MINUTE ITEM

This Calendar Item No. 39 was approved as Minute Item No. 39 by the State Lands Commission by a vote of 2 to 0 at its 6/23/83 meeting.

CALENDAR ITEM

39

6/23/83
W 17078
Lammers

SECOND MODIFICATION OF THE 1983-84
PLAN OF DEVELOPMENT AND OPERATIONS
AND BUDGET, LONG BEACH UNIT,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach has requested approval of the Second Modification of the Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1983 through June 30, 1984. This modification would augment the budget by $7,000,000 to provide additional funding in three Budget Items and the associated Administrative Overhead.

Budget Item E.2.a.(7) Extraordinary Losses and Claims would be augmented by $5,400,000 and the Management Program Administration Overhead by $216,000 to provide for the continued repair of storm damage to the islands and armor rock improvements. Budget Item B.5.b. (4) Leasehold Improvements would be augmented by $350,000 and the Oil and Gas Production Program Administrative Overhead by $14,000 to provide for facilities relocation expense necessitated by the Freeman Island expansion and new cellars. Budget Item F.1.a.(3) Long Beach Oil Production License Tax would be augmented by $1,020,000 to provide for the tax increase recently enacted by the Long Beach City Council. Following approval of the modification the total budget would be $228,827,000.

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While repair and restoration of the damage caused to Islands White and Freeman during a major storm on March 1, 1983 is progressing satisfactorily, work will continue into the 1983-84 budget period. The work remaining to be done will consist primarily of improvements to the armor rock on all of the islands to prevent future storm damage. Initial approval of this project was given by the Commission in March 1983. Only partial billing and payment against the funding provided at that time for the project will have been done by the close of the 1982-83 Budget year. This proposed funding will be for work performed in 1982-83 but not billed and the balance of the work to complete the project in the 1983-84 Budget year.

The Island Freeman expansion and new cellar construction will have investment funds carried over into the 1983-84 Budget. Weather-caused construction delays will also move more of the related work and associated costs of an expense nature into the next budget year. Since expenditures for expense are not covered by carry-over, funding would be by this augmentation as with the previously discussed project.

At the time the 1983-84 Budget was prepared, no consideration was given to any tax increase by the City of Long Beach. This augmentation would provide funding for the increased Long Beach Production License Tax in the 1983-84 Budget year.

The Commission staff's position, at the time the 1983-84 Budget was approved, was that for the anticipated level of expense activity and the investment projects in the Plan, the Budget was overfunded. The staff believes that funds requested in the augmentation are available by transfer within the Budget. The City of Long Beach does not concur with this viewpoint. The funding of $6 million for the expense of the island rock repair and facility relocation in the Island Freeman expansion and cellar construction must be provided by July 1, 1983. Since the Budget year has not started, actual expenditure levels cannot be established and in their absence, augmentation is probably necessary. The funding of $1 million for the increased Long Beach Production License Tax will not be required until mid year and could be deferred until that time. There may be additional funding for mining rights taxes required in March 1984

and at that time if there are surplus funds they could be used for that purpose. Approval of this modification would revise the affected Budget Item totals as follows: (Thousands of Dollars)

Budget Item	Current Budget	This Modification	Adjusted Budget
E. MANAGEMENT PROGRAM			
2.a.(7) Extraordinary Losses and Claims	$ 10	$ 5,400	$ 5,410
Administration Overhead	499	216	715
B. OIL AND GAS PRODUCTION PROGRAM 5.b.(4) Leasehold Improvements	4,747	350	5,097
Administration Overhead	3,062	14	3,076
F. TAXES, PERMITS AND LAND RENTAL PROGRAM 1.a.(3) Long Beach Oil Production License Tax	1,700	1,020	2,720
TOTAL BUDGET	$221.827	7,000	$228,827

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE SECOND MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1983 THROUGH JUNE 30, 1984.