



Legislation Text

File #: 14-0448, **Version:** 1

Recommendation to adopt 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)

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.

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

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.

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.

Approve recommendation.

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JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER