

17.12

September 10, 2024

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to receive supporting documentation into the record, conclude the public hearing, and take the actions necessary to adopt the Fiscal Year 2025 budget as listed in Attachment A. (Citywide)

DISCUSSION

On August 1, 2024, the City Manager's Proposed Budget for Fiscal Year 2025 (FY 25) was delivered by Mayor Richardson to the City Council and the community for consideration. The City Council budget hearings were held on January 16, March 19, August 6, August 13, August 27, September 3, and September 10, 2024. Additionally, Budget Oversight Committee (BOC) meetings were held on August 6, August 13, August 20, August 27, September 3, and September 10, and citywide community meetings were also held in the months of January and August 2024, at which the Proposed FY 25 Budget was discussed. As a result of these meetings, there were 23 scheduled opportunities for public feedback, deliberation, and input. Additionally, input was solicited through the Long Beach Budget Priority Survey in January and the Digital Budget Comment Card in August to obtain feedback on desired City priorities and input on the FY 25 Proposed Budget. Both the Budget Priority Survey and the Digital Comment Card were promoted on the City's website, Go Long Beach Newsletter, X, Instagram and Threads, Facebook, Reddit, Nextdoor, and at community meetings. In addition, physical copies of the Digital Comment Card were available in multiple languages at City Parks and in the City Council Chambers during Budget Oversight Committee meetings, Budget Hearings, and City Council meetings until Friday, August 23, 2024, and were available at any local library branch.

At the conclusion of the hearing on September 10, 2024, the City Council will amend the Proposed FY 25 Budget as deemed appropriate and adopt the proposed budget as amended.

As part of the FY 25 Budget Adoption, there are two Ordinances to be considered for approval in Attachment A. The first Ordinance amends the Departmental Organization of the City (A-6). The second is the Appropriations Ordinance (A-15), which officially appropriates the funding for the Adopted Budget (approved in A-3) and authorizes expenditures in conformance with the Adopted Budget. For the second Ordinance to become effective on October 1, 2024, the City Council must first declare an emergency to exist before adopting the Ordinance (A-14).

There are also six Resolutions to approve the Master Fees and Charges Schedule (A-4); amend the Salary Resolution (A-7); approve the budget for the Long Beach Harbor Department (A-8); fixing rates and charges for Water, Sewer, and Gas Services to all customers (A-9); approve the

budget for the Public Utilities Department (A-10); and establish the Gann Appropriations Limit (A-13). There are also the following motions: approve the Mayor's Recommendations (A-1); approve the BOC Proposed Funding Recommendations (A-2); amend the Proposed FY 25 Budget (A-3); approve the FY 25 One-Year Capital Improvement Program (A-5); approve the FY 25 Budget for the Long Beach Community Investment Company (A-11); and approve the Harbor Fund Group transfer (A-12).

This matter was reviewed by Deputy City Attorney Ashleigh Stone on August 22, 2024, and by Budget Manager Rebecca Bernstorff on August 13, 2024.

TIMING CONSIDERATIONS

In accordance with the City Charter, the Proposed FY 25 Budget must be adopted by September 15, 2024. Should the City Council fail to adopt the budget by that date, the City Manager's Proposed FY 25 Budget will be deemed the budget for the 2025 Fiscal Year. The Mayor has five calendar days from the City Council adoption of the budget to use his veto authority. The City Council would then have until September 30, 2024, to override the veto action by the Mayor with a two-thirds supermajority vote (six Councilmembers).

FISCAL IMPACT

The City Charter requires that the Appropriations Ordinance govern and control the expenditure and commitment amounts stated therein relating to City departments, offices, and agencies during each fiscal year. The total Proposed FY 25 Budget for all departments and fund groups is \$4,746,872,363, which comprises of \$3,624,525,401 in new appropriation and \$1,122,346,962 in estimated carryover from FY 24 for multi-year grants and projects. Attachments B, C, and D provide the financial overview by Fund Group and Department, and Citywide revenue by Fund Group, respectively.

