



# Agenda Report

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**Date:** November 13, 2012  
**To** Mayor Newcomer and Members of the City Council  
**From:** Jeffrey W. Collier, City Manager  
**Subject:** Mineral Extraction Financial Plan Subcommittee Report

## **RECOMMENDATION**

It is recommended the City Council receive and file this report from the Mineral Extraction Financial Plan Subcommittee.

## **BACKGROUND**

On September 11, 2012, the City Council voted to form a subcommittee, consisting of Mayor Pro Tem Henderson and Councilmember Vinatieri, to work with staff to draft recommendations for the Best Practices to manage any revenues that may be forthcoming from the lease/royalty payments from the 2008 Mineral Extraction Lease, as amended.

The Subcommittee members have met to set out the basic tenets of a Financial Plan and met with the City Attorney, along with potential expert Special Counsel and City staff, to start the process of creating the outline of a Plan to safeguard the revenue generated by this important City asset.

## **DISCUSSION**

The Subcommittee will be prepared to expand on their progress and in summary; the following are key issues that have driven their discussion up until this point:

- The conversion of the City-owned minerals to a revenue stream is perhaps the most important asset management discussion that the City Council will face for decades.
- It is paramount that the management of this revenue is a process that allows the public full access to the decisions regarding the allocation of funds. Transparency is critical to the public's understanding and acceptance of the fact that their assets are being appropriately used.
- Both the oil and natural gas produced under the terms of the Lease are expected to produce revenue to the City for a limited period of time. The exact duration cannot be determined at this point in the process.

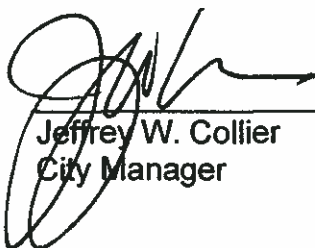
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- The funds must be allocated so that a portion can be used today to benefit the residents of Whittier, and a significant portion is to be preserved in an Endowment/Trust Fund to insure future generations can be afforded both a continuing revenue stream from the investment of the Fund's corpus - that can be available to meet the needs of the City and its residents and to provide a safety net to the City in the case of catastrophic disaster losses.
- This Endowment/Trust must be professionally managed. The Subcommittee foresees the need for the engagement of an expert Fund Manager (not a City employee) that would be solicited and contracted through a public process. In addition, the Subcommittee and the City Attorney agree that Special Counsel should be identified and engaged to insure that all aspects of the Fund are legally binding to ensure that its life continues into the future.
- The Endowment/Trust must be subject to the constant scrutiny of Whittier residents that are expert in the area of investments, financial accountability, and long-term decision-making. This Oversight Committee would meet in public and be the body appointed by the City Council to work directly with the Fund Manager. Their recommendations would be made to the Council and they would meet publicly on a regular basis with the Council to deliberate on matters concerning the management of the Fund.

### **FISCAL IMPACT**

The Subcommittee will be recommending that all expenses incurred in the creation of this plan and Endowment/Trust be paid by revenues generated from the Mineral Extraction Lease revenue and not be a burden upon existing General Fund operations.

Submitted by:



Jeffrey W. Collier  
City Manager