

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDONDO BEACH

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2007

Modified Approach for City Streets Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. GASB Statement No.34 defines infrastructure assets as "...long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets..." Major infrastructure systems include the street system, storm water system, sewer system and traffic control system. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City of Redondo Beach has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of: (1) an up-to-date inventory, (2) condition assessments, which summarize results using a measurement scale, and (3) estimated annual amounts budgeted to maintain and preserve an established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City commissioned a physical assessment of the street conditions as of June 30, 2007. The study assisted the City by providing inspection data used to evaluate pavement condition. This helped to establish a City-defined target level of pavement performance, while optimizing the expenditure of limited fiscal resources. The entire pavement network within the city is composed of approximately 125 centerline miles of paved surfaces. The City's street system can be grouped by function class as follows: 22 centerline miles of arterial, 5 centerline miles of collector and 98 centerline miles of residential.

In June 2007, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the city's pavement network to reflect the overall pavement condition. Rating ranged from 0 and 10. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 10 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the visual survey is updated to reflect the pavement's current condition.

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Required Supplementary Information (Continued)**

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	9.0 - 10.0
Good	7.0 - 8.9
Fair	5.0 - 6.9
Poor	0.0 - 4.9

In line with the Capital Improvement Program and as presented to City Council on December 2002, City policy is to achieve an average rating of 8.0 for all streets by fiscal year 2007-2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds.

The City established the standard of 7.0 for fiscal years 2003, 2004, 2005, and 2006. The condition assessments for the most recent years since implementation are as follows:

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>	<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2004	8.0	Very Good	27%	2006	7.6	Very Good	19%
		Good	54%			Good	55%
		Fair	18%			Fair	13%
		Poor	1%			Poor	13%
2005	8.0	Very Good	37%	2007	7.7	Very Good	26%
		Good	40%			Good	51%
		Fair	18%			Fair	11%
		Poor	5%			Poor	12%

The City expended \$1,861,875 on street improvement projects for the fiscal year ended June 30, 2007. These capital improvement expenditures enhanced the condition of many streets and delayed deterioration on others. The expenditure required to maintain and improve the overall condition of the streets from July 1, 2005 through June 30, 2007, is a minimum of \$16,800,000.

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Required Supplementary Information (Continued)**

A schedule of budget versus actual for the most recent years since implementation, which preserved City streets at the current 7.7 rating is presented below:

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Funded by General Fund</u>	<u>Funded by Other Funds</u>	<u>Total Expenditures</u>
2003-2004	\$ 9,669,965	\$ 2,052,556	\$ 2,157,855	\$ 4,210,411
2004-2005	5,267,860	1,283,225	1,062,881	2,346,106
2005-2006	5,576,360	110,527	991,714	1,102,241
2006-2007	6,493,717	1,292,207	569,668	1,861,875

As of June 30, 2007, 35% of City streets were rated below the targeted average condition level of 8.0. However, as noted above, the City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.