



City of Long Beach
Working Together to Serve

ATTACHMENT A

Memorandum

Date: July 16, 2009

To: Patrick H. West, City Manager *PH West*

From: Lori Ann Farrell, Director of Financial Management/CFO *LAF*

For: Mayor and Members of the City Council

Subject: Annual Harbor Transfer to the Tidelands Fund

As previously discussed, the Harbor Department's Proposed FY 10 Budget projects a \$7.3 million, or 46 percent, decrease in the annual transfer to the Tidelands Operating Fund in both FY 11 and FY 12. This will result in an estimated transfer of \$8.7 million versus the \$16.1 million the Harbor Department was able to transfer in both FY 09 and FY 10. It appears this decrease results primarily from projected declines in both operating and non-operating revenues at the Port.

Please note that the annual Harbor Department transfer is used to support beach maintenance, Rainbow Harbor maintenance, capital projects, lifeguard services, aquatic programs, and marine safety services, among other essential Tidelands functions. It is anticipated that a projected 46 percent cut in the transfer in FY 11 and FY 12 will significantly impact the City's ability to maintain current service levels and activities within the Tidelands area.

The attached chart demonstrates the potential impact of the reduced transfer to the Tidelands Operating Fund through FY 12. Please note that it is projected that by the end of FY 12, the Tidelands Operating Fund will reflect a negative fund balance of approximately \$8.3 million. We will continue to work with the Harbor Department to identify ways to potentially mitigate this reduction.

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ATTACHMENT

CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD HARRISON, DEPUTY CITY MANAGER
STEPHEN HANNAH, CITY CONTROLLER

Tidelands Operating Fund (TF 401) Projections ATTACHMENT A

	FY 2009 Adopted	FY 2009 Estimated as of June 19	FY 2010 Proposed as of June 19	FY 2011 Projected	FY 2012 Projected
Unrestricted Beginning Fund Balance	29,953,365	29,953,365	17,878,750	13,148,321	2,187,950
Tidelands Revenues	26,584,024	25,369,410	24,944,658	25,761,388	27,115,064
Tidelands Oil Revenue Transfer	9,600,000	7,490,071	3,914,925	4,012,953	4,012,953
<u>Less Expenditures</u>	<u>(55,351,548)</u>	<u>(47,607,381)</u>	<u>(49,673,984)</u>	<u>(49,474,712)</u>	<u>(50,358,158)</u>
Unrestricted Fund Balance Before Harbor Transfer	10,785,841	15,205,465	(2,935,651)	(6,552,050)	(17,042,191)
<u>Harbor Department 10% Transfer</u>	<u>16,059,464</u>	<u>16,059,464</u>	<u>16,083,972</u>	<u>8,740,000</u>	<u>8,740,000</u>
Subtotal	26,845,305	31,264,929	13,148,321	2,187,950	(8,302,191)
Budgeted for Capital Projects	(12,240,000)	(18,690,000)	0	0	0
Capital Project Reductions/Deferrals	0	5,303,821	0	0	0
 Unrestricted Ending Fund Balance	 <u>14,605,305</u>	 <u>17,878,750</u>	 <u>13,148,321</u>	 <u>2,187,950</u>	 <u>(8,302,191)</u>



The Port of
LONG BEACH

ATTACHMENT A

Memorandum

Date: July 20, 2009
To: Finance and Support Services Committee
From: Steve Rubin, Managing Director, Finance & Administration
Subject: Resolution Authorizing the Transfer of Funds to the Tidelands Operating Fund

The City Council, at their meeting of June 9, 2009, adopted a Resolution requesting the Board of Harbor Commissioners approve a transfer of \$16,083,972 from the Harbor Revenue Fund to the Tidelands Operating Fund 401, Subfund 001 (TOF). The request is pursuant to the City Charter Section 1209(c)(4), which provides for a transfer of up to 10% of the net income of the Harbor Department as shown on the latest available audited financial statements, if approved by the Board. The amount requested represents 10% of net income for the fiscal year ended September 30, 2008.

The request for the transfer has been anticipated, and the amount is included in the proposed fiscal 2010 annual budget, and will also be accrued as an expense in the financial statements for fiscal 2009.

Attached are a proposed resolution of the Board of Harbor Commissioners, which would approve the transfer, and the City Council Resolution requesting the transfer. The proposed resolution provides for the transfer of funds to be made quarterly, beginning on October 1, 2009.

The Tidelands Transfer is governed by Section 1209 (c)(4) of the City Charter which states:

"For the transfer to the Tideland Operating Fund at the beginning of a fiscal year from revenues in the Harbor Revenue Fund of such sums as shall have been determined by the City Council, by a vote of two-thirds (2/3) of all its members, expressed by resolution, to be required to meet the lawful obligations of the Tideland Operating Fund; provided, however, that such sums designated shall not exceed ten percent (10%) of the net income of the Harbor Department as shown on the most recent available independently audited financial statements; and further provided that such transfer of funds shall be subject to the prior approval of a majority of all members of the Board of Harbor Commissioners, expressed by resolution, finding and determining that the funds proposed to be transferred will not be needed for Harbor Department operations, including, without limitations, operating expenses and capital projects, and that such transfer will not result in insufficient funds to pay the principal and interest as they fall due, or otherwise impair the ability to meet covenants, of general obligation or revenue bonds issued for harbor purposes."

Finance and Support Services Committee
Resolution Authorizing Transfer of Funds
to the Tidelands Operating Fund
July 20, 2009

As indicated above, the transfer is a discretionary action on the part of the Board each year. The Board must make an affirmative finding that the funds are not needed for Harbor Department operations. If the Board makes this finding, the Board then determines the amount of the transfer, which cannot exceed 10% of the net income of the most recent audited financial statements.

