

# CITY OF LONG BEACH

# R-14

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

June 9, 2009

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

- 1) Adopt the attached Resolution requesting the Board of Harbor Commissioners to approve the transfer of \$16,083,972 from the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) as of October 1, 2009.
- 2) Request the Board of Harbor Commissioners to make said transfer in equal quarterly installments on October 1, 2009, January 1, 2010, April 1, 2010 and July 1, 2010. (Citywide)

## DISCUSSION

At the beginning of each fiscal year, City Charter Section 1209(c)(4) provides for the transfer of 10 percent of the Harbor Department's net income, as shown by the most recent available independently audited financial statements, to the Tidelands Operating Fund. Since Fiscal Year 2009 (FY 09) has not yet ended, the FY 08 audited financial statements are the basis for the FY 10 transfer. The requested transfer of \$16,083,972 represents 10 percent of the Harbor Department's \$160,839,722 net income, as shown on the audited financial statement (Attachment A) for the fiscal year ended September 30, 2008. The Harbor Department would retain a significant net income of \$144,755,750 after the 10 percent contribution to the Tidelands Operating Fund.

Staff has determined that without the requested transfer for FY 10, the Tidelands Operating Fund would close the fiscal year with a deficit, which would necessitate the closing of beaches and elimination of safety services in the Tidelands areas.

Authority to transfer the funds must be expressed by Resolution (attached). The transfer 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 10 budget is dependent upon this transfer, the City Council and Board of Harbor Commissioners must adopt these Resolutions prior to the City Council's adoption of the FY 10 Proposed Budget, which includes the budget of the Harbor Department.

HONORABLE MAYOR AND CITY COUNCIL

June 9, 2009

Page 2

This matter was reviewed by Assistant City Attorney Heather A. Mahood on May 11, 2009 and Budget and Performance Management Bureau Manager David Wodynski on May 11, 2009.

TIMING CONSIDERATIONS

City Council approval is requested on June 9, 2009, prior to adoption of the FY 10 budget.

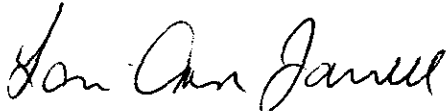
FISCAL IMPACT

The 10 percent net income transfer from the Harbor Department (HA) and the Harbor Revenue Fund (HR) to the Tidelands Operating Fund (TF) will be included in the FY 10 Proposed Budget. In addition, the annual transfer amount was utilized to balance the FY 09 budgets of the various departments that provide services in the Tidelands. Continuity of services in the Tidelands area, such as beach maintenance, lifeguards, fire and police is contingent on the Port transfer.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

LAF:DW:  
K:\EXEC\COUNCIL LETTERS\BUDGET\06-09-09 ccl - PORT TRANSFER FY10.DOC

ATTACHMENTS

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER

## THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

## Statements of Revenues, Expenses, and Changes in Fund Net Assets

Fiscal years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Port operating revenues (note 10):		
Berths and special facilities	\$ 340,524,798	351,891,119
Rental properties	14,495,795	14,633,060
Miscellaneous	4,323,540	4,307,754
Total Port operating revenues	<u>359,344,133</u>	<u>370,831,933</u>
Port operating expenses:		
Facility maintenance	7,870,391	9,777,839
Infrastructure maintenance	45,556,412	29,916,302
Fire and safety	21,353,046	20,472,349
Other indirect	6,660,266	9,792,836
General and administrative	34,725,802	27,004,526
Port operating expenses before depreciation and amortization	<u>116,165,917</u>	<u>96,963,852</u>
Depreciation and amortization	<u>79,496,947</u>	<u>83,067,090</u>
Total Port operating expenses	<u>195,662,864</u>	<u>180,030,942</u>
Operating income	<u>163,681,269</u>	<u>190,800,991</u>
Nonoperating income (expense):		
Investment income, net	33,346,928	43,374,260
Interest expense	(46,390,956)	(53,072,903)
Income (loss) from Harbor oil operations	31,153,305	(21,070,305)
Gain (loss) on disposition of capital assets	(254,540)	179
Income from equity in joint ventures (note 11)	4,440,935	4,674,546
Clean Air Action Plan (net)	(13,866,798)	—
Other income	1,046,803	1,267,487
Net nonoperating income (expense)	<u>9,475,677</u>	<u>(24,826,736)</u>
Income before capital grants and transfers	<u>173,156,946</u>	<u>165,974,255</u>
Capital grants	3,742,240	10,019,920
Transfers to the City of Long Beach (note 13)	(16,059,464)	(15,399,535)
Increase in net assets	<u>160,839,722</u>	<u>160,594,640</u>
Total net assets, at beginning of year	<u>2,142,740,493</u>	<u>1,982,145,853</u>
Total net assets, at end of year	<u>\$ 2,303,580,215</u>	<u>2,142,740,493</u>

See accompanying notes to financial statements.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

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 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 90802-4664

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 \_\_\_\_\_, 2009, by the  
13 following vote:

14 Ayes: Councilmembers: \_\_\_\_\_

15 \_\_\_\_\_

16 \_\_\_\_\_

17 \_\_\_\_\_

18 Noes: Councilmembers: \_\_\_\_\_

19 \_\_\_\_\_

20 Absent: Councilmembers: \_\_\_\_\_

21 \_\_\_\_\_

22 \_\_\_\_\_

23 \_\_\_\_\_

24 \_\_\_\_\_

25 \_\_\_\_\_

26 \_\_\_\_\_

27 \_\_\_\_\_

28 \_\_\_\_\_

City Clerk