




**City of Long
Beach**
Working Together to Serve

**Office of Gerrie Schipske
Councilwoman, Fifth District
Memorandum**

R-19

Date: January 22, 2008

To: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

From: Councilwoman Gerrie Schipske, Fifth District 

Subject: **AGENDA ITEM: Increasing Transfer of Harbor Department Net Income Funds from 10% to 20% and Use of 5% for General Fund Uses**

DISCUSSION

City Charter

The City Charter allows the transfer of 10% of the net income of the Harbor Department for specific uses related to the Tidelands area consistent with state law that such funds must be used for projects and programs in the tidelands area.

The current City Charter provides for the transfer of funds from the Harbor District of Long Beach as follows:

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 limitation, 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. All such transfers shall be made by journal entry on the books of the City in the manner determined by the City Manager.

(d) All reimbursements, repayments and approved reimbursement transfers from other established funds may be

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used for the same purposes as specified above. All such reimbursement transfers shall be made by journal entry on the books of the City in the manner determined by the City Manager.

Use of Funds by State of California

In addition to the City of Long Beach receiving this transfer of funds, the State of California is the recipient of millions of dollars of funds generated in the "tidelands areas." State law specifies that the State must use these funds for programs and projects in the tidelands areas.

However, the State of California for the past several years has violated this premise and has transferred millions of "tidelands funds" into the State's "general fund" in order to meet State budgetary problems.

Moreover, the State continues to "raid" the City of Long Beach's property taxes and with the reduction of vehicle license fees, has failed to full restore funds taken from Long Beach.

The Impact of the Port of Long Beach on the City of Long Beach

Over the past ten years, the Port of Long Beach has experienced tremendous growth – both in the physical space it consumes for operations and in the revenue received from being the most active cargo container port in the world.

The City of Long Beach currently utilizes the 10% transfer of net income to improve programs and projects within the "tidelands area." The City is also "reimbursed" by the Harbor Department for services provided by the City in the port harbor district area.

The City of Long Beach needs to improve many of its holdings and leases in the "tidelands area" in order to generate increased sales tax revenue. An additional transfer of net income funds to the City for use in the "tidelands area" would facilitate such improvements.

The impact of the Port of Long Beach reaches far beyond the "tidelands area" not only in the environmental arena but also in public safety. The City of Long Beach should be given the same right to use a portion of these funds for its "general funds" because of these serious impacts.

The Port of Long Beach is the source of major air and water pollution and is causing health problems for residents. The current configuration of the Los

Angeles River (to accommodate the Port) is a major source of trash and contamination in Queensway Bay. The bunker diesel fuel burned by cargo ships fills the air with particulate matter and noxious fumes.

The Port – as the largest cargo container port in the world and the economic engine for the City, the region and the state – is also a major target for attack by terrorists.

While some can argue that any additional funds transferred to Long Beach should only be expended for the public safety requirements at the port, that argument is ludicrous as we know full well that if such a major public safety problem occurred, all the resources of the City would be called into service to assist the Port. The impact of the port's activities are not confined to the boundaries of the tidelands area, and the City of Long Beach must adequately staff and equip its public safety departments for the inevitable likelihood of a major attack.

RECOMMENDATION

It is therefore recommended that the City Council:

1. Request the City Attorney to prepare an amendment to the City Charter which can be placed on the June 2008 ballot that would allow the voters to approve the transfer of up to 15% of Harbor net income to the City of Long Beach for use in the "tidelands area" and an additional 5% transfer of these funds to the City's "general funds" for use in non-Tidelands areas, and
2. Request the City Attorney to assist the City Council State Legislative Committee in drafting State legislation that can be carried by the Long Beach Assembly and Senate contingency enabling the City of Long Beach to transfer 5% of the port net income for use as "general funds" as a means to reduce the impact of the State "raiding" the property tax funds generated in Long Beach that would have been utilized for city services.