

OVERVIEW OF ESTIMATED REVENUES

Background: Staff members from several departments worked in concert with Financial Services staff to develop revenue projections for the coming fiscal year. The projections reflect a somewhat conservative, yet consistent approach with both established budget practices and financial principles. Staff considered the qualitative and quantitative methods of forecasting and used techniques such as trend analysis, economic indicators, consultant advice, and professional judgment to arrive at a consensus as to forecasted operating revenue. Revenue forecasting is one of the most challenging aspects in the budget process, as many unknown variables, including economic changes over which the City has no control, affect the ultimate amount of monies going into the City's coffers. These variables also include the impact of fluctuations in the local, regional, statewide, and national economy; consumer habits and demands; and the fiscal impacts of legislative changes.

GENERAL FUND

General Fund revenue from outside sources for FY 2008-09 is estimated at \$62,608,672 which represents an increase of \$942,013 or 1.5% over the FY 2007-08 midyear amount. Significant operating revenue sources include: Taxes are projected to increase slightly by 1.1% and are further detailed below; Licenses and Permits are projected to decrease by 8.2% due to declining construction-related activities, which are slightly offset by fee increases adopted in FY 2007-08; Fines & Forfeitures are projected to decrease by 3.9% due to a projected decrease in restitution revenue due to fewer cases. Investment revenue is projected to decrease 11.1% due to decreasing yields; Intergovernmental revenues are projected to decrease by 27.3% due to SB90 State mandated cost reimbursement being in danger because of the State's budgetary problems; Charges for Services are projected to increase by 7.7% due to fee increases adopted in FY 2007-08, which are partially offset by a slowing housing market; and Other Revenues reflect an increase of \$587,899 from the prior year, due to reimbursement of the debt payment regarding the Redevelopment Agency Bond.

Overhead, which became a new revenue category in FY 2004-05, is derived from sources internal to the City. The FY 2008-09 amount of \$5,850,432 reflects the total overhead charges to departmental budgets (to best reflect each department's true operating costs) and the corresponding revenue is included in the General Fund. Overhead decreased by 7.4% or \$464,318 from prior year.

Highlights of significant FY 2008-09 operating revenues compared to the FY 2007-08 midyear amounts, unless otherwise indicated, follow:

Property Tax revenue for FY 2008-09 is projected to increase by \$989,000, or 5.7%, to \$18,315,000, excluding property tax in lieu of VLF and homeowners' exemptions. Property tax revenue continues to increase, however slowly, due to moderated levels of real estate sales and Proposition 13 valuation growth. Property tax revenue is the City's number one source of operating revenue.

Property Transfer Tax revenue for FY 2008-09 is projected at \$1,378,000, reflecting a decrease of \$202,000, or 12.8%. Extraordinary strength in the local real estate market over the past few years has moderated. The anticipated slowdown of real estate exchange activity has reduced the projected performance of this cyclical revenue source. Coupled with a diminishment in the level of projected recoveries from the County of misallocated documentary transfer taxes, the overall projected performance of property transfer tax revenue has been conservatively, yet prudently, reduced for FY 2008-09. As with all key operating revenue sources, trends with respect to this revenue source will be closely monitored and revised, if necessary, at the midyear fiscal review.

Sales and Use Tax revenue is projected to decline slightly by \$196,000, or 1.9%, to \$10,078,000. This projection is conservatively based on analysis of current trends, including annual adjustments to the State "triple flip" sales tax apportionment, receipts from our largest sales tax sources, stable levels of consumer disposable income, heightened regional sales tax competition and moderating consumer confidence.

Transient Occupancy Tax (TOT) revenue is projected to decrease by 4.1% or \$156,000, to \$3,630,000. The benefit of enhanced marketing efforts, community desirability, improved occupancy, room rental rates, and a weak dollar are anticipated to be offset by a sluggish economy and rising gas prices. Annually, ten percent of the City's TOT revenues, or \$363,000 projected for FY 2008-09, is dedicated to funding tourism promotional and service activities of the Redondo Beach Visitors' Bureau.

Utility Users' Tax (UUT) revenue is projected to moderately decrease by \$125,000, or 1.6%, to \$7,675,000. The one-time impact of a FY 2008-09 withdrawal of UUT for Williams Energy from the UUT payer base due to an adverse litigation ruling accounts for \$115,000 of the decrease. This estimate is based upon analysis of the projected performance from each of the categorical components of the City's UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. UUT on electricity services represents \$3.19 million, or 42% of this revenue source; while \$2.64 million or 34% is provided from the UUT on telecommunications services, which includes both wired and wireless services. Competition among utility providers and growth in the overall demand for utilities services will continue to gradually increase the level of UUT revenue provided to support the provision of essential City operational services. This somewhat optimistic view of UUT revenue is offset, however with litigation and legislation relating to the evolving telecommunications industry challenging the future viability of telecommunications based UUT resources. The City continues its proactive efforts addressing the challenges impacting this key tax-based operating revenue source.

Franchise Fees are projected to increase by \$33,000, or 1.8%, to \$1,846,000 for FY 2008-09. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, Verizon, and taxicab franchise operations. With the exception of revenues from Southern California Gas, revenues from franchise fees reflect moderate increases, which is in line with growth in local operations. Cable television franchise revenue represents 40% of the overall franchise fee revenue estimate for FY 2008-09, while projected revenue from the electricity franchise represents 21%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES Power Plant represents 35% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impact upon the productive utilization rate of the AES Power Plant require a conservative estimate from this revenue source.

Investment Earnings for the General Fund for FY 2008-09 are projected to moderately decrease, by \$202,500, or 11.1%, to \$1,619,500. This decline is attributable to lower rates within the investment marketplace. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity matrix. Enhanced cash management activities, coupled with the City's continued participation in the California Statewide Communities Tax and Revenue Anticipation Note (TRAN) program, serve as core elements of the City Treasurer's comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring CIP program liquidity.

Property Tax in Lieu of VLF is a vehicle license fee revenue and is classified as tax revenue. Property Tax in Lieu is projected to increase by \$229,000 or 4.6 % to \$5,205,000 in FY 2008-09. VLF revenue closely parallels growth in City Property Tax revenue.

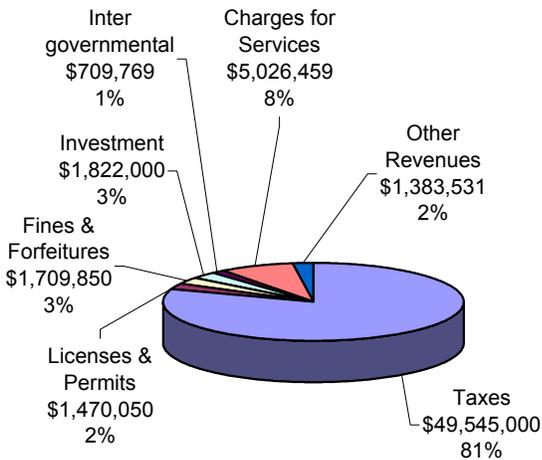
Motor Vehicle/In-Lieu Fees are included in intergovernmental revenues and are projected to increase by \$28,000, or 8.2%, to \$371,000. Projected growth in the amount of motor vehicle license fee revenue is attributable to the apportionment of current revenue from the State net of withholding for various State administrative costs.

Below is a summary of the FY 2008-09 adopted General Fund operating revenues compared with the FY 2007-08 midyear budget operating revenues:

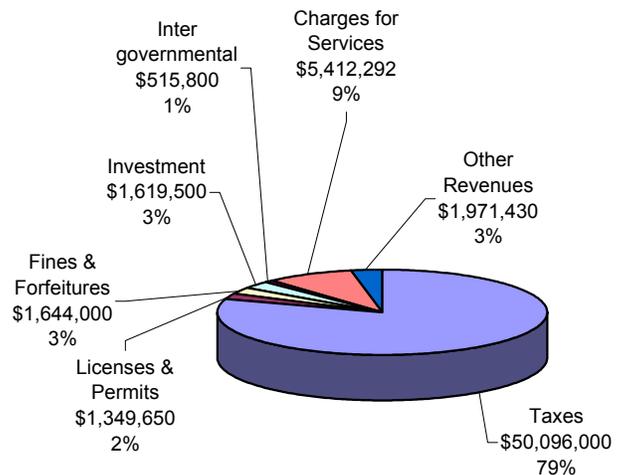
<i>General Fund</i>	Midyear 2007-08	Adopted 2008-09	Increase (Decrease)	Percent Increase (Decrease)
Taxes	49,545,000	50,096,000	551,000	1.1%
Licenses & Permits	1,470,050	1,349,650	(120,400)	-8.2%
Fines & Forfeitures	1,709,850	1,644,000	(65,850)	-3.9%
Investment	1,822,000	1,619,500	(202,500)	-11.1%
Intergovernmental	709,769	515,800	(193,969)	-27.3%
Charges for Services	5,026,459	5,412,292	385,833	7.7%
Other Revenues	1,383,531	1,971,430	587,899	42.5%
Revenue From Outside Sources	61,666,659	62,608,672	942,013	1.5%
Overhead	6,314,750	5,850,432	(464,318)	-7.4%
Total General Fund	67,981,409	68,459,104	477,695	0.7%

**GENERAL FUND REVENUES
FROM OUTSIDE SOURCES**

**Midyear Revenues
FY 2007-08**



**Adopted Revenues
FY 2008-09**



SPECIAL REVENUE FUNDS

All Special Revenue Funds are for a specific purpose and are not available for other programs. The combined projected revenue in the Special Revenue Funds is \$15,527,519, decreasing from the FY 2007-08 midyear budget by \$3,793,857, or 19.6%. The Intergovernmental Grants Fund, where monies received from Federal, State and other governmental agencies are used for capital improvement projects, is projected to decrease by \$2,248,309, or 49.6%. Revenue in this fund tends to fluctuate from year to year, depending on current capital projects. Also the State will not be remitting Traffic Congestion revenue of approximately \$500,000 in FY 2008-09. With financial difficulties at the Federal and State levels, government sponsored programs have seen substantial funding cuts in recent years which impact the social service grant funds.

ENTERPRISE FUNDS

Enterprise Funds are funds set up to account for operations that are financed and operated in a manner similar to private business where the costs of providing goods or services to the general public are financed or recovered primarily through user charges.

Harbor Tidelands Fund: Based on projections provided by Harbor staff, revenues for FY 2008-09 in the Harbor Tidelands Fund including parking revenue, lease revenue, investment earnings and miscellaneous revenue, are projected at \$6,006,975, down \$285,337, or 4.5%, from the FY 2007-08 midyear budget.

Harbor Uplands Fund: Based on projections provided by Harbor staff, revenues for FY 2008-09 in the Harbor Uplands Fund including parking revenue, lease revenue, investment earnings and miscellaneous revenue, are projected at \$4,285,677, up \$14,352, or 0.3% from the FY 2007-08 midyear budget.

Solid Waste Fund: FY 2008-09 revenues are projected relatively flat from the midyear FY 2007-08 budget. The City Council adopted on June 17, 2008, by separate action from the budget, a refuse rate adjustment to increase revenue to cover the City's outside contractor's higher refuse and recycling costs.

Wastewater Fund: FY 2008-09 revenues are projected to increase by \$648,628 to \$2,385,991. Set for City Council consideration June 3, 2008, by separate action from the budget is a proposed wastewater rate adjustment to increase revenue to cover higher costs related to providing a healthy and safe environment and ensure we meet the legal covenants of our wastewater bond.

INTERNAL SERVICE FUNDS

In order to determine the true cost of each operating department, internal service fund charges are allocated to each user department. These charges, in turn, represent revenue to each Internal Service Fund. Each of the City's Internal Service Funds is highlighted below.

Self-Insurance Program Fund: The Self-Insurance Program Fund is the basis for allocating liability, workers' compensation and unemployment insurance to all departments. Revenue for FY 2008-09 is estimated to be \$4,057,731, down \$564,947, or 12.2% from FY 2007-08 midyear budget.

Vehicle Replacement Fund: This fund accounts for charges to departments that utilize the City's Fleet Services Division for maintenance, which includes the cost of fuel, of vehicles and equipment. In addition, rental charges are assessed based on the estimated future replacement cost of the vehicles. The increase in proposed revenue of \$3,321,911, an increase of \$489,299, or 17.3%, when compared to the FY 2007-08 midyear budget is mainly due to rising fuel costs.

Building Occupancy Fund: Building maintenance and building replacement costs are allocated to all City departments through the Building Occupancy Fund. A portion of these costs are allocated to the Special Revenue Funds and Harbor Enterprise Funds. The estimated revenue is \$2,572,263, a \$132,444, or 5.4% increase over the prior year's midyear budget.

Information Technology Fund: The Information Technology Fund includes Information Technology's staff salaries and benefits, computer and telecommunications maintenance costs and charges for equipment replacement. All costs are charged back to users. Estimated revenue for FY 2008-09 is \$2,538,663, relatively level with the FY 2007-08 midyear budget.

Printing and Graphics Fund: This fund was established for the purpose of allocating printing and graphics charges to all departments using the services of the in-house print shop. The proposed revenue is estimated at \$314,694, or \$5,171 less than the FY 2007-08 midyear budget.

Emergency Communications Fund: The Emergency Communications Fund includes replacement of emergency communications equipment and emergency communications operating expenses. All costs are charged back to the users, which are primarily the Police, Fire and Public Works departments. The revenue is estimated at \$2,307,310, only \$23,688 less than FY 2007-08 midyear budget.

TWO-YEAR COMPARISON OF ESTIMATED REVENUES BY FUND

<i>Fund</i>	Midyear 2007-08	Adopted 2008-09	Increase (Decrease)	Percent Increase (Decrease)
General Fund:				
Taxes	49,545,000	50,096,000	551,000	1.1%
Licenses & Permits	1,470,050	1,349,650	(120,400)	(8.2%)
Fines & Forfeitures	1,709,850	1,644,000	(65,850)	(3.9%)
Investment	1,822,000	1,619,500	(202,500)	(11.1%)
Intergovernmental	709,769	515,800	(193,969)	(27.3%)
Charges for Services	5,026,459	5,412,292	385,833	7.7%
Other Revenues	1,383,531	1,971,430	587,899	42.5%
Overhead	6,314,750	5,850,432	(464,318)	(7.4%)
Total General Fund	67,981,409	68,459,104	477,695	0.7%
Traffic Congestion Relief	13,000	19,000	6,000	46.2%
State Gas Tax	1,257,091	1,223,300	(33,791)	(2.7%)
Storm Drain Improvement	55,714	42,000	(13,714)	(24.6%)
Street Landscaping and Lighting	1,578,276	1,571,000	(7,276)	(0.5%)
Local Transportation Tax	180,310	189,420	9,110	5.1%
Proposition A	1,091,961	1,131,000	39,039	3.6%
Proposition C	941,913	966,000	24,087	2.6%
Transit	1,441,071	1,727,712	286,641	19.9%
Air Quality Improvement	73,000	72,000	(1,000)	(1.4%)
Intergovernmental Grants	4,534,988	2,286,679	(2,248,309)	(49.6%)
South Bay Youth Project	873,700	-	(873,700)	(100.0%)
Comm Develop Block Grant	1,101,979	439,725	(662,254)	(60.1%)
Workforce Investment Act	680,197	-	(680,197)	(100.0%)
Housing Authority	4,961,720	5,564,683	602,963	12.2%
Parks and Recreation Facilities	40,800	30,000	(10,800)	(26.5%)
Narcotic Forfeiture and Seizure	67,800	65,000	(2,800)	(4.1%)
Subdivision Park Trust	180,000	150,000	(30,000)	(16.7%)
Disaster Recovery	247,856	50,000	(197,856)	n/a
Capital Projects	134,000	908,000	774,000	577.6%
Harbor Tidelands	6,292,312	6,006,975	(285,337)	(4.5%)
Harbor Uplands	4,271,325	4,285,677	14,352	0.3%
Solid Waste	3,082,150	3,084,639	2,489	0.1%
Wastewater	1,737,363	2,385,991	648,628	37.3%
Self-Insurance Program	4,622,728	4,057,781	(564,947)	(12.2%)
Vehicle Replacement	2,832,612	3,321,911	489,299	17.3%
Building Occupancy	2,439,819	2,572,263	132,444	5.4%
Information Technology	2,569,498	2,538,663	(30,835)	(1.2%)
Printing and Graphics	319,865	314,694	(5,171)	(1.6%)
Emergency Communications	2,330,998	2,307,310	(23,688)	(1.0%)
Total Before Adjustments	117,935,455	115,770,527	(2,164,928)	(1.8%)
Less: Internal Svc Funds/Overhead	21,158,936	20,660,284	(498,652)	(2.4%)
Total City	96,776,519	95,110,243	(1,666,276)	(1.7%)
Redevelopment Agency	7,601,658	7,516,325	(85,333)	(1.1%)
Grand Total	104,378,177	102,626,568	(1,751,609)	(1.7%)

GENERAL FUND BUSINESS LICENSE TAX

DESCRIPTION

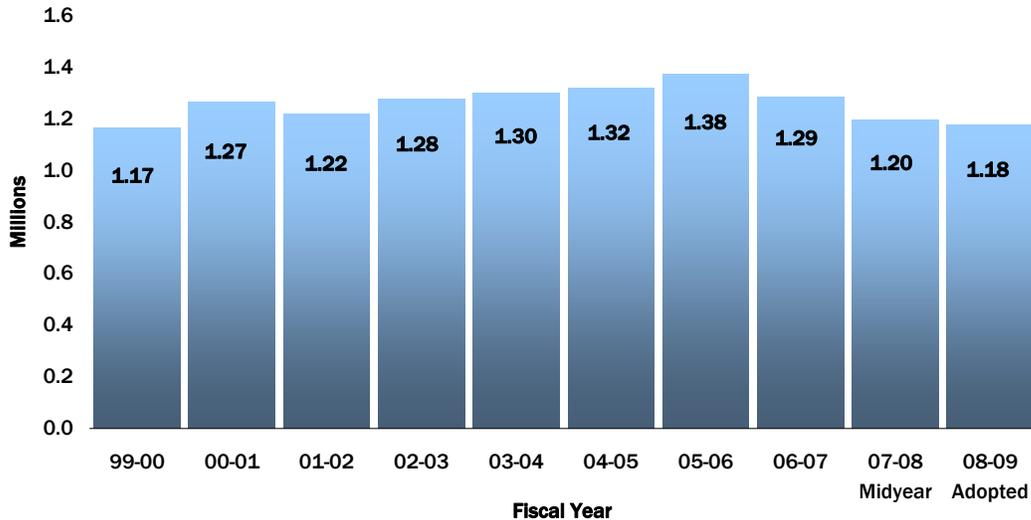
Business license tax is imposed on commercial establishments for the privilege of conducting business within the City. The tax is levied using two factors - a flat rate system and a per employee charge.

BACKGROUND

The flat rate has remained unchanged since FY 1991-92. During FY 2003-04, the cap on the number of employees subject to the \$18 per capita tax was removed. Estimates are based upon a combination of inflation factors, business growth, business turnover, collection percentage, and number of field inspections. In March 2005, the City put forth a ballot measure to raise the business license tax each year in an amount equal to the CPI. The voters did not approve this measure.

OUTLOOK

FY 2008-09 revenue estimates of \$ 1,180,000 are down slightly due to a forecasted decline in construction and construction-related activity.



GENERAL FUND PROPERTY TAX

DESCRIPTION

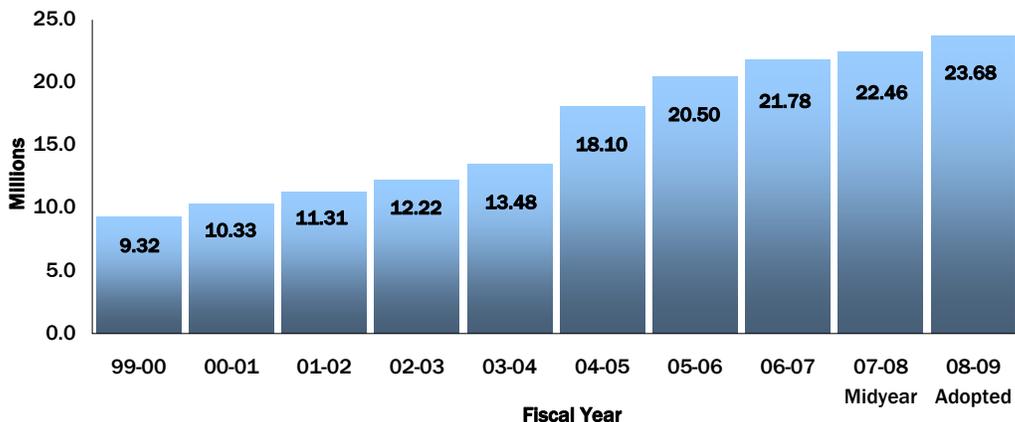
Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the City. Property is assessed by the County Assessor except for certain public utility properties which are assessed by the State Board of Equalization. The property tax rate is based on 1.0% of the assessed value. For every \$1 of property tax collected, \$0.166 goes to the City. The property tax graph presented below includes the property tax in lieu of VLF and homeowner exemptions.

BACKGROUND

Growth in property tax is realized from the 2.0% annual increase allowed by Proposition 13, increased valuation occurring due to new construction activity, and the reassessment of property due to resale. Since FY 1992-93, the State has permanently shifted \$2.3 million a year from the City for use by the schools.

OUTLOOK

Property Tax revenue for FY 2008-09 is projected to increase by \$989,000, or 5.7%, to \$18,315,000, excluding property tax in lieu of VLF and homeowners' exemptions. While homeowners exemptions remains flat, property tax in lieu of VLF will increase by \$229,000, or 4.6% to \$5,205,000. Property tax revenue continues to increase moderately due to the combination of location desirability of the community keeping housing values high, and proposition 13 valuation growth. Property tax revenue is the City's number one source of operating revenue.



GENERAL FUND PROPERTY TRANSFER TAX

DESCRIPTION

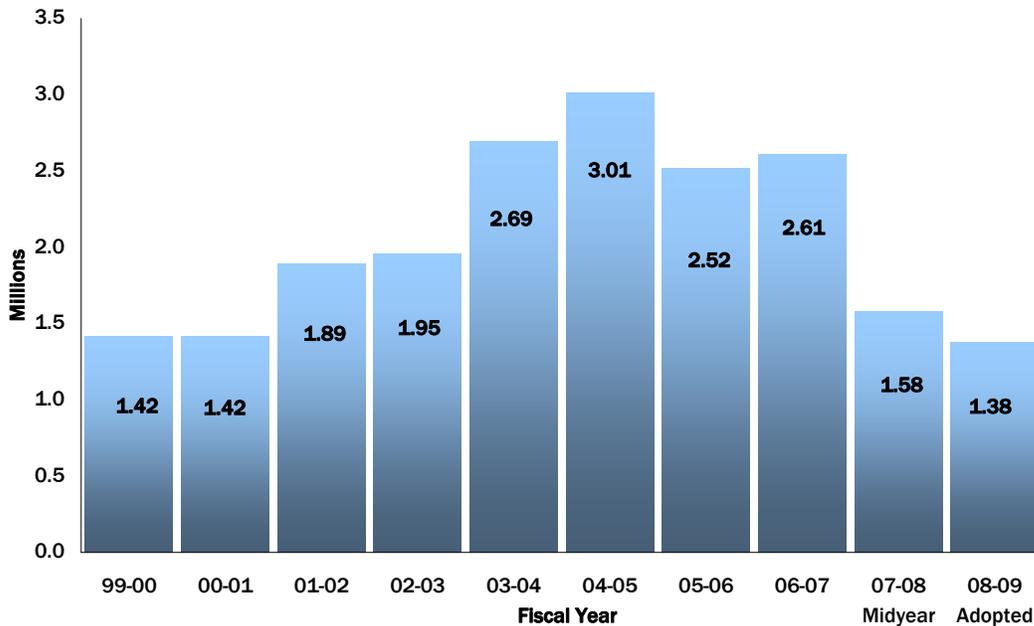
Property transfer tax is imposed on any conveyance of real property when a change in "deed" is filed with the County Registrar-Recorder.

BACKGROUND

The City's tax rate is \$1.10 per \$500 in sale value. The performance of this cyclical revenue source has been complimented by continuing prior-year recoveries of City property transfer tax misallocated by the County and by the City's internal audit program.

OUTLOOK

The strength in the performance of this cyclical revenue source experienced over the past five years is projected to significantly moderate for FY 2008-09. This is due to reduced levels of local real estate exchange in line with the anticipated continued slowdown in the previously accelerated pace of overall real estate activity.