Although the Port's current cash position is adequate to make the transfer as requested by the City Council, the follow issues should be considered by the Board:

- The world-wide recession is having a significant impact on the maritime industry. This economic downturn started last fiscal year when our container volume dropped 6.5%, and has accelerated this year. Whereas income from oil operation more than offset the decline in operating revenue in FY2008, crude oil prices have fallen in 2009. Based on actual results for the first eight months of FY2009, we are forecasting a 22% reduction in container volume for the full year, resulting in a 16% decline in operating revenue. In addition to the impact of the recession, we are experiencing cargo diversion to other ports as they have aggressively competed for our discretionary, intermodal cargo. The immediate, short-term outlook is not encouraging. On June 29, 2009, Moody's Investors Service cut its outlook for the U.S. ports sector to negative from stable amid steep drops in consumer demand and global trade.
- The Port's continued commitment to the Green Port Policy and the Clean Air Action Plan will require a significant investment over the coming years. More than \$100 million will be invested in cold ironing and at least \$70 million in our Clean Truck Program. Millions of additional dollars will be spent on promoting new technologies, such as sock-on-the-stack, zero emission container movement systems, and hybrid yard equipment and tugs. The Board has also committed \$15 million to the Middle Harbor grant mitigation program.
- In addition, our analysis shows that over the next ten years the Port of Long Beach may need to fund a revenue shortfall of approximately \$100 million for the Alameda Corridor Transportation Authority (ACTA) in order to cover a portion of ACTA's debt service payments. This is in accordance with the Alameda Corridor Use and Operating Agreement. The amount of the shortfall will depend on the speed of recovery in cargo volumes at the San Pedro Bay Ports.
- The Harbor Department has had to issue revenue bonds when capital expenditures exceed available funds. Total long-term debt at the end of fiscal 2009 is estimated at approximately \$800 million. Given the demands of future capital projects, especially

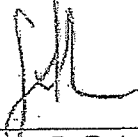
Finance and Support Services Committee
Resolution Authorizing Transfer of Funds
to the Tidelands Operating Fund
July 20, 2009

infrastructure-related, as well as increasing environmental spending, the Harbor Department may need to issue additional debt as early as 2012.

If the Board approves the requested FY2010 transfer, the total amount transferred to the City since 1995 will total \$146 million. The City will use the amount transferred for operating requirements within the City's Tidelands area. The transfer supports critical services in the Tidelands including beach maintenance, Rainbow Harbor maintenance, lifeguard services, aquatics programs, marine safety services, and other essential functions. The use of the transfer is restricted under the State's Tidelands grant to the City of Long Beach. The amount of the requested 10% transfer (\$16,083,972) has been included as a balancing item in the Tidelands Operating Fund (TOF) budget. Schedule 1 is a summary (prepared by the City's Department of Financial Management) of TOF estimated performance for fiscal 2009 and the budget for fiscal 2010.

It is recommended that the Finance and Support Services Committee review the Tidelands Transfer request and refer to the Board of Harbor Commissioners for action.

Recommended by



Steven B. Rubin
Managing Director
Finance & Administration

Approved by



Richard D. Steinke
Executive Director

Tidelands Operating Fund (TF 401) Projections

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"Exhibit A"

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RESOLUTION NO. RES-09-0057

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 \$16,083,972 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, 2009 and ending September 30, 2010 will exceed the anticipated revenues to and reserves of the Tideland Operating Funds by an amount approximating \$16,083,972 and

WHEREAS, the net income of the Harbor Department for the fiscal year commencing October 1, 2007 and ending September 30, 2008 as shown on the financial statements prepared by the Harbor Department and audited by KPMG LLP, is the sum of \$160,839,722 and ten percent (10%) thereof is the sum of \$16,083,972;

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, 2009 and ending September 30, 2010 will exceed the total reserves and anticipated revenues of the Tideland Operating Fund for the same

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4864

"Exhibit A"

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, 2008 is the sum of \$16,083,972.

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 \$16,083,972 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 June 9, 2009, by the
13 following vote:

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

14 Ayes: Councilmembers: Garcia, S. Lowenthal, DeLong,
15 O'Donnell, Schipske, Andrews,
16 Gabelich, Lerch.

17
18 Noes: Councilmembers: None.

19
20 Absent: Councilmembers: Reyes Uranga.

21
22
23 
24 City Clerk

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
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RESOLUTION NO. HD-

A RESOLUTION OF THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH APPROVING UPON CERTAIN FINDINGS, THE TRANSFER OF \$16,083,972 FROM THE HARBOR REVENUE FUND TO THE TIDELAND OPERATING FUND PURSUANT TO THE PROVISIONS OF SECTION 1209(C)(4) OF THE CHARTER OF THE CITY OF LONG BEACH

WHEREAS, the City Council of the City of Long Beach has requested the transfer of \$16,083,972 from the Harbor Revenue Fund to the Tideland Operating Fund pursuant to Section 1209(c)(4) of the Charter of the City of Long Beach, the form of which request is attached hereto and incorporated herein as Exhibit "A;" and

WHEREAS, the Board of Harbor Commissioners of the City of Long Beach ("Board") has fully considered the matter and desires to make the necessary findings and approve the request.

NOW, THEREFORE, the Board resolves as follows:

Section 1. The Board hereby finds and determines that:

A. The funds proposed to be transferred as set forth in Exhibit "A" will not be needed for Harbor Department operations, including, without limitation, operating expenses and capital projects; and

B. Such transfer will not result in insufficient funds to pay the principal and interest as they fall due, or otherwise impair the ability to meet covenants, of general obligation or revenue bonds issued for harbor purposes.

Sec. 2. Based upon such findings and determinations, the proposed transfer is approved, upon the condition that the transfer shall be made in four (4)

