Tidelands Overview

Budget Hearing

August 19, 2025

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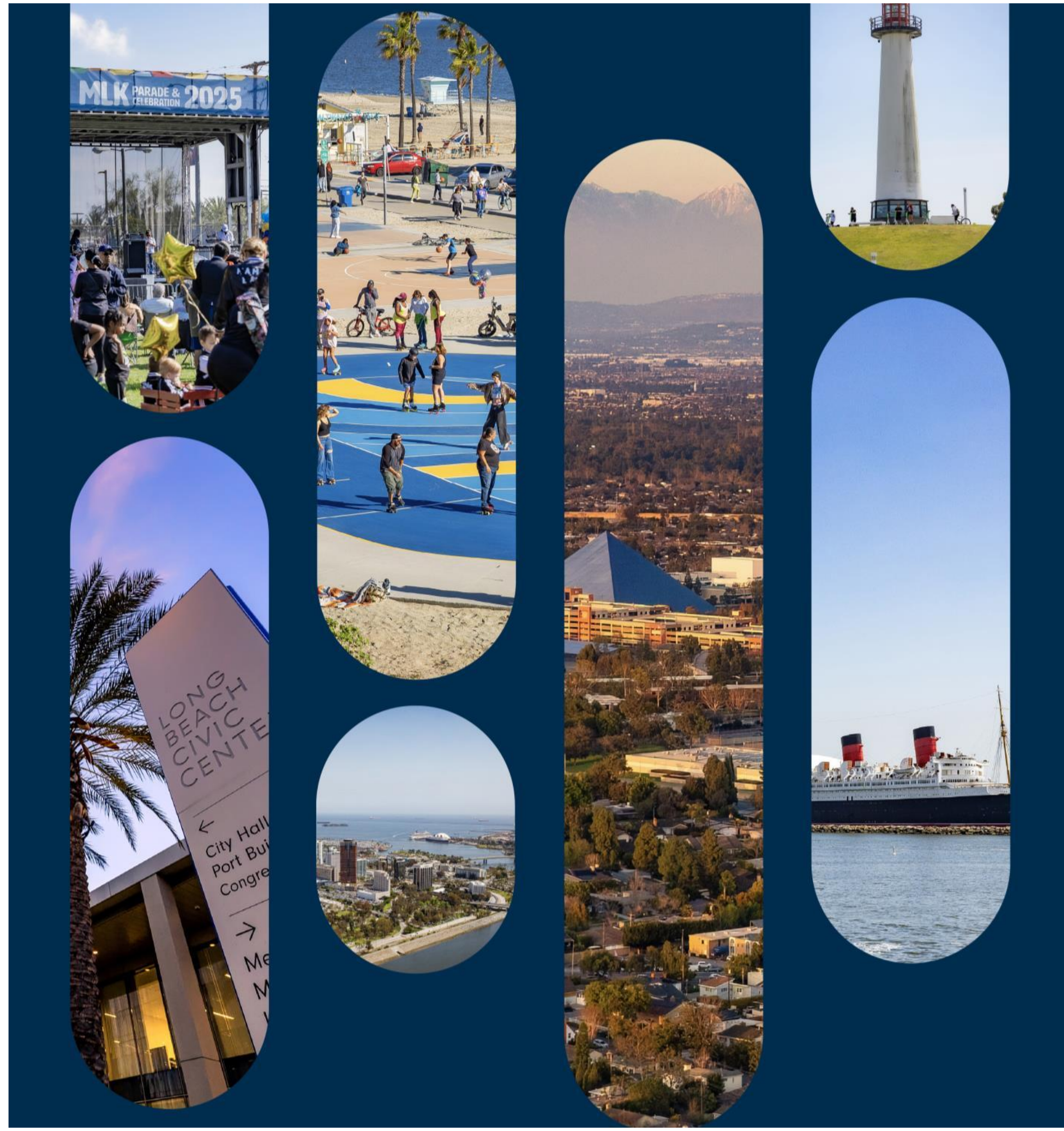

