



Legislation Text

File #: 07-0271, **Version:** 1

Recommendation to approve and adopt the First Modification and Supplement of the Long Beach Unit Annual Plan (July 1, 2006 - June 30, 2007). (Citywide)

In accordance with Chapter 138, California Legislature, 1964 First Extraordinary Session, an Annual Plan of Development and Operations and Budget for the Long Beach Unit (LBU) must be adopted by the City of Long Beach and approved by the State Lands Commission. Chapter 941, California Legislature, 1991 Sessions, amended Chapter 138, requires the City and the Contractor, Occidental Long Beach, Inc. (OLBI), to prepare a five-year plan of development (Program Plan) and to review and replace this plan every two years. Also required is the preparation of a one-year plan (Annual Plan), which consists of the applicable portion of the Program Plan plus an itemized budget of intended expenditures.

The Annual Plan covering the period of July 1, 2006 through June 30, 2007 was adopted by the Long Beach City Council on February 21, 2006 and approved by the State Lands Commission on April 17, 2006.

In accordance with the provisions of Part IV, Sections A and B of the Annual Plan, we are submitting the First Modification and Supplement of the Annual Plan covering the period of July 1, 2006 through June 30, 2007. The Annual Plan modification and supplement is required since the amount to be expended for the Taxes, Permits, and Administrative Overhead Category will exceed 120 percent of its budgeted amount. This Category will require an additional \$7.7 million (33 percent increase) primarily because the county tax assessment was higher than anticipated (\$9.8 million compared to \$4.2 million budgeted). The requested supplement is wholly funded out of LBU operating profits and will increase the Taxes, Permits, and Administrative Category from \$23.1 million to \$30.8 million.

This item was reviewed by Principal Deputy City Attorney J. Charles Parkin on February 27, 2007 and Budget and Performance Management Bureau Manager David Wodynski on February 28, 2007.

City Council approval is requested on March 13, 2007, as Chapter 941, California Legislature, 1991 Sessions, provides that any modification is subject to review and revision by the State Lands Commission (SLC), and that the SLC have a thirty-day review period after formal submission by the City. Chapter 138 (Section 5g) gives the SLC Executive Officer (Officer) the power to consent to a modification provided that the Officer's consent is ratified by the SLC at its next scheduled meeting at the end of April 2007.

The additional expense (\$7.7 million) will result in lower net profits for the oil operations. In turn, this would translate to reduced transfers to the City of approximately \$310,000 to the Tideland Operations Fund (TF 401) and approximately \$55,000 to the General Fund (GP). The loss in General Fund transfer will be offset by increased property tax revenue from the County of approximately \$11,000.

Approve recommendation.

CHRISTOPHER J. GARNER,
DIRECTOR LONG BEACH GAS AND OIL DEPARTMENT

APPROVED:

GERALD R. MILLER
CITY MANAGER