17. AGREEMENT WITH CITY OF LONG BEACH FOR CHANGING TO CASH RECEIPTS BASIS FOR PAYMENTS TO THE STATE PURSUANT TO SECTION 4, CHAPTER 138/1964, 1ST E.S., AND FOR REPAYMENT OF RETROACTIVE ADJUSTMENT.

During consideration of Calendar Item 12 attached, a question was raised about payment by the City of Long Beach of interest on the amount involved. Deputy Attorney General Warren J. Abbott pointed out that the money would come to the State as a compromise on the part of the City of Long Beach, who felt that the money was not due the State, and that as part of this compromise plan the City of Long Beach had asked for an extended payment plan. Many such agreements have been made over the years, and the payment of interest has not been made a part thereof. If the State had had to sue to recover the money and was awarded the judgment, then the State would receive interest as a matter of law. However, in consideration of the fact that the City of Long Beach had agreed to compromise, thus avoiding legal action, Mr. Abbott recommended that the Commission accept the proposed settlement, without payment of interest.

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

THE COMMISSION APPROVES THE AGREEMENT AS PROPOSED BY THE CITY OF LONG BEACH IN THE LETTER DATED SEPTEMBER 3, 1971, FROM THE CITY ATTORNEY, WHEREBY THE CITY OF LONG BEACH, IN ACCOUNTING TO THE STATE PURSUANT TO SECTION 4, CHAPTER 138, 1ST E.S., WOULD:

1. ACCOUNT ON A CASH RECEIPT BASIS;

2. RETROACTIVELY ADJUST TO SUCH BASIS;

3. PAY TO THE STATE THE AMOUNT DUE AS A RESULT OF SUCH ADJUSTMENT COMMENCING JANUARY 1, 1972, AT A RATE OF $50,000 PER MONTH DURING EACH MONTH IN WHICH THE CITY RETAINS A SHARE, UNTIL PAID IN FULL ($1,011,168.40).

Attachment:
Calendar Item 12 (2 pages)

AGREEMENT WITH CITY OF LONG BEACH FOR CHANGING TO CASH RECEIPTS BASIS FOR PAYMENTS TO THE STATE PURSUANT TO SECTION 4, CHAPTER 138/1964, 1ST E.S. AND FOR REPAYMENT OF RETROACTIVE ADJUSTMENT.

Section 4 of Chapter 138/1964, 1st E.S., provides a formula by which the City of Long Beach accounts for and pays monthly to the State certain portions of remaining tideland oil revenue. Until December 31, 1968, the City was to pay to the State 50% of such revenue, retaining 50% for its trust funds. Beginning in 1969, the City was to retain 45% or $9,000,000, whichever was less, and in subsequent years the percentage was to decrease. For the calendar year 1971, the amount to be retained by the City is to be 35% or $9,000,000, whichever is less.

In calendar year 1969, and subsequent thereto, the City, on the advice of its City Attorney, has treated the accounting on a production accrual basis as opposed to a cash receipt basis. Thus, in the month of January 1969, rather than retaining 45% of the remaining oil revenue, the City retained 50% on the basis that the revenue represented December 1968 oil production. This procedure also had the effect later in the year 1969 of moving ahead by one month the 12-month period of time during which the City could make its $9,000,000 maximum for the year. The net result was that as of December 31, 1971, the City will have retained $1,011,168.40 more than it would have retained had it used the cash receipts accounting method.

The Division and the Office of the Attorney General have discussed this matter extensively with representatives of the City. The City of Long Beach, in order to avoid litigation between the City and the State, has agreed, effective January 1, 1972, to change from a production accrual accounting basis to a cash receipts basis for purposes of accounting to the State pursuant to Chapter 138. The City also agrees to make this change retroactive to December 31, 1968. As a consequence of this retroactive adjustment, there will be due to the State the sum of $1,011,168.40 as of December 31, 1971. In reaching this proposed settlement, the City requested that they be permitted, over a period of time, to fit payment of this sum into their Tideland Oil Revenue Fund cash flow and thereby repay this sum commencing January 1, 1972, at a rate of $50,000 per month during each month in which the City retains a share, until repaid in full.

The Office of the Attorney General recommends that the Commission approve this proposed agreement. The Division has reviewed this matter and concluded that this agreement would be in the best interests of the State.

IT IS RECOMMENDED THAT:

THE COMMISSION APPROVE THE AGREEMENT AS PROPOSED BY THE CITY OF LONG BEACH IN THE LETTER DATED SEPTEMBER 3, 1971, FROM THE CITY ATTORNEY, WHEREBY THE CITY OF LONG BEACH, IN ACCOUNTING TO THE STATE PURSUANT TO SECTION 4, CHAPTER 138, 1ST. E.S. WOULD:

1. ACCOUNT ON A CASH RECEIPT BASIS;

2. RETROACTIVELY ADJUST TO SUCH BASIS;

3. PAY TO THE STATE THE AMOUNT DUE AS A RESULT OF SUCH ADJUSTMENT COMMENCING JANUARY 1, 1972, AT A RATE OF $50,000 PER MONTH DURING EACH MONTH IN WHICH THE CITY RETAINS A SHARE, UNTIL PAID IN FULL ($1,011,168.40).