating Funds by an amount approximating \$16,059,464 and

WHEREAS, the net income of the Harbor Department for the fiscal year commencing October 1, 2006 and ending September 30, 2007 as shown on the financial statements prepared by the Harbor Department and audited by KPMG LLP, is the sum of \$160,594,640 and ten percent (10%) thereof is the sum of \$16,059,464;

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

Section 1. The lawful obligations of the Tideland Operating Fund for the fiscal year commencing October 1, 2008 and ending September 30, 2009 will exceed the total reserves and anticipated revenues of the Tideland Operating Fund for the same period.

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1                   Section 2.    That ten percent (10%) of the net income of the Harbor  
2 Department as shown on the most recent available independently audited financial  
3 statements for the period ending September 30, 2007 is the sum of \$16,059,464.

4                   Section 3.    The City Council by a vote of two-thirds (2/3) of all its  
5 members requests that the Board of Harbor Commissioners approve the transfer of the  
6 sum of \$16,059,464 from the Harbor Revenue Fund to the Tideland Operating Fund  
7 which transfer shall be made by journal entry on the books of the City of Long Beach.

8                   Section 4.    This resolution shall take effect immediately upon its adoption  
9 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

10                   I hereby certify that the foregoing resolution was adopted by the City  
11 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2008, by the  
12 following vote:

13                   Ayes:            Councilmembers: \_\_\_\_\_

14 \_\_\_\_\_  
15 \_\_\_\_\_  
16 \_\_\_\_\_

17                   Noes:            Councilmembers: \_\_\_\_\_

18 \_\_\_\_\_

19                   Absent:           Councilmembers: \_\_\_\_\_

20 \_\_\_\_\_

21 \_\_\_\_\_

22 \_\_\_\_\_

City Clerk

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27                   HAM:fl  
                  4/18/08  
28                   #A08-01187