Tidelands History

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- State of California received title of Tidelands and Submerged Lands in 1850 from the federal government
- Includes all tide and submerged lands as well other “natural water resources” – Lake Tahoe, Sacramento River… (4 million acres)
- California State Lands Commission (CSLC), established in 1938, is the responsible state agency for ensuring compliance with terms of statutory grants and that management of resources are consistent with the public trust doctrine and for the benefit of all Californians
- Sovereign land has been granted in trust to over 80 local jurisdictions

Tidelands Area

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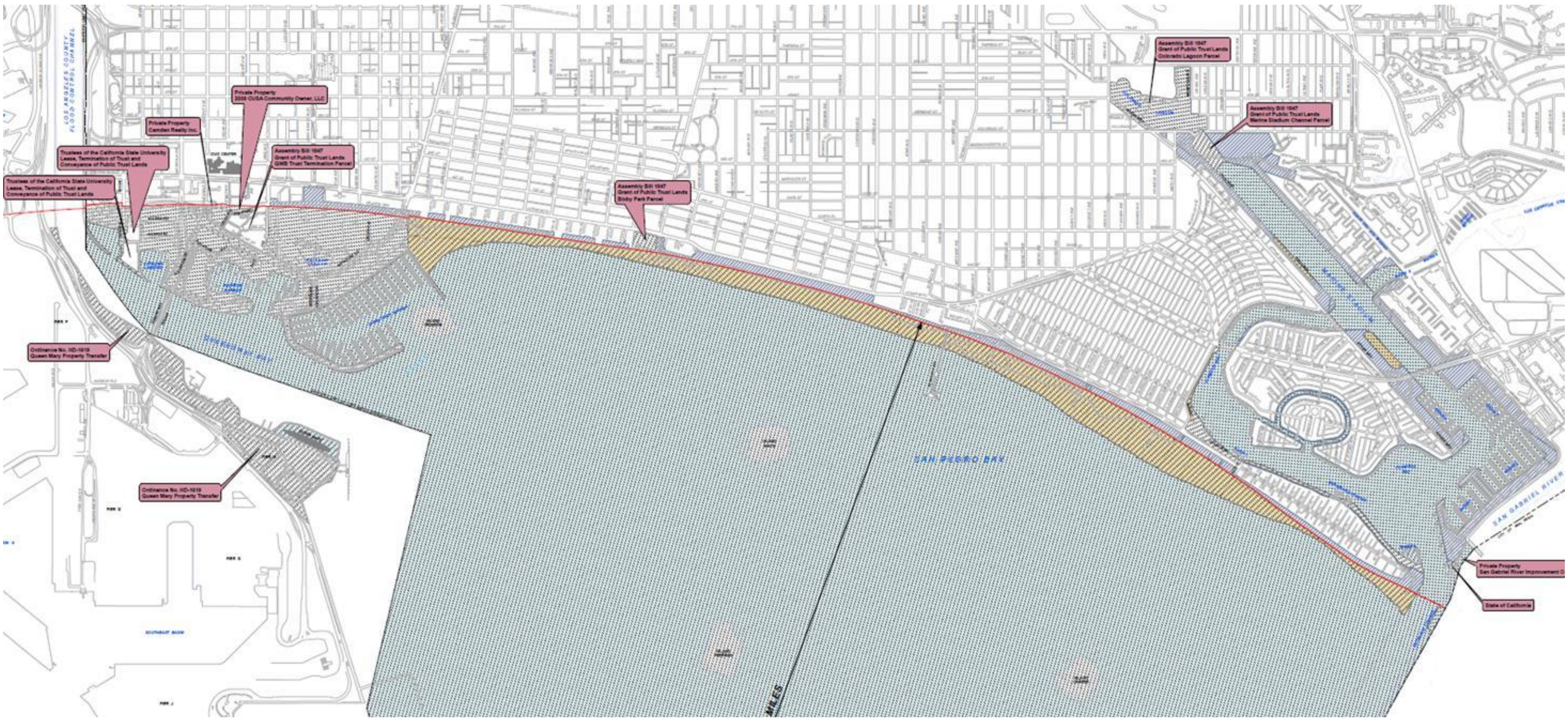

California State Lands Commission (SLC) Authority

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- 35 separate State grants and statutes comprise the Long Beach Tidelands Trust
- The SLC monitors each grant to ensure compliance with the Public Trust Doctrine, and has the authority to investigate, audit, and review grants and seek corrective measures
- Require grantees to reinvest revenues produced from the granted lands for trust purposes
- A trustee typically MAY NOT:
    - Sell Tidelands to private parties
    - Damage them unnecessarily
    - Take any action that will lead to destruction or inappropriate privatization
- The SLC must approve proposed projects for consistency with granting statutes

Permitted Uses

- Ports, marinas, docks, piers, wharves, buoys, hunting, commercial, sport-fishing, bathing, swimming, boating, warehouses, container cargo storage, and other uses necessary to facilitate commerce or navigation
- Facilities for the development and production of oil and gas, habitat, wildlife refuges, scientific study, open space**
- Visitor oriented or serving facilities such as hotel (no time-shares), airports, restaurants, shops, parking lots, and restrooms
- Tidelands revenue must be spent on or adjacent to Tidelands to benefit the Tidelands

Non-Permitted Uses

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- Strictly local or “neighborhood-serving” uses
- Residential
- Department stores or not visitor serving retail
- Certain non-marine related office uses
- General commercial
- Medical facilities
- Mixed-use developments containing trust and non-trust elements if the use contemplates promotion of non-trust uses

City Departments Involved

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- ED – Lease Management
- PRM – Maintenance (Parks, Beaches, Buildings, Marinas)
- PRM – Operation (Aquatics Programs, Marinas)
- PW – Maintenance (Parking Lots, Streets)
- PW – Capital Projects and Permitting
- FM – Monitors Tidelands Revenue and Expenditures
- Energy Resources – Mineral extraction
- Port of Long Beach
- Other Depts as needed

Tidelands Oil Production

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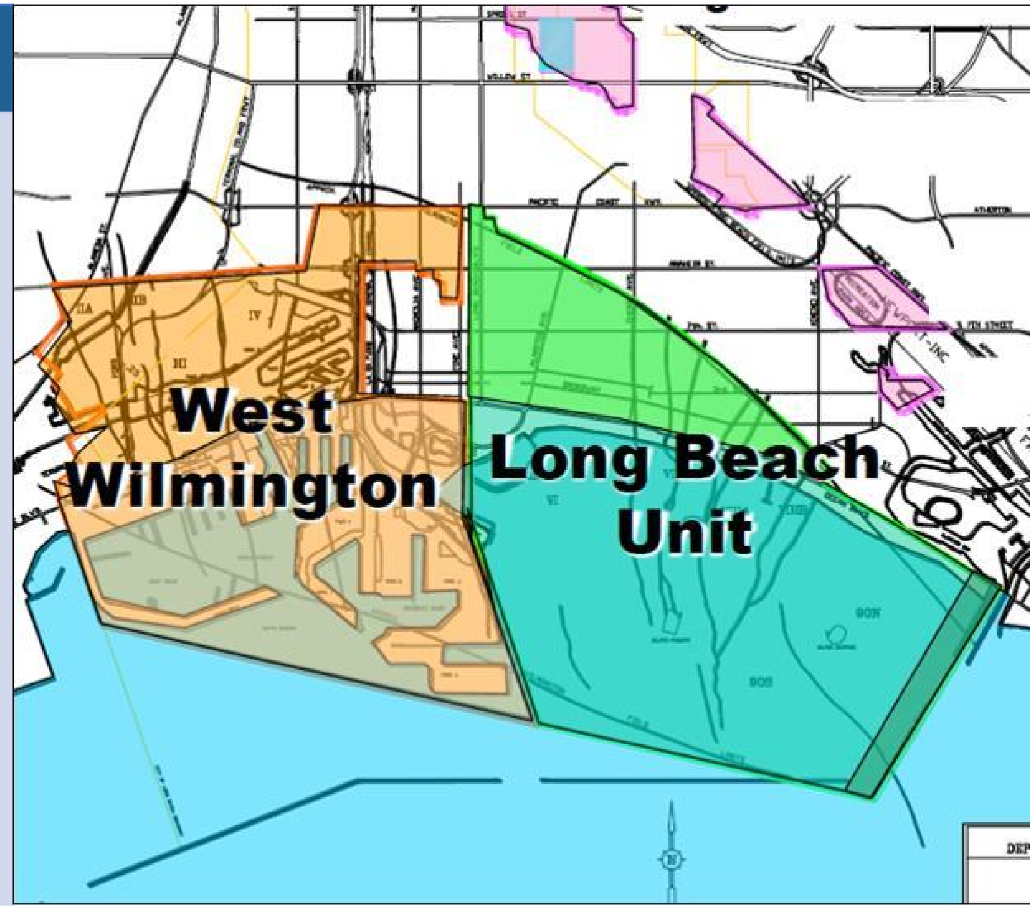
City's Trust Obligations

- The Long Beach tidelands are held in trust for the people of California.
- Oil extracted from the tidelands and the revenue it generates are part of that trust.
- Trust resources must support public trust purposes: navigation, fishing, commerce, recreation, habitat protection and restoration, water quality, & coastal access.
- City and State share a continuing, non-delegable duty to protect these resources and ensure that trust needs are met.



Legal Timeline

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Timeline of Statutes & Court Rulings Governing Long Beach Tidelands

- **1911, 1925, 1935** – State statutes grant State tidelands to the City in trust the purposes of developing commerce, navigation, fisheries, and recreation.
- **1938 – City of Long Beach v. Marshall**: CA Supreme Court rules oil production is compatible with the tidelands trust, City may retain all tidelands oil profits.
- **1951 – Chapter 915**: Releases 50% of tidelands oil profits from trust restrictions; City amends charter to use these funds for general purposes.
- **1955 – Mallon v. City of Long Beach**: City/State sued for removing trust restrictions; CA Supreme Court rules that tidelands revenues are restricted to benefit the entire State.
- **1956 – Chapter 29**: State appropriates 50% of tidelands oil revenue to that point; future tidelands oil profits split 50/50 between State and City, with all gas revenue to State.
- **1964 – Chapter 138**: State receives all tidelands oil profits from West Wilmington; City can develop LBU/THUMS, receive declining fixed payments (currently $1,000,000 per year). Tidelands oil revenues retained by City further restricted to specific uses.
- **1991 – Chapter 941**: City, State, and ARCO implement LBU Optimized Waterflood Program Agreement (OWPA); LBU tidelands profits split State 42.5% / City 8.5% / ARCO 49.0%

Rationale for Revenue Split

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Chapter 138 of 1964

- Projected “very substantial augmentations of [tidelands] oil revenue” from creation of LBU.
- Noted previous significant expenditures of trust revenues within the City.
- Concluded that “continued expenditure in the future by the City of oil revenues in the percentage heretofore provided [50%]…would be economically impracticable, unwise and unnecessary.”

Chapter 941 of 1991

- Tidelands oil revenue had declined significantly by 1991.
- Continuing the flow of oil revenue was deemed by the State as “necessary for the promotion of the public interest.”
- Legislature expanded City’s share of revenue to 8.5% to incentivize City to implement LBU OWPA -> significantly extended the oil field’s economic life through capital investment.

Current & Future Challenges

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Since 2004, the State has collected nearly $6 billion in tidelands oil revenue. (SB 1425)

Revenue split has not been updated to reflect rising costs or declining oil production.

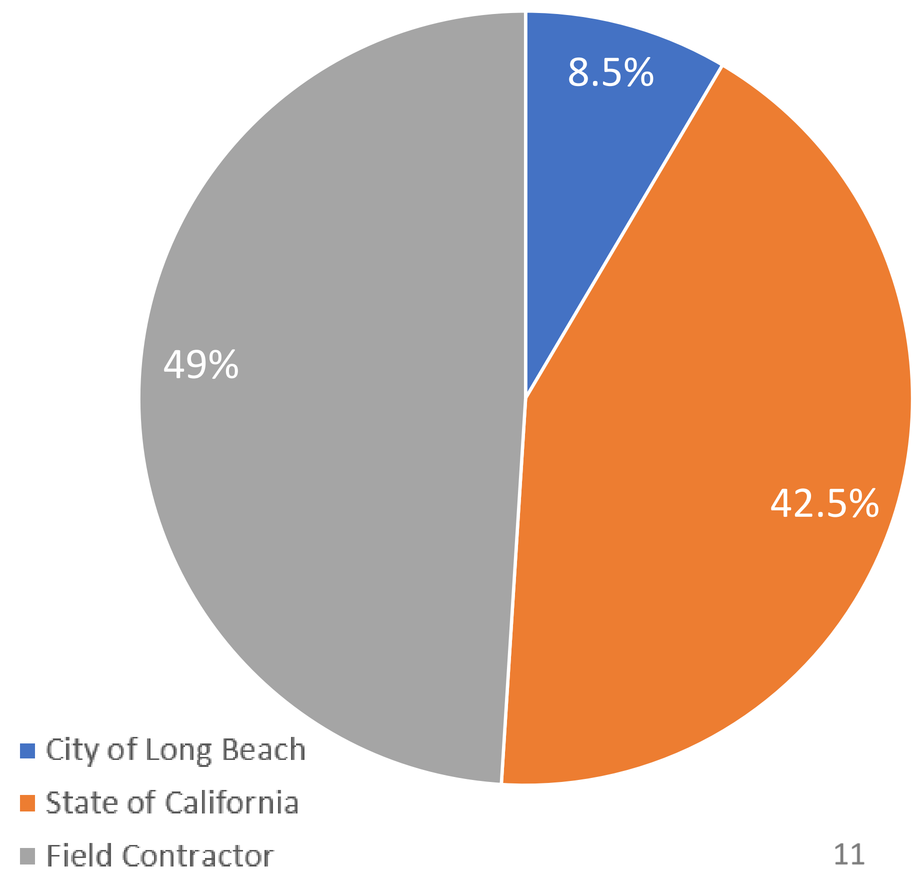
The State has only reserved $400 million of its estimated $1 billion obligation to remediate Tidelands oil operations at end of field life.

State has not provided a plan for a responsible transition away from oil that protects Long Beach's residents, coastline, and financial future.

City Auditor estimates roughly $300 million in lost oil revenue over the next decade, while more than $1 billion in coastal capital needs remain unfunded.

Tidelands Oil Revenue

LBU Tract 1



Oil Production Challenges

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SB 1137

- Health protection zone
  - Affects oil and gas wells within 3,200 feet of residences, schools, playgrounds, hospitals, and nursing homes
  - No new well permits and facilities, and limited repair of current wells and facilities
  - Became effective June 2024

CalGEM Injection Gradient Regulation

- Directive to reduce injection pressure which reduces the ability to pump oil and gas
- Original directive was to reduce pressure within 6 months
- City has countered with a plan to reduce pressure within 5 years
  - City is currently implementing the 5-year plan