The Appropriations Ordinance, included as Attachment A-15, totals \$3,608,877,692 for all Fund Groups except Harbor, Sewer, Water, and Gas Fund Groups, and \$3,614,685,724 for all departments except Harbor and Public Utilities Departments. The \$5,808,032 difference between Fund Groups and Departments is due to general City indirect costs budgeted in the Financial Management Department but charged to the Harbor, Water, Sewer, and Gas Fund Groups, which are not included in the Appropriations Ordinance by Fund Group.

The proposed Harbor, Water, Sewer, and Gas Fund Group budgets are in separate City Council Resolutions included as Attachment A-8 and A-10, respectively, and total \$1,137,994,671. This total figure reflects what is in the budget system, which may vary from the figures included in the resolutions, which allow for adjustments to be made to the adopted budget in an amount not exceeding 5 percent. The final budgets are \$761,058,651 for the Harbor Fund Group, \$180,028,243 for the Water Fund Group, \$32,947,356 for the Sewer Fund Group, and \$163,960,422 for the Gas Fund Group. The Board of Harbor Commissioners adopted the budget for the Harbor Department by minute order on June 10, 2024. The Board of Public Utilities Commissioners adopted the budget for the Public Utilities Department by Resolution on June 6, 2024.

User fees and charges in the Master Fees and Charges Schedule, included as Attachment A-4, have been adjusted due to changes in service and other factors. For details regarding these proposed new fees and adjustments, please see the List of Proposed Fees Adjustments for FY 25 that has been incorporated as Exhibits B and C to the Master Fees and Charges Resolution.

Other requested City Council actions include:

- Approving the FY 25 One-Year Capital Improvement Program (CIP) budget, included as Attachment A-5, which is contained in the Appropriations Ordinance.
- Amending the Departmental Organization Ordinance included as Attachment A-6. This amendment incorporates changes to departments, bureaus, and divisions for FY 25. These organizational changes are necessary to implement changes reflected in the Proposed FY 25 Budget. A redline version of the changes is also provided.
- Adopting the amended Salary Resolution for FY 25, which creates and establishes positions of employment while fixing and prescribing the compensation for officers and employees, is included as Attachment A-7. Historically, the Salary Schedule has been included alongside the Salary Resolution, for review by Council. Starting in FY 23, the Department of Human Resources will return to City Council at a later date for approval of the Salary Schedule to ensure accuracy and inclusion of new/updated classifications.
- Adopting the FY 25 Long Beach Community Investment Company (LBCIC) budget, included as Attachment A-11. The LBCIC budget is prepared annually for City Council approval and is a subset of the Housing Development Fund. The LBCIC oversees the delivery of housing and neighborhood revitalization services. The LBCIC approved its FY 25 Budget on May 15, 2024.
- Adopting a Resolution, included as Attachment A-13, establishing the Gann Appropriations Limit (Limit) for general purpose expenditures. In November 1979, the voters of the State of California (State) approved Proposition 4, also known as the Gann Initiative (Initiative). The Initiative places certain limits on the amount of tax revenue that can be appropriated each fiscal year. The Limit is based on actual appropriations during FY 79 and prevents overspending proceeds of taxes. Only those revenues that are considered as "proceeds of taxes" are subject to the Limit. The Limit is recalculated each fiscal year based on certain inflation and population factors provided by the State. The Proposed Budget includes tax revenue estimates that are at 49.71 percent of the 2024-2025 Appropriations Limit and, therefore, do not exceed the Limit. The City Auditor reviews this calculation for conformance to the law.

After the City Manager delivered the Proposed FY 25 Budget to the Mayor, minor technical adjustments were made to various funds and departments resulting in no bottom line changes at the fund level.

A new classification, Police Recruit Non-Career (PR-NC), is being requested to be created for use as needed with no budgetary impacts. The position will bolster Police Department's

Honorable Mayor and City Council

September 10, 2024

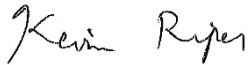
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recruitment and retention strategies by hiring and compensating police recruit applicants in advance of the next Police Academy session. This initiative addresses competition from local law enforcement agencies and aims to secure top candidates early, minimizing the risk of losing them to other agencies. PR-NC recruits will undergo pre-academy training and gain familiarity with department operations through administrative duties at the front desk, records management, and investigative support. This exposure, coupled with pre-academy training, will enhance the preparedness of police recruits for success in the Police Academy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Kevin Riper
Director
Financial Management

APPROVED:



THOMAS B. MODICA
CITY MANAGER

ATTACHMENTS

List of Requested Fiscal Year 2025 Budget Adoption Actions

1. Adopt the Mayor's proposed budget recommendations, as amended, to the Proposed FY 25 Budget. (A-1)
2. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the Proposed FY 25 Budget. (A-2)
3. Adopt the expenditures and revenues as identified in the Proposed FY 25 Budget, as amended. (A-3)
4. Adopt the Resolution amending the Master Fees and Charges Schedule for specified City services for Citywide fees and charges for the City of Long Beach. (A-4)
5. Approve the FY 25 One-Year Capital Improvement Program. (A-5)
6. Declare the Ordinance amending the Departmental Organization Ordinance read the first time and laid over to the next regular meeting of the City Council for final reading. (A-6)
7. Adopt the amended Salary Resolution for FY 25. (A-7)
8. Adopt the Resolution approving the FY 25 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on June 10, 2024. (A-8)
9. Adopt resolution approving Resolution UT-1518, a resolution of the City of Long Beach Public Utilities Commissioners Amending Resolution No. UT-1482 fixing rates and charges for water, sewer, and gas services to all customers. (A-9)
10. Adopt the Resolution approving the FY 25 budget of the Long Beach Public Utilities Department as adopted by the Board of Public Utilities Commissioners on June 6, 2024. (A-10)
11. Adopt a motion approving the FY 25 budget for the Long Beach Community Investment Company in the amount of \$5,725,142. (A-11)
12. Adopt a motion approving the estimated transfer of \$25,758,181 from the Harbor Fund Group to the Tidelands Operations Fund Group. (A-12)
13. Adopt the Resolution establishing the Gann Appropriations Limit for FY 25 pursuant to Article XIII (B) of the California Constitution. (A-13)
14. Declare an emergency to exist pursuant to City Charter Section 211 for the Appropriations Ordinance for FY 25, creating and establishing the fund groups of the Municipal Government and appropriating money to and authorizing expenditures from said funds and for said fiscal year. (A-14)
15. Declare the Appropriations Ordinance for FY 25, creating and establishing the fund groups of the Municipal Government and appropriating money to and authorizing expenditures from said funds and for said fiscal year as an Emergency Ordinance, read, and adopted as read and laid over to the next regular meeting of the City Council for final reading. (A-15)

FISCAL YEAR 2025 APPROPRIATIONS ORDINANCE BY FUND GROUP
(Does not include Harbor, Water, Sewer, and Gas Fund Groups)

<u>FUND GROUP</u>	<u>FY 25 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 24 ESTIMATED CARRYOVER*</u>	<u>FY 25 APPROPRIATIONS**</u>
GENERAL FUND	752,915,603	-	-	752,915,603
UPLAND OIL FUND	5,636,609	-	-	5,636,609
GENERAL GRANTS FUND	11,218,746	-	28,537,290	39,756,036
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	2,238,619	-	-	2,238,619
HEALTH FUND	67,147,153	-	61,821,372	128,968,525
CUPA FUND	3,239,286	-	6,051	3,245,338
SPECIAL ADVERTISING & PROMOTION FUND	13,715,173	-	-	13,715,173
HOUSING DEVELOPMENT FUND	7,722,951	-	20,459,901	28,182,852
BELMONT SHORE PARKING METER FUND	849,990	-	-	849,990
BUSINESS ASSISTANCE FUND	773,229	-	5,011,075	5,784,304
COMMUNITY DEVELOPMENT GRANTS FUND	16,551,271	-	26,269,475	42,820,746
HOUSING AUTHORITY FUND	120,067,600	-	4,609,887	124,677,487
GASOLINE TAX STREET IMPROVEMENT FUND	12,939,365	-	16,482,234	29,421,600
CAPITAL PROJECTS FUND	207,482,326	-	723,384,908	930,867,234
SUCCESSOR AGENCY OPERATIONS	4,278,680	-	31,183,976	35,462,656
CIVIC CENTER FUND	24,652,920	-	2,091,446	26,744,366
GENERAL SERVICES FUND	93,655,943	-	18,243,984	111,899,926
FLEET SERVICES FUND	59,391,472	-	6,585,880	65,977,352
INSURANCE FUND	77,520,817	-	(630,841)	76,889,976
EMPLOYEE BENEFITS FUND	477,615,490	-	-	477,615,490
TIDELANDS OPERATIONS FUND	108,718,331	-	108,523,221	217,241,552
TIDELANDS AREA FUNDS	36,256,464	-	18,819,063	55,075,527
TIDELANDS OIL REVENUE FUND	87,748,865	-	-	87,748,865
RESERVE FOR SUBSIDENCE	-	-	-	-
DEVELOPMENT SERVICES FUND	40,349,217	-	(890,099)	39,459,119
GAS PREPAY	46,131,723	-	-	46,131,723
AIRPORT FUND	64,119,728	-	50,425,274	114,545,002
REFUSE/RECYCLING FUND	101,537,256	-	1,412,864	102,950,121
SERRF FUND	8,347,731	-	-	8,347,731
SERRF JPA FUND	-	-	-	-
TOWING FUND	8,093,427	-	-	8,093,427
DEBT SERVICE FUND	12,568,546	-	-	12,568,546
SUCCESSOR AGENCY - DEBT SERVICE	13,046,198	-	-	13,046,198
TOTAL	2,486,530,730	-	1,122,346,962	3,608,877,692

*Reflects estimated carryover for accounts with projects and grants as of 5/31/24.

**The total appropriations for all fund groups is \$4,746,872,363. This is derived from the total FY 25 Appropriations amount above, plus \$1,137,994,671 for the Harbor, Water, Sewer, and Gas Fund Groups not listed above. Note: figure may not account for rounding.

FISCAL YEAR 2025 APPROPRIATIONS ORDINANCE BY DEPARTMENT
(Does not include Harbor and Utilities Departments)

<u>DEPARTMENT</u>	<u>FY 25 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 24 ESTIMATED CARRYOVER*</u>	<u>FY 25 APPROPRIATIONS***</u>
MAYOR AND COUNCIL	8,934,809	-	(468)	8,934,341
CITY ATTORNEY	11,022,356	-	(3,900)	11,018,456
CITY AUDITOR	3,842,386	-	-	3,842,386
CITY CLERK	5,070,251	-	-	5,070,251
CITY MANAGER	24,974,397	-	6,769,132	31,743,529
CITY PROSECUTOR	8,006,936	-	953,593	8,960,530
CIVIL SERVICE	4,352,226	-	-	4,352,226
AIRPORT	63,186,317	-	50,078,690	113,265,007
DISASTER PREPAREDNESS & EMERGENCY COMMUNICATIONS	16,617,089	-	1,843,633	18,460,722
COMMUNITY DEVELOPMENT	77,170,619	-	74,126,239	151,296,857
ECONOMIC DEVELOPMENT	29,016,680	-	5,715,436	34,732,116
FINANCIAL MANAGEMENT**	786,483,029	-	156,852,199	943,335,228
FIRE	189,714,013	-	5,184,490	194,898,502
HEALTH AND HUMAN SERVICES	201,166,285	-	66,950,753	268,117,038
HUMAN RESOURCES	44,521,277	-	(680,530)	43,840,747
LIBRARY, ARTS, AND CULTURE	21,612,015	-	5,375,615	26,987,631
ENERGY RESOURCES	101,242,956	-	(7,785)	101,235,171
PARKS, RECREATION AND MARINE	85,334,857	-	36,598,787	121,933,644
POLICE	338,075,131	-	11,981,388	350,056,518
POLICE OVERSIGHT	1,798,512	-	-	1,798,512
PUBLIC WORKS	382,408,015	-	681,039,021	1,063,447,035
TECHNOLOGY & INNOVATION	87,788,608	-	19,570,669	107,359,278
TOTAL	2,492,338,763	-	1,122,346,962	3,614,685,724

*Reflects estimated carryover for accounts with projects and grants as of 5/31/24.

**Department of Financial Management includes internal service charges that are contained in the resolutions of the Harbor, Water, Sewer, and Gas Fund Groups for accounting, budgeting and treasury functions, and other citywide activities such as debt service.

***The total appropriations for all fund groups is \$4,746,872,363. This is derived from the total FY 25 Appropriations amount above, plus \$1,132,186,639 for the Harbor and Utilities Departments not listed above. Note: figure may not account for rounding.

FISCAL YEAR 2025 REVENUES BY FUND GROUP
(Does not include Harbor, Water, Sewer, and Gas Fund Groups)

<u>FUND GROUP</u>	<u>FY 25 PROPOSED REVENUES</u>	<u>CHANGES</u>	<u>FY 25 PROPOSED BUDGETED REVENUES</u>
GENERAL FUND	723,223,326	-	723,223,326
UPLAND OIL FUND	9,898,351	-	9,898,351
GENERAL GRANTS FUND	10,757,006	-	10,757,006
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	2,265,348	-	2,265,348
HEALTH FUND	62,764,763	-	62,764,763
SPECIAL ADVERTISING & PROMOTION FUND	13,717,197	-	13,717,197
HOUSING DEVELOPMENT FUND	4,486,609	-	4,486,609
BELMONT SHORE PARKING METER FUND	893,794	-	893,794
BUSINESS ASSISTANCE FUND	728,199	-	728,199
COMMUNITY DEVELOPMENT GRANTS FUND	9,071,230	-	9,071,230
GASOLINE TAX STREET IMPROVEMENT FUND	12,628,624	-	12,628,624
CAPITAL PROJECTS FUND	209,008,929	-	209,008,929
CIVIC CENTER FUND	25,671,529	-	25,671,529
GENERAL SERVICES FUND	94,283,784	-	94,283,784
FLEET SERVICES FUND	78,268,670	-	78,268,670
INSURANCE FUND	85,388,496	-	85,388,496
EMPLOYEE BENEFITS FUND	478,273,017	-	478,273,017
TIDELANDS OPERATIONS FUND	105,398,036	-	105,398,036
TIDELANDS AREA FUNDS	32,764,952	-	32,764,952
TIDELANDS OIL REVENUE FUND	96,873,865	-	96,873,865
RESERVE FOR SUBSIDENCE	5,286,979	-	5,286,979
DEVELOPMENT SERVICES FUND	38,970,203	-	38,970,203
GAS PREPAY FUND	-	-	-
AIRPORT FUND	73,660,268	-	73,660,268
REFUSE/RECYCLING FUND	74,516,115	-	74,516,115
SERRF FUND	150,000	-	150,000
SERRF JPA FUND	-	-	-
TOWING FUND	7,323,379	-	7,323,379
HOUSING AUTHORITY FUND	125,902,164	-	125,902,164
SUCCESSOR AGENCY OPERATIONS	4,219,567	-	4,219,567
CUPA FUND	1,864,161	-	1,864,161
DEBT SERVICE FUND	10,974,916	-	10,974,916
SUCCESSOR AGENCY DEBT SERVICE	30,162,041	-	30,162,041
TOTAL	2,429,395,519	-	2,429,395,519

RESOLUTION NO. HD- 24-3213

A RESOLUTION OF THE BOARD OF HARBOR
COMMISSIONERS OF THE CITY OF LONG BEACH
APPROVING UPON CERTAIN FINDINGS, THE TRANSFER
OF FIVE PERCENT OF GROSS OPERATING REVENUES
FOR FISCAL YEAR 2024 FROM THE HARBOR REVENUE
FUND TO THE TIDELAND OPERATING FUND PURSUANT
TO THE PROVISIONS OF SECTION 1209(c)(4) OF THE
CHARTER OF THE CITY OF LONG BEACH

WHEREAS, the City Council of the City of Long Beach has requested
transfer from the Harbor Revenue Fund to the Tideland Operating Fund pursuant to
Section 1209(c)(4) of the Charter of the City of Long Beach, the form of which request is
attached hereto and incorporated herein as Exhibit A; and

WHEREAS, the Board of Harbor Commissioners of the City of Long Beach
("Board") has considered the request and wishes to make the necessary findings and
approve the transfer.

NOW, THEREFORE, the Board resolves as follows:

Section 1. The Board hereby finds and determines that:

A. The requested transfer of five percent of gross operating
revenues (currently estimated to be \$25,758,181) for the fiscal year commencing
October 1, 2023 and ending September 30, 2024, will not be needed for Harbor
Department operations, including, without limitation, operating expenses and
capital projects, and 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.

Sec. 2. Based upon such findings, the proposed transfer is approved, in

the amount of \$25,758,181 and shall be made by journal entry in four equal quarterly payments on or about October 1, 2024, January 1, 2025, April 1, 2025 and July 1, 2025 with a reconciliation, as necessary, to reflect the final audited gross operating revenues as shown on the Harbor Department's independently audited financial statements of the period ending September 30, 2024.

Sec. 3. This resolution shall take effect immediately upon its adoption by the Board of Harbor Commissioners, and the Secretary of the Board shall certify to the vote adopting this resolution and shall cause a certified copy of this resolution to be filed forthwith with the City Clerk. The City Clerk shall post the resolution in three conspicuous places in the City of Long Beach.

I hereby certify that the foregoing resolution was adopted by the Board of Harbor Commissioners of the City of Long Beach at its meeting of July 22, _____, 2024 by the following vote:

Ayes: Commissioners: Weissman, Neal, Colonna, Lowenthal

Noes: Commissioners: _____

Absent: Commissioners: Olvera

Not Voting: Commissioners: _____


Secretary

Exhibit A

RESOLUTION NO. RES-24-0095

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH REQUESTING THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH TO APPROVE A TRANSFER FROM THE HARBOR FUND GROUP TO THE TIDELANDS OPERATIONS FUND GROUP 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 Fund Group to the Tidelands Operations Fund Group under certain conditions; and

WHEREAS, the City Council finds and determines that a transfer of funds from the Harbor Fund Group to the Tidelands Operations Fund Group is required to meet the lawful obligations of the Tidelands Operations Fund Group; and

WHEREAS, City Charter Section 1209(c)(4) provides for the transfer of a maximum of five percent (5%) of the gross operating revenues of the Harbor Department;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. A transfer of funds from the Harbor Fund Group to the Tidelands Operations Fund Group is required to meet the lawful obligations of the Tidelands Operations Fund Group.

Section 2. That five percent (5%) of the gross operating revenues of the Harbor Department be transferred to the Tidelands Operations Fund Group.

Section 3. The transfer is being requested quarterly with a reconciliation, as necessary, to reflect the actual operating revenues reported in the Harbor Department's Fiscal Year 2024 audited financial statements.

Section 4. The City Council by a vote of two-thirds (2/3) of all its members requests that the Board of Harbor Commissioners approve the transfer of five percent (5%) of the gross operating revenues (estimated at approximately Twenty-Five Million Seven Hundred Fifty-Eight Thousand One Hundred Eighty-One Dollars (\$25,758,181) based upon the Harbor Department's FY24 audited financial statement amount) from the Harbor Fund Group to the Tidelands Operations Fund Group, which transfer shall be made by journal entry on the books of the City of Long Beach.

Section 5. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of June 18, 2024 by the following vote:

Ayes:	Councilmembers:	Duggan, Kerr, Saro, Austin, Ricks-Oddie, Allen.
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Noes:	Councilmembers:	None.
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Absent:	Councilmembers:	Zendejas, Supernaw, Uranga.
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Recusal(s):	Councilmembers:	None.
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City Clerk

Date: June 25, 2024

To: Mario Cordero, Executive Director, Port of Long Beach

From: Thomas B. Modica, City Manager 

Subject: **Harbor Transfer to the Tidelands Operating Fund**

On June 18, 2024, the City Council adopted Resolution No. 24-0095 requesting the Board of Harbor Commissioners approve a transfer based on five percent of the Port's estimated gross operating revenue for FY 24.

Operating revenue generated in the Tidelands is not sufficient to cover the annual Tidelands operating expense. Due to the projected decline in oil production, the Tidelands Operating Fund Group has a budgeted deficit for FY 25 and could be depleted of funds available by FY 27. While the passage of Measure D provides oil and lease revenue to the fund group, the Harbor transfer remains a key source of support that is clearly needed to fund critical operations in the Tidelands, including public safety, the Convention Center, and Aquarium debt payments.

I am forwarding the City Council's request (attached) for consideration by the Board of Harbor Commissioners at their next available meeting date.

If you have any questions, please contact me at (562) 570-5091.

ATTACHMENTS

CC: DAWN A. MCINTOSH, CITY ATTORNEY
APRIL WALKER, ASSISTANT CITY MANAGER
KEVIN RIPER, DIRECTOR OF FINANCIAL MANAGEMENT

June 18, 2024

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to adopt the attached Resolution requesting that the Board of Harbor Commissioners approve the transfer of five (5) percent of Fiscal Year 2024 (FY 24) gross operating revenue, from the Harbor Fund Group to the Tidelands Operating Fund Group, with a true-up adjustment, if necessary, to reflect the final gross revenue amount upon issuance of the Harbor Department's FY 24 audited financial statements. (Citywide)

DISCUSSION

City Charter (Charter) Section 1209(c)(4) provides for the transfer of a maximum of 5 percent of Harbor gross operating revenue. The Charter provides that the City Council, by a 2/3 vote expressed by Resolution, may request the transfer in order to meet the lawful obligations of the Tidelands Operating Fund Group. The provision requires a majority vote of the Harbor Board of Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department operations. The Harbor Department Proposed FY 25 Budget, approved by the Harbor Commission, will include a transfer amount calculated on five (5) percent of FY 24 operating revenue, which is currently estimated at \$25,758,181. This amount is approximately a five (5) percent increase from the transfer amount to be received for the previous fiscal year. Approval of the transfer to Tidelands will be considered by the Harbor Commission as a separate budget action in response to this formal request by the City Council.

Tidelands Fund Requirements

Department operating revenues generated in the Tidelands area (parking, leases, service agreements, etc.) and Tidelands oil revenue are insufficient to fund Tidelands operations, particularly in light of continuing lower oil production and oil prices. The Harbor revenue transfer is a critical funding source for Tidelands operations citywide, including support for lifeguards, waterfront maintenance and operations, the Convention Center, and Aquarium debt payments.

This matter was reviewed by Deputy City Attorney Atoy H. Wilson on May 29, 2024, and Budget Analysis Officer Greg Sorensen on May 28, 2024.

TIMING CONSIDERATIONS

Authority to transfer the funds must be expressed by Resolution (attached). Since the adoption of the FY 25 Tidelands budget is dependent upon the annual transfer, the City Council and Board of Harbor Commissioners must adopt Resolutions prior to the City Council's adoption of the

Honorable Mayor and City Council

June 18, 2024

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Proposed FY 25 Budget, which includes the budget of the Harbor Department. City Council approval is requested on June 18, 2024, to allow time for the FY 24 transfer of five (5) percent of gross operating revenue to be approved by the Board of Harbor Commissioners for the Proposed FY 25 Budget.

FISCAL IMPACT

The transfer of 5 percent of FY 24 gross operating revenue from the Harbor Fund Group to the Tidelands Operating Fund Group will be included in the City Manager's Proposed FY 25 Budget to support Tidelands operations. The transfer amount will be paid quarterly and will be based on the actual operating revenues reported in the Harbor Department's FY 24 audited financial statements. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Kevin Riper
Director
Financial Management

APPROVED:



THOMAS B. MODICA
CITY MANAGER

ATTACHMENT – RESOLUTION