



Legislation Text

File #: 10-0662, **Version:** 1

Recommendation to adopt resolution requesting Board of Harbor Commissioners to approve the transfer in full of \$12,423,706, based on 10 percent of the Fiscal Year 2009 change in net assets, from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) effective immediately;

Approve the subsequent annual transfer on October 1, 2010 based on 80 percent of the Harbor Revenue Fund's unaudited change in net assets as of September 30, 2010, for \$9,938,965, with the remaining 20 percent of \$2,484,741 to be transferred after March 31, 2011 upon issuance of the Harbor Department's Fiscal Year 2010 audited financial statements, with a corresponding true-up adjustment, as necessary, to reflect the final audited amount; and

Consider the elimination of the previous year's transfer from the base upon which the annual transfer is calculated, effective with the Harbor Department's Fiscal Year 2010 audited financial statements, for an additional \$1.2 million. (Citywide)

City Charter Section 1209(c)(4) provides for the transfer of 10 percent of the Harbor Department's change in net assets as shown by the most recent available independently audited financial statements, to the Tidelands Operating Fund.

Traditionally, the City has based its request for the annual Harbor transfer on the change in net assets from two fiscal years prior (e.g., the FY 10 transfer to the Tidelands Operating Fund was based on the FY 08 audited financial statements of the Harbor Department). As such, the transfer based upon the Harbor Department's FY 09 audited financial statements would typically occur in FY 11. Consistent with the City Auditor's report dated June 15, 2010, staff is recommending the City Council request the Board of Harbor Commissioners make the transfer in full of \$12,423,706 to the Tidelands Operating Fund, based upon the FY 09 change in net assets of \$124,237,060, effective immediately as the FY 09 audit is complete. The Harbor Department would retain a significant net income of \$111,813,354 after the 10 percent contribution to the Tidelands Operating Fund.

In addition, pursuant to the recommendation made by the City Auditor's report dated June 15, 2010 (attached), an accelerated payment of the annual transfer is being requested for FY 11 due on October 1, 2010, based on 80 percent of the Harbor's unaudited change in net assets as of September 30, 2010, with the remaining 20 percent to be transferred to the Tidelands Operating Fund upon issuance of the Harbor Department's FY 10 audited financial statements expected to be issued by March 31, 2011. It is important to note that upon issuance of the FY 10 audited financial statements, the final total amount of the transfer must be based on 10 percent of the final audited change in net assets. Hence, the second 20 percent payment will likely require a simultaneous true-up adjustment based on the audited financial statements.

Finally, the City is also requesting that the Board of Harbor Commissioners consider the elimination of the previous year's transfer from the base upon which the annual transfer is calculated, effective with the Harbor Department's FY 2010 audited financial statements. If approved, this would result in

a \$1.2 million increase in the transfer to the Tidelands Operating Fund in FY 11.

Staff has determined that without the annual transfer, the Tidelands Operating Fund's existing structural deficit would worsen, likely necessitating the closure of beaches and elimination of safety services in the Tidelands areas in the near future.

Authority to transfer the funds must be expressed by Resolution (attached). The transfer(s) 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 11 budget is dependent upon this transfer(s), the City Council and Board of Harbor Commissioners must adopt these Resolutions prior to the City Council's adoption of the FY 11 Proposed Budget, which includes the budget of the Harbor Department.

This matter was reviewed by Assistant City Attorney Heather A. Mahood on June 11, 2010 and Budget and Performance Management Bureau Manager David Wodynski on June 7, 2010.

City Council approval is requested on June 22, 2010, prior to adoption of the FY 11 budget.

The transfer of \$12,423,706 is based on the Harbor Department's FY 09 audited financial statements, and will be used to support critical maintenance, safety and support services in the Tidelands Trust area. The accelerated transfer based upon the unaudited change in net assets as of September 30, 2010, is one-time in nature, and will be used for one-time needs only in the Tidelands Trust area. All future annual transfers from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) will be based on the prior year's change in net assets, with 80 percent due on October 1 of each fiscal year, based on the unaudited change in net assets, with the remaining 20 percent based on the final reconciled change in net assets as indicated in the audited financial statements issued after March 31st of each year.

Approve recommendation.

LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:

PATRICK H. WEST
CITY MANAGER

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)