

MINUTE ITEM

This Calendar Item No. 23
 was approved as Minute Item
 No. 23 by the State Lands
 Commission by a vote of 3
 to 0 at its 6-22-78
 meeting.

CALENDAR ITEM

23.

6/78
 Thompson

APPROVAL TO ACCRUE FUNDS FOR MINING RIGHTS AND
 PROPERTY TAXES, DRILLING AND OPERATING CONTRACT,
 (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL),
 CITY OF LONG BEACH, WILMINGTON OIL FIELD,
 LOS ANGELES COUNTY

The City of Long Beach has requested Commission approval to permit the City's Contractor under the Drilling and Operating Contract (Long Beach Harbor Department Tidelands Parcel) to accrue mining rights and property taxes on a monthly basis. Monthly accrual of funds for anticipated taxes will tend to equalize oil revenues throughout the year and eliminate the possibility of periodic negative cash flow in the Contractor's net profits account.

Under the proposed tax accrual procedure, the City's Contractor will charge as an expense in the net profits account an estimate of that month's share of the year's mineral and property taxes due. The Contractor will purchase Corporate Certificates of Deposit at a bank for a period extending to the next date of payment to the Los Angeles County Tax Collector. These will be held in trust at the bank and will be redeemable only for the payment of taxes. Tax payments are billed to the Contractor, who is liable for them and will pay them when due. Interest earned on said Certificates will be used for the payment of taxes. The amount of interest earned by the impounded Certificates will be no less than the interest that could be obtained by the City or State if such money were in City or State possession as a result of net profit payments.

The Commission's staff has reviewed the proposed tax accrual procedure and finds that it is good accounting practice and will not reduce ultimate tideland oil revenue from the Long Beach Harbor Department Tidelands Parcel.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE ACCRUAL OF FUNDS FOR MINING RIGHTS AND PROPERTY TAXES, UNDER THE TERMS OF THE DRILLING AND OPERATING CONTRACT (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL).

A 52, 57, 58

S 27, 31