



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-24

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

September 16, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to enter into a 20-year Location Agreement with General Petroleum Corporation. (Citywide)

## DISCUSSION

In 1992, the City Council adopted the Retail Sales Tax Incentive Program outlining the policy for sales tax sharing to encourage the expansion of our retail base, improve retail sales tax productivity and stimulate private investment in the retail sector of the city's economy. After launching this program, several successful agreements were entered into resulting in a significant increase in retail sales activity. Successful projects include the retention of key Long Beach auto dealerships including Coast Cadillac and Worthington Ford.

Based on the success of the Retail Sales Tax Program, it is recommended that the City adopt a Location Agreement Program. The proposed Location Agreement Program is designed to attract new businesses, create jobs and enhance business-to-business sales tax revenue to the City. To qualify for assistance, new businesses would be required to generate sales in excess of \$50 million annually. The sales performance of these businesses would have to be verified by a business evaluation, which would include at least a three-year sales performance analysis. The program would return to an eligible business a negotiated portion of the sales taxes generated by it for an agreed upon period of time.

City Council approval is requested to enter into a 20-year Location Agreement (Agreement) with General Petroleum Corporation (General Petroleum). General Petroleum is a distributor of petroleum products and services to customers throughout the West Coast. Products and services include marine and commercial fuel distribution, commercial fleet fueling and lubricant blending, and specialized lubricant sales to industry. General Petroleum also provides services such as lubrication analysis, remote tank monitoring, equipment programs, fuel management options and real-time fleet fueling information.

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General Petroleum is outgrowing its current location in Rancho Dominguez and is seeking new office space to consolidate its operations and achieve administrative and cost efficiencies. If the Agreement is approved, General Petroleum will consolidate its sales and distribution offices for all Southern California operations in Long Beach. The relocation will result in approximately 30 new jobs and significant new sales tax revenue to the City. Based on sales tax documentation filed with the State Board of Equalization, it is estimated that General Petroleum's gross sales in Southern California will be approximately \$200 million in 2008. Currently, none of the \$200 million in sales is generated in Long Beach.

The purpose of this proposed Agreement is to grow this industry in the City and enhance additional business-to-business sales tax revenue for Long Beach. Under the proposed Agreement, General Petroleum would receive 65 percent of the sales tax, and the City would retain 35 percent, which would result in additional annual sales tax revenue of \$700,000 for the City and \$1,300,000 for General Petroleum. A 65/35 split is the current standard for business-to-business municipal/private entity location agreements of this nature. The determination of sales tax is based on State Board of Equalization reports. The City or General Petroleum may, only with just cause, terminate the Agreement upon prior written notice. Other cities have expressed interest in this opportunity in the event that the City of Long Beach declines to act.

This matter was reviewed by Assistant City Attorney Heather A. Mahood on September 4, 2008 and Budget Management Officer Victoria Bell on August 28, 2008.

#### TIMING CONSIDERATIONS

City Council action is requested on September 16, 2008 due to pending State legislation (AB 697), which if chaptered could take effect on October 1, 2008 and could preclude this opportunity without a significant reorganization of General Petroleum's operations.

#### FISCAL IMPACT

In Fiscal Year 2009 (FY 09), the proposed Agreement is expected to generate approximately \$175,000 and in subsequent years, \$700,000 annually in new sales tax revenue that will be available to the General Fund. The revenue is not currently budgeted pending execution of this Agreement and the identification and establishment of a sales office by General Petroleum. Staff recommends the funds be placed into a reserve account. The City is facing a number of unfunded liabilities such as Insurance Fund liabilities, remediation penalties for underground storage tanks and uncertainties related to State Budget take-backs. This FY 09 revenue will be reserved upon receipt to help offset the impact of these known liabilities.

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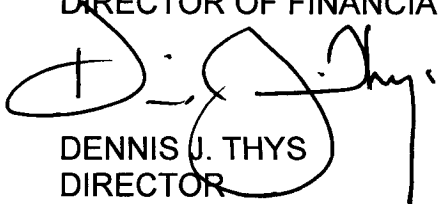
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO



DENNIS J. THYS  
DIRECTOR  
DEPARTMENT OF COMMUNITY DEVELOPMENT

LF/RMS:dm  
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APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER