



Legislation Text

File #: 11-0645, **Version:** 1

Recommendation to adopt 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)

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.

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.

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.

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.

Approve recommendation.

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).

DAVID NAKAMOTO
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER

