

MINUTE ITEM

23. APPLICATION OF THE CITY OF LONG BEACH TO USE ITS SHARE OF TIDELAND OIL REVENUES FOR MAINTENANCE AND OPERATION OF TIDELAND BEACH AREAS AND FACILITIES DURING THE 1964-65 FISCAL YEAR - L.B.W.O. 10,198.

Commissioner Anderson questioned the propriety of using trust money for maintenance of the Long Beach Arena, since it appeared that the number of nontrust events scheduled have exceeded trust events.

Mr. Hortig explained that it was the intent of Long Beach to schedule as many trust events as possible to qualify the use of trust money; however, the availability of such events, at least for the present, was minimal.

Mr. Harold A. Lingle, Chief Deputy City Attorney for Long Beach, explained that the proceeds of nontrust events are returned to the trust fund to assist in recouping the expenditure of trust moneys.

It was indicated that an audit report directed to this matter could be expected in July.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION GIVES PRIOR APPROVAL TO THE COSTS DISBURSED BY THE CITY OF LONG BEACH FOR OPERATION AND MAINTENANCE OF TIDELAND BEACH AREAS AND FACILITIES IN COMPLIANCE WITH ATTACHED EXHIBIT "B" DURING THE 1964-65 FISCAL YEAR ENDING JUNE 30, 1965 (OR UNTIL THE EFFECTIVE DATE OF ANY OVERRIDING LEGISLATION, WHICHEVER DATE OCCURS FIRST), FROM THE CITY'S SHARE OF TIDELAND OIL REVENUES, WITH A TIME LIMITATION OF OCTOBER 31, 1965, FOR DRAWING FROM THE TIDELAND OIL FUND ACCOUNT TO REIMBURSE THE CITY DEPARTMENTAL ACCOUNTS FOR SAID DISBURSEMENTS IN THE TOTAL AGGREGATE OF \$1,129,870 AS SET FORTH IN ATTACHED EXHIBIT "A"; ALL COSTS CONCERNED HEREIN TO BE SUBJECT TO THE CONDITION THAT THE AMOUNTS, IF ANY, TO BE ALLOWED AS EXPENDITURES FROM TIDELAND TRUST FUNDS WILL BE DETERMINED BY THE COMMISSION UPON REVIEW AND FINAL AUDIT SUBSEQUENT TO COMPLETION OF SUCH WORK DURING THE 1964-65 FISCAL YEAR.

Attachment

Calendar Item 13 (7 pages)

CALENDAR ITEM

13.

APPLICATION OF THE CITY OF LONG BEACH TO USE ITS SHARE OF TIDELAND OIL REVENUES FOR MAINTENANCE AND OPERATION OF TIDELAND BEACH AREAS AND FACILITIES DURING THE 1964-65 FISCAL YEAR - L.B.W.O. 10,198.

On May 1, 1964, the City of Long Beach, through the office of its City Manager, submitted a request to the State Lands Commission for approval of the expenditure of \$1,129,870 of the City's share of tideland revenues for the maintenance and operation of tideland beach areas and facilities during the 1964-65 fiscal year, which includes work by:

1. Public Service Department - for Beach Cleaning and Maintenance, Maintenance and Operation of Beach Comfort Stations, Maintenance of Lifeguard Stations and Facilities, Miscellaneous Tideland Maintenance Costs consisting of Maintenance of Sewer Pump Stations, Piers and Structures, Beach Parking Lots, Beach Recreational Facilities, Beach Park Areas, and Miscellaneous Beach Facilities, and Maintenance and Operation of Arena Facilities	\$ 323,775
2. Park Department - for Maintenance of Parking Lots and Beach Landscaped Areas and Grounds.	55,700
3. Engineering Department - for Engineering Services and Minor Construction Projects.	10,000
4. Marine Department - for Lifeguard Service and Departmental Administration.	322,150
5. Police Department - for Traffic Control of Summer Beach Facilities and Summer Beach Patrol, Patrol of Canals and Bay Areas.	52,700
6. Health Department - for Sampling Beach Water.	6,400
7. Auditorium - Stadium Department - for the Maintenance and Operation of the Long Beach Arena.	<u>359,145</u>
Total	\$ 1,129,870

CALENDAR ITEM 13. (CONT'D.)

In Formal Opinion No. 59/125, dated June 17, 1959, the Office of the Attorney General advised the State Lands Commission as follows: "The City of Long Beach properly may use its tideland oil income to maintain and operate public beaches on its granted tidelands. A public beach is a public park and the use of the Long Beach granted tidelands for purposes of a public park thereon is a proper trust use and purpose and a matter of general State-wide interest." However, tideland trust income may be used by the City to finance maintenance and operation only of public beaches on tidelands. General municipal funds may be utilized by the City to maintain and operate that part of the public beaches located on uplands or lands municipally owned by the City free of the tidelands trust.

The Attorney General has advised, in an informal opinion dated June 6, 1960, with respect to the propriety of using tideland monies for the operation and maintenance of facilities located on tidelands or existing for the purpose of promoting the use of tidelands for trust purposes, that such costs may be considered a proper trust purpose where it can be shown that they are a special charge related to maintenance of tideland beaches and are not a general municipal service. Applying these principles, it has been concluded that those items designated as Miscellaneous Tideland Maintenance Costs, including maintenance of sewer pump stations, piers and structures, beach parking lots, beach recreational facilities, beach park areas and miscellaneous beach facilities, Operation of Beach Comfort Stations, and Maintenance and Operation of Arena Facilities, are a proper charge, although the costs are subject to allocation if partial uplands use or benefit is determined.

The propriety of using tideland monies for Police Department and Health Department expenses has been discussed by the Attorney General in an informal opinion dated June 27, 1961, stating that Police Department expenses may be approved provided the City can show that these are attributable to and necessitated by the tideland beaches, and that Health Department expenses in connection with water testing may also be approved provided that such tests are made in areas subject to the trust or are made solely or primarily for the protection of such areas. Refer to Exhibit "F" for comparison of fiscal year expenditures.

The use of tideland monies for the operation and maintenance of the Long Beach Arena, formerly designated as Convention and Exhibit Hall, has been considered by the Attorney General in an informal opinion dated June 27, 1961, stating that the Commission may approve such expenditures only to the extent that they are properly attributable to uses for trust purposes. Action was taken relative to the amount of expenditures, procedures, and accounting methods in connection with the maintenance and operation of the Long Beach Arena by the Commission and incorporated into the minutes of its meetings of June 28, 1962, and June 27, 1963, consistent with attached Exhibit "B".

Possible allocation of depreciation charges to nontrust events held at the Arena was reviewed by the Attorney General in informal opinion dated March 4, 1964, with the conclusion that depreciation expense is a general expense of maintaining and operating the Arena, and thus properly may be charged to tideland trust funds. The facility depreciates whether or not it is in use,

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and the cost of depreciation is not increased by the occurrence of a non-trust event. The Attorney General advised further that the Commission should approve the expenditure of trust funds to defray general expenses of maintaining and operating the Arena, which expenses are not attributable to any particular event.

Under effective date of September 1, 1963, the City Manager executed administrative regulation 3-12 setting up procedures whose purpose is to insure that Tideland Trust Funds are protected from any losses that might result from the staging of any "nontrust" events at the Long Beach Arena. The procedures also provide for advance deposit of \$10,000 of City General Purpose Funds in the Tideland Oil Fund, so that working capital is provided at all times for financing Arena costs which may be incurred in connection with nontrust events and are not covered by rental deposits collected prior to the staging of an event. The staff has reviewed the provisions of the Administrative regulation, concluding that a reasonable safeguard is thus established to meet the requirements of Item-3 of attached Exhibit "B"; namely, protection against loss to the trust as the result of staging a nontrust event at the Arena. Long Beach Municipal Code Section 7410.9(b) directs the manager to promote the use of the Arena for events which are of statewide interest and which are connected with the trust uses and purposes governing the City's administration of the tide and submerged lands on which the Arena is located. In order to promote such events, the manager may make such charges as he deems reasonable to recover anticipated operation expenses.

The allocation to the Arena of 60% of total personnel expenditures for the Arena-Auditorium-Stadium Department has been made in the Arena accounting procedures as was required by the Commission during its consideration and approval of 1963-64 fiscal year costs.

In the department accounting system, the allocation of costs is made only in the determination of administrative overhead. Time records are maintained for direct labor costs, which, in turn, are used to allocate the department overhead costs between the Auditorium, Stadium and Arena. This allocation method has been reviewed by the staff for the first ten months of the 1963-64 fiscal year, with the finding that the method of allocation of overhead according to direct labor costs is satisfactory. Since the applied allocation results in 60%, the staff recommends for Commission approval a rate of 60% for administrative overhead distribution for the 1964-65 fiscal year. Final allocation percentages will be determined by the staff at such time as costs for entire fiscal years are available for review.

In the months July 1963 through April 1964, a total of forty-five events (see Exhibit "C") were held at the Arena; five of these events, according to letter opinions of the City Attorney, served to promote commerce and navigation conducted by or through the Port, as follows:

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- (1) Ford Motor Company, 1964 Model Display to its Dealers.
- (2) Chevrolet, 1964 Model Display to its Dealers.
- (3) American Motors, 1964 Model Display to its Dealers.
- (4) International Sailboat and Yacht Show.
- (5) Long Beach International Auto Show.

Refer to Exhibit "D", Preliminary Schedule of Arena Events, Fiscal Year 1964-65.

Disbursements for beach services are made directly from City Departmental accounts, with charges later transferred to the Tideland Oil Fund Account, and the City has requested an extension of time to accomplish such transfers related to the 1964-65 fiscal-year costs. In consonance with past Commission action, the staff recommends approval conditioned upon the disbursements being made prior to July 1, 1965, and the account transfers relating to the Tideland Fund being accomplished by October 31, 1965.

IT IS RECOMMENDED THAT THE COMMISSION GIVE PRIOR APPROVAL TO THE COSTS DISBURSED BY THE CITY OF LONG BEACH FOR OPERATION AND MAINTENANCE OF TIDELAND BEACH AREAS AND FACILITIES IN COMPLIANCE WITH ATTACHED EXHIBIT "B" DURING THE 1964-65 FISCAL YEAR ENDING JUNE 30, 1965, (OR UNTIL THE EFFECTIVE DATE OF ANY OVERRIDING LEGISLATION, WHICHEVER DATE OCCURS FIRST), FROM THE CITY'S SHARE OF TIDELAND OIL REVENUES, WITH A TIME LIMITATION OF OCTOBER 31, 1965, FOR DRAWING FROM THE TIDELAND OIL FUND ACCOUNT TO REIMBURSE CITY DEPARTMENTAL ACCOUNTS FOR SAID DISBURSEMENTS IN THE TOTAL AGGREGATE OF \$1,129,870 AS SET FORTH IN ATTACHED EXHIBIT "A"; ALL COSTS CONCERNED HEREIN TO BE SUBJECT TO THE CONDITION THAT THE AMOUNTS, IF ANY, TO BE ALLOWED AS EXPENDITURES FROM TIDELAND TRUST FUNDS WILL BE DETERMINED BY THE COMMISSION UPON REVIEW AND FINAL AUDIT SUBSEQUENT TO COMPLETION OF SUCH WORK DURING THE 1964-65 FISCAL YEAR.

Attachments ..
Exhibits "A" and "B"

EXHIBIT "A"

APPLICATION FOR APPROVAL TO EXPEND TIDELAND OIL REVENUES ON
MAINTENANCE AND OPERATIONS OF TIDELAND BEACH AREAS AND
FACILITIES DURING 1964-65 FISCAL YEAR

Public Service Department

Beach Cleaning and Maintenance		\$167,900
Maintenance and Operation of Beach Comfort Stations		47,200
Maintenance of Lifeguard Stations and Facilities		7,325
Miscellaneous Tideland Maintenance Costs		
Maintenance of Sewer Pump Stations	\$ 11,500	
Maintenance of Piers and Structures	30,000	
Maintenance of Beach Parking Lots	4,750	
Maintenance of Beach Recreational Facilities	23,200	
Maintenance of Beach Park Areas	1,000	
Maintenance of Miscellaneous Beach Facilities	<u>9,200</u>	
Total		\$ 79,650
Maintenance and Operation of Arena Facilities		<u>21,700</u>
Total - Public Service Department		\$323,775

Park Department

Maintenance of Parking Lots and Beach Landscape Areas and Grounds		\$ 55,700
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Engineering Department

Engineering Services and Minor Construction Projects		10,000
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Marine Department

Lifeguard Service and Departmental Administration		322,150
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EXHIBIT "A" (CONTD.)
(L.B.W.O. 10,198)

Police Department

Traffic Control of Summer Beach Facilities and Summer Beach Patrol	\$ 27,600	
Patrol of Canal and Bay Areas	<u>25,100</u>	
Total - Police Department		\$ 52,700

Health Department

Sampling Beach Water		6,400
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Auditorium-Stadium Department

(All costs hereunder are for maintenance and operation of the Long Beach Arena, previously identified as the Convention and Exhibit Hall.)

Personal Services Budget (See Exhibit "E" for detail) \$243,800

Regular Salaries and Wages
Overtime
Seasonal

Non-Personal Expense Budget (See Exhibit "E" for detail) \$156,683

Utility Services		
Light and Power		
Telephone and Telegraph		
Equipment Rental and Transportation		
Repair and Maintenance Service		
General Office Expense		
Material and Supplies		
Building Materials		
Parts for Mach. and Equip.		
Rock and Mineral Products		
Radio and Elec. Supplies		
Plumbing Materials and Supplies		
Paint and Painting Supplies		
Medical Supplies		
Janitorial Supplies		
Small Tools and Implements		
Miscellaneous Expense		
Retirement and O.A.S.I.		
Insurance		
Employees Health and Welfare Plan		
Proration of Financial, Personnel, etc., Overhead & Miscellaneous Costs		
Gross Total-Estimated Expenditures	<u>\$400,574</u>	
Less Proration of Administrative Costs & Intradepartmental Transfers	<u>(41,429)</u>	<u>359,145</u>

NET Arena Total - ESTIMATED EXPENDITURES \$1,129,870

EXHIBIT "B"

PROCEDURES AND ACCOUNTING METHODS FOR USE
IN THE MAINTENANCE AND OPERATION OF THE LONG BEACH ARENA

Expenditures for operation and maintenance are approved by the Commission only to the extent that they are properly attributable to uses for trust purposes.

The procedures and accounting methods with respect to the operation and maintenance of the arena shall include the following:

1. The Commission approves the expenditure of trust funds to defray general expenses of maintaining and operating the Arena, which expenses are not specifically attributable to any particular event.
2. The Commission approves the expenditure of trust moneys that, to defray expenses specifically allocable to events as determined by the State Lands Commission, serve to promote commerce and navigation conducted by and through the Port of Long Beach.
3. The aforesaid approvals shall not include expenses specifically allocable to events that, as determined by the State Lands Commission, do not serve to promote commerce and navigation conducted by or through the Port.

It is understood by the Commission that all revenues from the Arena will be credited to the trust except where the City has defrayed expenses in category "3" above out of general City revenues and specific amounts are earmarked by the tenant to repay such expenses. A fair basic rental will be charged. Earmarked charges for specific costs to be paid to the City will be over and above this basic rental.

The initial allocation to the Arena of 60% of total personnel expenditures to be made in connection with the Arena, the Auditorium and the Stadium, as well as any other allocation contained in the City's estimates of expenditures, is tentative and subject to revision upon analysis by the staff of the State Lands Division and approval of such modification by the Commission.

During the course of current and past review, it has been found difficult to evaluate an event properly merely on the basis of its designation without further specifications to its relation to trust purposes. Therefore, in connection with the events to be held at the Arena during the coming year, the City Attorney shall furnish in advance to the Division a specification of those events that, in his opinion, will serve to promote commerce and navigation conducted by or through the Port, and, in connection therewith, the basis of his opinion. The staff will then be able to determine and inform the City in advance as to the accounting category that can be allowed.