**CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

July 5, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution requesting that the Board of Harbor Commissioners approve the FY 2011 transfer of \$16,920,700 based on five percent of FY 2011 estimated gross operating revenue, with a true-up adjustment as necessary to reflect the final gross revenue amount upon issuance of the Harbor Department's FY 2011 audited financial statements, from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) as of October 1, 2011. (Citywide)

DISCUSSION

The passage of Measure D by voters in November 2010 amended City Charter Section 1209(c)(4) regarding the formula for calculation of the maximum annual transfer of harbor revenues to the Tidelands Operating Fund. The transfer calculation was changed from a maximum of ten percent of Harbor net income, to a maximum of five percent of Harbor gross operating revenue. The Charter provides that the City Council, by a 2/3 vote on a 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 to enact the transfer, determining that the funds "will not be needed for Harbor Department operations." The Harbor Department Budget (Attachment A), as approved by the Harbor Commission on June 20, 2011, does not provide for the Harbor Tidelands Transfer for the upcoming year.

Tidelands Fund Requirements

The Harbor Tidelands Transfer is one of three key revenue sources necessary to fund the operations of the Tidelands, as demonstrated in Attachment B. It is the most stable and predictable revenue source supporting Tidelands operations. Revenues generated in the Tidelands (fees, parking, service agreements, etc.) and Tidelands Oil up to \$55 per barrel make up the remaining revenue sources for operations. Those two funding sources alone are insufficient to fund Tidelands operations. Without the Harbor Tidelands Transfer, the Tidelands Operating Fund would have a structural deficit of \$12.1 million in FY 12. The Harbor Tidelands Transfer is necessary to support critical operations in the Tidelands, including lifeguards and marine safety, waterfront maintenance, beach cleanup and maintenance operations, the Convention Center, and Aquarium debt payments.

In addition to Tidelands operations, the City has significant infrastructure needs in the Tidelands that have been deferred for many years. The City has a current short-term backlog of over \$314 million in infrastructure projects, and additional future needs for infrastructure funding. Attachment C provides a list of the current short-term backlog of infrastructure projects. The passage of Measure D also clarified the intent of the City Charter, that the City Council has complete jurisdictional oversight over all City owned or controlled oil operations, including oil leases within the Harbor District. As approved by the City Council on June 7, 2011, Measure D oil funds, above those needed to establish an abandonment liability reserve, and Tidelands oil above \$55 per barrel will be used to fund a small portion of the significant infrastructure backlog of high-priority projects in the Tidelands. These oil funds are best used for one-time infrastructure projects, as opposed to operations, given the volatility and unpredictable nature of oil prices. However, if the Harbor Tidelands Transfer was not approved and these funds are used instead for operations, the level of investment in the Tidelands infrastructure would revert back to prior levels, resulting in minimal investment and further decay of the infrastructure.

Attachment B demonstrates that the Tidelands Fund has \$235.4 million shortfall beyond current revenue projections. Even assuming a Harbor Tidelands Transfer, Tidelands Oil revenues, Measure D oil revenues, and revenues generated in the Tidelands, the current need for investment in the Tidelands far exceeds the available revenue.

Port Net Income

The requested transfer amounts are based on the FY 12 Proposed Harbor Department Budget presented to the Board of Harbor Commissioners at its meeting of June 20, 2011. As shown on Attachment A, the Harbor Department would retain a net income for FY 12 in excess of \$113 million after the five percent contribution to the Tidelands Operating Fund.

This matter was reviewed by Principal Deputy City Attorney Charles Parkin and Budget Management Officer Victoria Bell on June 30, 2011.

TIMING CONSIDERATIONS

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 12 budget is dependent upon the annual transfer, the City Council and Board of Harbor Commissioners must adopt these Resolutions prior to the City Council's adoption of the FY 12 Proposed Budget, which includes the budget of the Harbor Department.

HONORABLE MAYOR AND CITY COUNCIL

July 5, 2011

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City Council approval is requested on July 5, 2011 to ensure that the FY 12 transfer amount is included in the Harbor Department budget, prior to adoption of the FY 12 Budget.

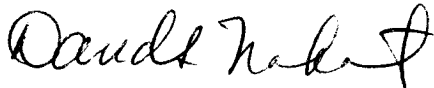
FISCAL IMPACT

The FY 11 transfer of five percent of gross operating revenue in the amount of \$16,920,700 from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) will be included in the City Manager's FY 12 Proposed Budget for Tidelands operations.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DAVID NAKAMOTO
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

Attachments

APPROVED:



PATRICK H. WEST
CITY MANAGER

Attachment A

**Harbor Department FY 2012 Proposed Budget
FY 2012 Operating Statement (\$000)**

	FY 2012 Proposed	FY 2011 Estimate
Operating Revenue	347,899	338,414
Operating Expenses	-200,368	-192,608
Income from Operations	147,531	145,806
Clean Trucks Income/(Expense)	-3,558	-4,009
Non-Operating Income/(Expense)	-32,225	-25,515
Tidelands Transfer	-16,920	-5,913
Grant Revenue	19,021	20,483
Net Income	113,849	130,852

Attachment B

Tidelands Operating Fund Projection

	FY 2012 Projected
Beginning Fund Balance	\$27,301,509
Tidelands Revenues*	40,295,891
Less Operating Expenditures	(52,398,650)
Subtotal Before Harbor Transfer	15,198,750
Harbor 5% Revenue Transfer	16,920,700
Ending Fund Balance	32,119,450
Measure D Oil and Lease Revenue	
Carryover from FY 11 (Projected)	16,999,656
FY 12 Estimate	17,131,435
Abandonment Liability Reserve	(2,000,000)
Tidelands One-Time Oil Over \$55/Barrel	
FY 11 Carryover (Projected)	15,143,000
Capital Project Needs	(314,835,000)
NET FUND SUPPORT	(\$235,441,459)

*Includes Tidelands Oil at \$55/barrel, and lease, parking, and other revenue generated in the Tidelands

Attachment C

Tidelands Capital Project Needs	Remaining Estimated Need
Alamitos Bay Dredging Study	300,000
Alamitos Bay Marina Parking Lot Equipment	550,000
Arena Replacement	30,000,000
Bayshore Lifeguard Station Replacement	1,000,000
Bayshore Park/Granada Game Courts	6,000,000
Beach Maintenance Yard Upgrade	560,000
Beach Basketball Courts	500,000
Beach Bike Path Repairs	2,000,000
Beach Concession Stand Improvements	1,000,000
Beach Erosion - Groins Program Enhancement	500,000
Beach Playgrounds	1,000,000
Beach Playground/Skatepark	5,000,000
Belmont Pool Rebuild	58,000,000
Belmont Pool Equip. and Line Replacement, Leak Repair (Phase 1)	2,500,000
Belmont Pier - Restroom, Railings, Curbs	5,750,000
Birdcage Elevator Replacement (south of Shoreline Drive)	150,000
Bluff Erosion Repair	3,500,000
Bluff Irrigation (south of Bixby Park)	250,000
Bluff Park Sidewalk Replacement (20th to 31st)	1,250,000
Colorado Lagoon	5,000,000
Restroom Replacement	500,000
Playground	375,000
Vegetative Restoration	500,000
Convention Center Parking Equipment	150,000
Convention Center Projects	20,000,000
Convention Center Pedestrian Connection	7,000,000
Fishing Platforms on Pier	3,000,000
Junior Lifeguard Station	1,500,000
Leeway Sailing Center	4,900,000
Leeway Recreation Center Rebuild	3,500,000
Lifeguard Headquarters Replacement	10,000,000
Lifeguard Towers - Replace Portable Units	1,500,000
Lighting Repair, Replacement and Enhancement	7,000,000
Marina Green Park Improvements	1,500,000
Marina Vista Park Restroom Replacement	400,000
Marina Vista Park Transformer Construction	350,000
Marine Stadium Boat Storage Trailer Lot	500,000
Marine Stadium Referee Stand - 3S	500,000
Rainbow Harbor Dock Repair - Annual Program	900,000
Rainbow Harbor Event Docks	1,500,000
Rainbow Harbor Lighting Enhancement	500,000
Rainbow Lagoon Rebuild	15,000,000
Rescue Boat 2 Station	7,500,000
Rowing Center Dock - Dredge and Rebuild	250,000
Seawall Repairs	60,000,000
Sidewalk, Stairs, Streets, Parking Lot, Replacement	25,000,000
Storm Drain Retrofits	1,200,000
Water Quality Improvements	15,000,000
Tidelands Capital Total	\$314,835,000

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 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 a transfer of funds
from the Harbor Revenue Fund to the Tideland Operating Fund is required to meet the
lawful obligations of the Tideland Operating Fund; and

WHEREAS, the estimated gross operating revenues of the Harbor
Department for the fiscal year commencing October 1, 2010 and ending September 30,
2011, as shown is the sum of \$338,414,000 and five percent (5%) thereof is the sum of
\$16,920,700;

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

Section 1. A transfer of funds from the Harbor Revenue Fund to the
Tideland Operating Fund is required to meet the lawful obligations of the Tideland
Operating Fund.

Section 2. That five percent (5%) of the estimated gross operating
revenues of the Harbor Department for the fiscal year commencing October 1, 2010 and

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

1 ending September 30, 2011 is the sum of \$16,920,700.

2 Section 3. A transfer is being requested of this amount on October 1,
3 2011, with a reconciliation, as necessary, to reflect the final audited gross operating
4 revenues as shown on the Harbor Department's independently audited financial
5 statements for the period ending September 30, 2011.

6 Section 4. The City Council by a vote of two-thirds (2/3) of all its
7 members requests that the Board of Harbor Commissioners approve the transfer of the
8 sum of \$16,920,700 from the Harbor Revenue Fund to the Tideland Operating Fund,
9 which transfer shall be made by journal entry on the books of the City of Long Beach.

10 Section 5. This resolution shall take effect immediately upon its adoption
11 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

12 I hereby certify that the foregoing resolution was adopted by the City
13 Council of the City of Long Beach at its meeting of _____, 2011, by the
14 following vote:

15 Ayes: Councilmembers: _____

16 _____

17 _____

18
19 Noes: Councilmembers: _____

20 _____

21 _____

22 Absent: Councilmembers: _____

23 _____


24 _____

25 City Clerk



City of Long Beach Memorandum
Working Together to Serve


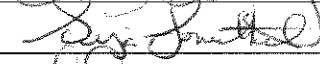
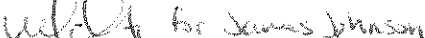
REQUEST TO ADD AGENDA ITEM

Date: 6/30/11
To: Larry Herrera, City Clerk
From: David Nakamoto, Acting Director of Financial Management 
Subject: Request to Add Agenda Item to Council Agenda of July 5, 2011

Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda under New Business via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

Recommendation to adopt the attached Resolution requesting that the Board of Harbor Commissioners approve the FY 2011 transfer of \$16,920,700 based on five percent of FY 2011 estimated gross operating revenue, with a true-up adjustment as necessary to reflect the final gross revenue amount upon issuance of the Harbor Department's FY 2011 audited financial statements, from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) as of October 1, 2011. (Citywide)

Council District	Authorizing Councilmember	Signed by
3	Councilmember DeLong	
2	SUSAN LOWENTHAL	
7	James Johnson	

Attachment: Staff Report dated July 5, 2011

CC: Office of the Mayor