Net Oil Revenue Projections

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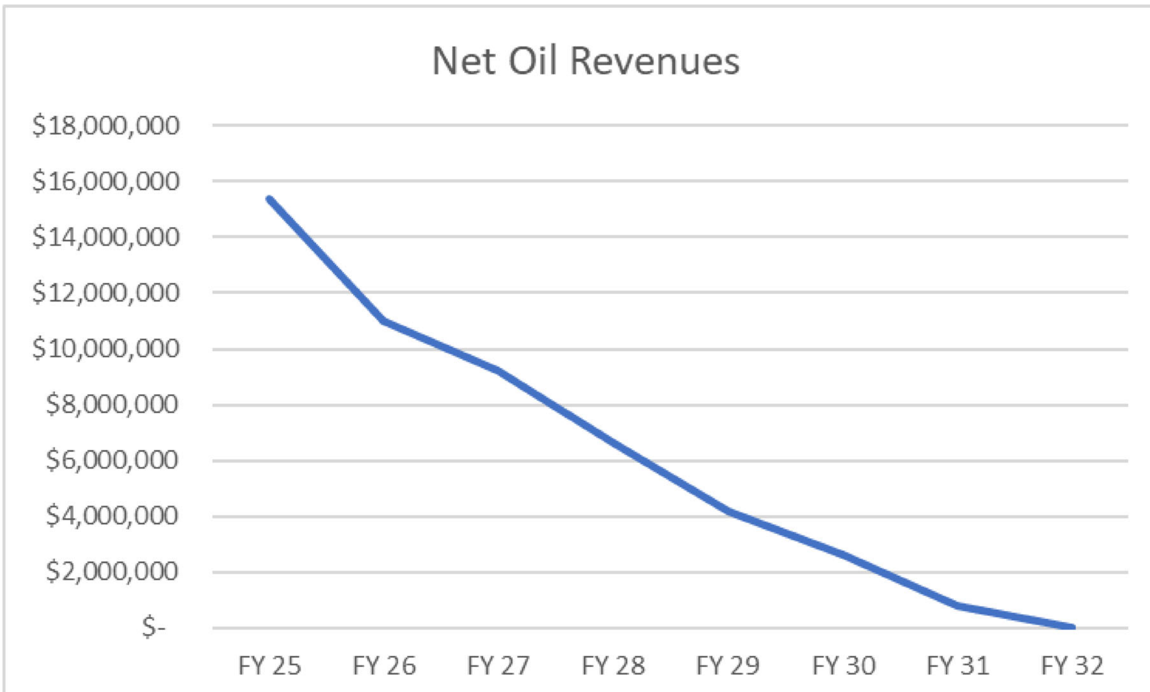
Due to the reduction in oil production, and assuming an average of $65 per barrel, net oil revenues are projected to be zero by FY 32.



Tidelands Funds

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Marina Funds

- Used to maintain marinas in good operating and capital condition
- Must maintain bond coverage ratios

Queen Mary Funds

- Restricted to general Tidelands expenses
- Revenues are utilized for Queen Mary expenses

Tidelands Operating Funds

- Restricted to general Tidelands expenses

Tidelands Operating Funds – Operational Expenses

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- Beach and Junior lifeguards
- Sand management and storm protection
- Beach management and activities
- Convention Center
- Belmont Pool operations
- Parking garages and enforcement
- Debt Service
- Homeless Response

Operating Deficits

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Convention Center

- Projected annual operating deficit of $2 million in FY 25 and FY 26
  - Labor cost increases due to Measure RW
- Utilities and heating costs
- Insurance costs

Tidelands Operating Funds – Debt Service

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Rainbow Harbor	Queen Mary	Aquarium	Pike Parking Garage
• Seawalls, boardwalk, parking areas • Ended in FY 23	• Emergency repairs • Ends in FY 28	• Aquarium and parking garage • Ends in FY 30	• Ends in FY 33

Tidelands Operating Funds – Capital Projects

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Belmont Beach Aquatic Center

- $50.2 million in remaining appropriation

Beach Facilities

- $15.9 million in remaining appropriation

Convention Center

- $10.7 million in remaining appropriation

Seawalls, Docks, and Boat Launches

- $4.4 million in remaining appropriation

Tidelands Operating Funds – Capital Projects

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Parking Lots, Streets, and Garages

- $3.5 million in remaining appropriation

Alamitos Bay and Rainbow Lagoon Water Quality

- $2.2 million in remaining appropriation

Belmont Pier

- $2.0 million in remaining appropriation

Playgrounds

- $1.6 million in remaining appropriation

FY 26 Tidelands Operating Funds – Major Revenues

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- Harbor Transfer ($25.3 million)
- Parking fees and citations ($10.9 million)
- Oil net revenues ($10.2 million)
- Pooled cash interest ($7.9 million)
- Facility rentals/leases and concessions ($6.4 million)
- Fees and charges ($2.7 million)

Annual Surplus History and Projections

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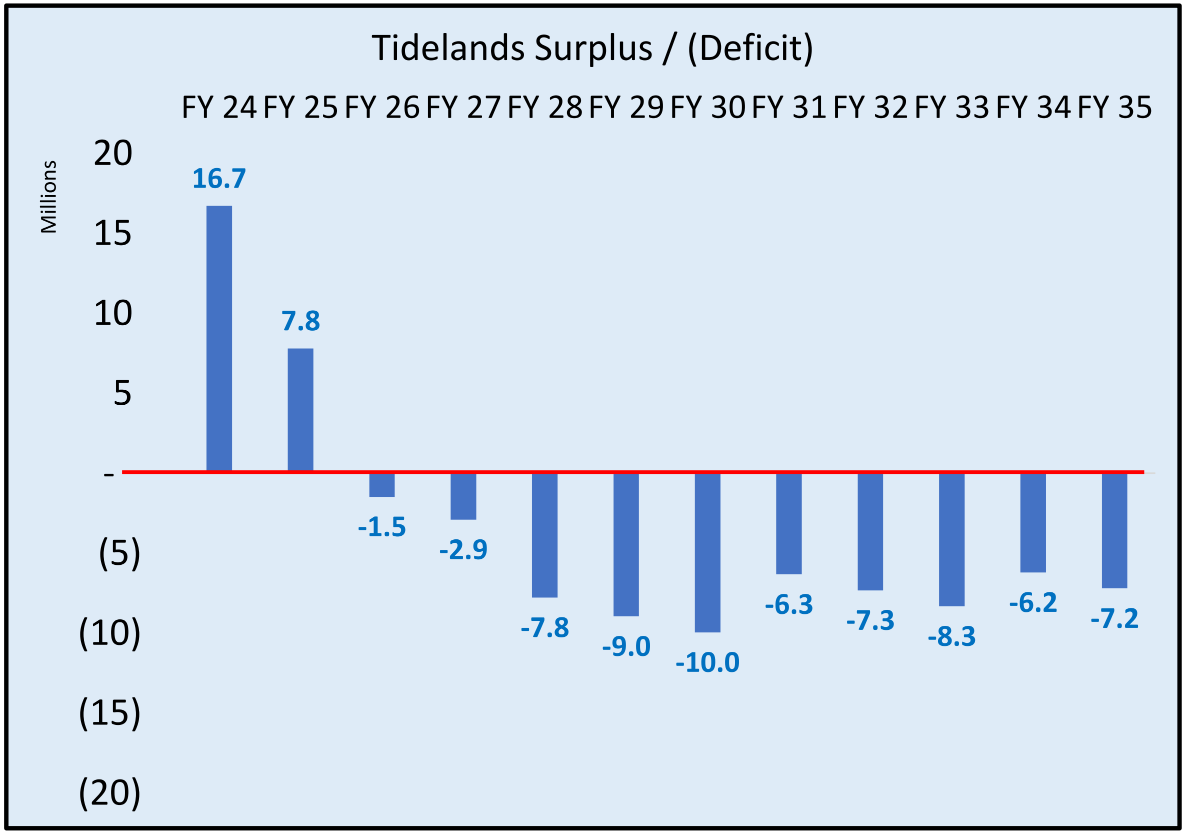

Tidelands Operating Fund

- Projected surplus of $7.8 million in FY 25, down from $16.7 million in FY 24
- FY 26 $1.5 million anticipated deficit covered by reserve
- FY 27 $2.9 million anticipated deficit with no reserves planned
- Tourism and (eventually) amphitheater expected to help reverse trending deficit

Tidelands Yearend Surplus Set Aside

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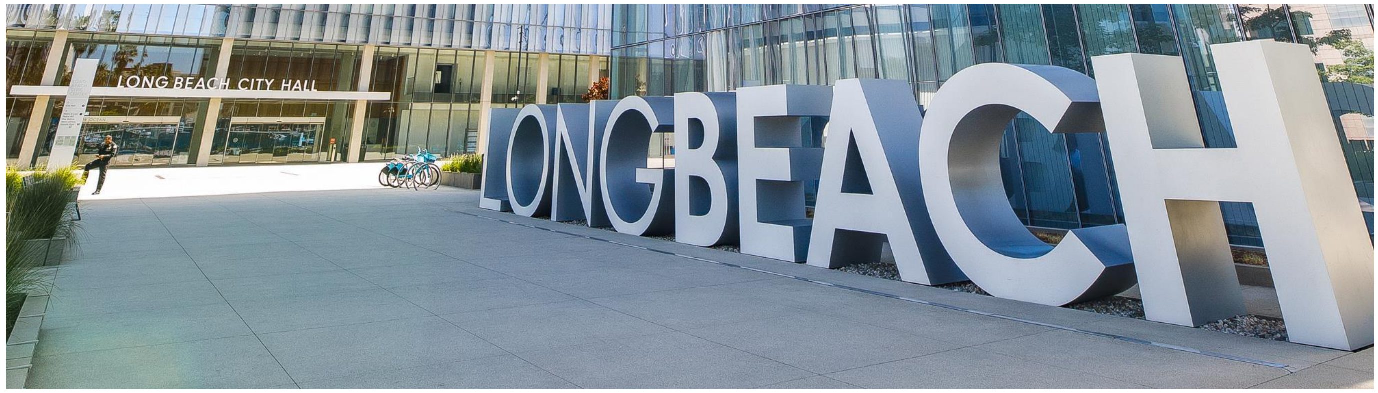

Projects	Amount	
FY 26 Anticipated Deficit	$	1,500,000
Naples Seawall Tiebacks and Permitting	$	2,000,000
Investments in Queen Mary's Sir Winston Restaurant	$	2,000,000
FY 25 Projected Tidelands Surplus	**$**	**5,500,000**

* Remaining funds as part of a financing plan for the Belmont Beach Aquatic Center to be brought to City Council

Unfunded Capital Needs – Over $1 Billion

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- Queen Mary
- Convention and Entertainment Center
- Naples Seawall Replacement
- Peninsula Living Shoreline & Erosion Control Project
- Belmont Veterans Memorial Pier
- East San Pedro Bay Ecosystem Restoration Project
- Alamitos Bay Water Quality Enhancement Project
- Removal or Repurposing of THUMS Islands
- Belmont Beach and Aquatics Center Project
- Restoration of City-Owned Oil Fields into Wetlands

Grow Long Beach Initiative

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The Grow Long Beach Initiative is an opportunity to:

- Advance economic development by diversifying and building an economy where everyone thrives
- Explore alternative revenue streams for the City to move away from reliance on oil revenue

Focus on 6 Industry Sectors:

- Fueling our Aerospace and Aviation
- Building the Transportation, Logistics, and Supply Chain
- Unleashing the Creative Economy through Music, Athletics, Tourism and Hospitality
- Economic Development through Healthcare and Education
- Building a Climate-Forward Economy
- Other Citywide Initiatives: Grow Long Beach Together

Specific Tidelands Approaches

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1. Invest in revenue generating assets
   - Amphitheater
   - Queen Mary / Sir Winstons
   - Advertising
   - Arena
   - Concerts, events, tourism, conventions, business activation
2. Modernize Marinas
3. Master Plan for future of the Shoreline
4. Continue pursuit of Port Partnership Funds
5. Pursue funding from the State, flexibility on using Tidelands restricted interest,
6. Fund abandonment liability
7. Address critical infrastructure
8. Address structural imbalance and plan for the end of oil

Q&A

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