GENERAL FUND SALES AND USE TAX

DESCRIPTION

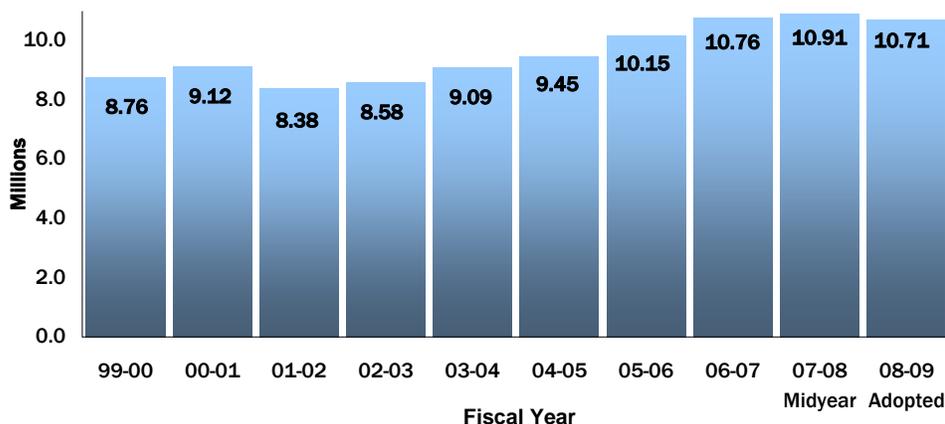
Sales and use tax is imposed upon most retail transactions. The Los Angeles County rate is currently 8.25% of the sale price of taxable goods and services sold at retail in Redondo Beach. The City receives 1.0% of the taxable sales while the remainder is allocated to the State, the County and various transit authorities. The sales tax data presented below includes the Public Safety Augmentation Fund (PSAF) and the State "Triple Flip" Sales Tax.

BACKGROUND

In FY 1993-94, pursuant to voter approval, 1/2% of the State's portion of the sales tax levy was reallocated to local government to augment support for public safety services. The annual local value of this sales tax re-allocation to support police and fire services is projected to be \$633,000 for FY 2008-09. Sales and use tax revenue is somewhat cyclical in nature, responding to local and state economic trends. Efforts to nurture local economic development have aided growth in this revenue source. Rising local incomes, jobs creation, population growth, and internal auditing efforts enhance this key general fund resource.

OUTLOOK

Sales and Use Tax revenue exclusive of PSAF is projected to decline by \$196,000, or 1.9%, to \$10,078,000. This projection is conservatively based on analysis of current revenue trends, including annual adjustments to the State "triple flip" sales tax apportionment; receipts from our largest sales tax sources; stable levels of consumer disposable income; heightened regional sales tax competition; moderating consumer confidence; and in depth analysis of a variety of components within our local sales tax data base influencing the overall performance of our sales and use tax revenue stream.



GENERAL FUND TRANSIENT OCCUPANCY TAX

DESCRIPTION

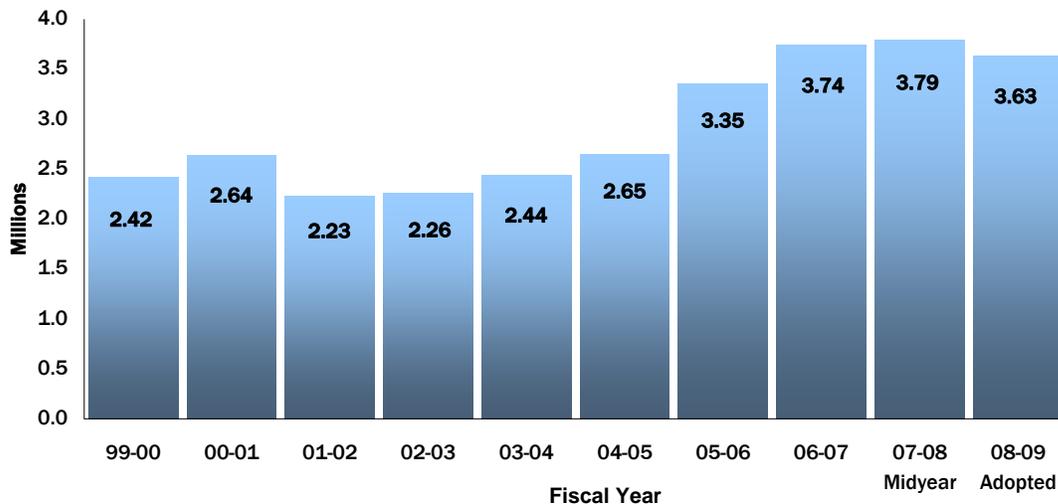
Transient Occupancy Tax (TOT) is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill.

BACKGROUND

The current voter-approved TOT rate of 12% became effective July 2005, increasing from the prior 10% rate. Although the City collects the entire amount of the tax, 10% of total TOT revenue is contributed to the Redondo Beach Visitors' Bureau to support marketing and tourism in the City.

OUTLOOK

FY 2008-09 TOT revenue is projected to decrease \$156,000 or 4.1% below prior year levels to \$3,630,000. The travel and tourism industry is strengthened as the dollar weakens and more promotional money is spent by the State, but this gain will be offset by rising gas prices and a weakening economy.



GENERAL FUND UTILITY USERS' TAX

DESCRIPTION

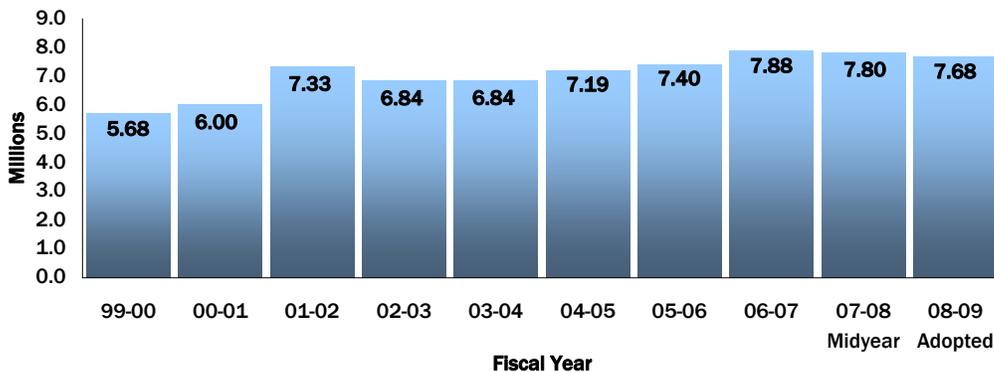
The Utility Users' Tax (UUT) is imposed on consumers of electric, gas, cable television, water and telephone services. The current rate is 4.75%. Federal and State governmental agencies and pay telephone users are exempt from this tax.

BACKGROUND

In FY 2001-02, UUT increased by \$1.33 million, or 22% due to increased energy prices, which were a result of the energy shortage. The decrease in FY 2002-03 was a result of the stabilization of the energy market following the shortage in the previous year. Funds provided from this key tax-based operating resource have remained relatively stable over the past few years.

OUTLOOK

Utility Users' Tax (UUT) revenue for FY2008-09 is projected to remain relatively flat, with the exception of the \$115,000 impact of the withdrawal of Williams Energy from the UUT payer base due to adverse litigation ruling. Pressure from litigation, voter based changes and legislation relating to the evolving telecommunications industry will challenge the future viability of UUT resources.



GENERAL FUND FRANCHISE FEES

DESCRIPTION

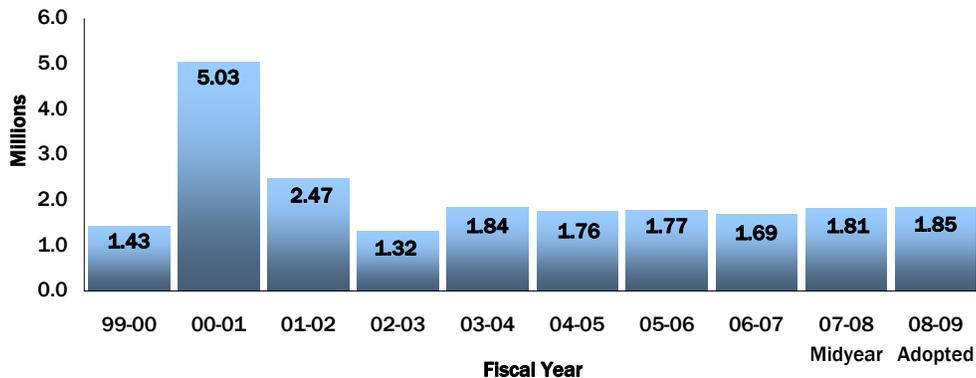
Franchise fees are imposed upon privately-owned utility companies for the privilege of using City streets or rights-of-way. The fees are based on a percentage of each utility company's gross receipts.

BACKGROUND

The City collects franchise fees from Time Warner Cable, Southern California Edison, Southern California Gas Company, Verizon, and local taxicab operators. The City does not collect a franchise fee from telephone companies, as the State collects this fee statewide. In December 1992, the City successfully negotiated with Southern California Gas Company a new franchise agreement on gas transported, but not sold by the gas company. An in-lieu fee was instituted, which effectively recovered all revenues lost through the deregulation of gas sales. The increase in FY 2000-01 is a result of the significant growth in transported gas due to the statewide energy emergency. However, over the most recent years, power levels at the AES power plant have been dramatically reduced. With this, revenue has been significantly lower than the levels experienced in FY 2000-01.

OUTLOOK

Franchise Fees are projected to increase by \$33,000, or 1.8%, to \$1,846,000 for FY 2008-09. With the exception of revenues from Southern California Gas, revenues from franchise fee sources reflect moderate increases in line with growth in local operations. Cable television franchise revenue represents 40% of the overall franchise fee revenue estimate for FY 2008-09, while projected revenue from the electricity franchise represents 21%. The gas franchise revenue generated from the sale and transport of natural gas utilized to power the local AES Power Plant represents 35% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impact upon the productive utilization rate of the AES Power Plant require continued utilization of a conservative estimate from this revenue source.



GENERAL FUND LICENSES AND PERMITS

DESCRIPTION

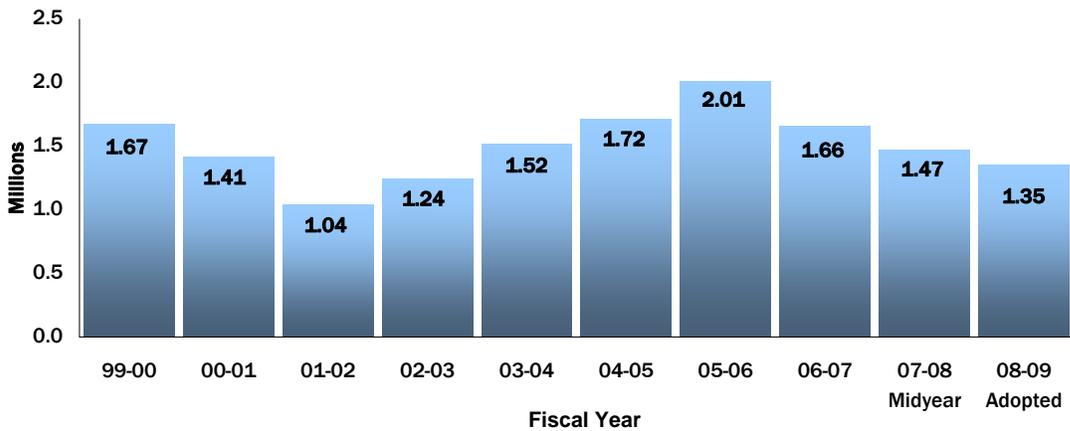
These fees are imposed for the processing of all construction activity permits, bicycle and canine permits, and preferential parking permits.

BACKGROUND

Approximately 80% of this revenue source is from permits issued for construction activity. The cyclical trends in recent years are wholly attributable to the economic cycles which affect the building and construction community.

BACKGROUND

We expect to see a decrease of \$120,400 to \$1,349,650 in this revenue source in FY 2008-09. Although the largest percentage of these fees, construction permits, will be down due to a weakening housing market and less robust economy, a user fee increase in FY 2007-08 should offset some of the lost revenue.



GENERAL FUND FINES AND FORFEITURES

DESCRIPTION

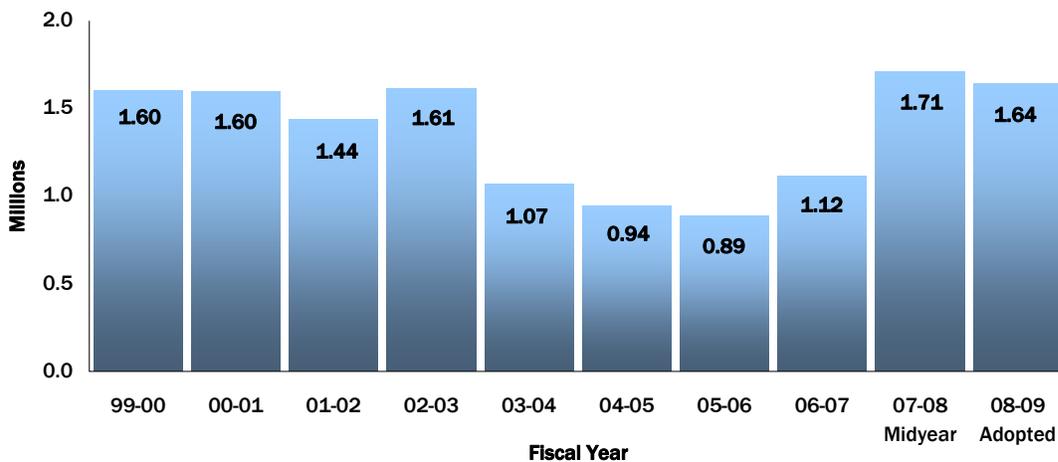
Fines are imposed on persons receiving tickets for vehicle code and/or parking violations in the City. In addition, reimbursements are required through the courts or direct billing for police services associated with arresting offenders or criminals.

BACKGROUND

Beginning in FY 1998-99, legislation was enacted to return the vehicle code fine revenue to the cities. In addition, cities began to share in traffic school revenues. For FY 2003-04 through FY 2006-07, the allocation of parking citation revenue was split between the General Fund and the Solid Waste Fund. For those years, much of the revenue was shifted out of the General Fund. Beginning in FY 2007-08, the parking citation revenue has been shifted back into the General fund.

OUTLOOK

Estimates for FY 2008-09 show a slight decrease of \$65,850 or 3.9%. This decrease is due to an estimate of a slightly lower amount of restitution being collected due to a projected smaller case load.



GENERAL FUND INVESTMENT EARNINGS

DESCRIPTION

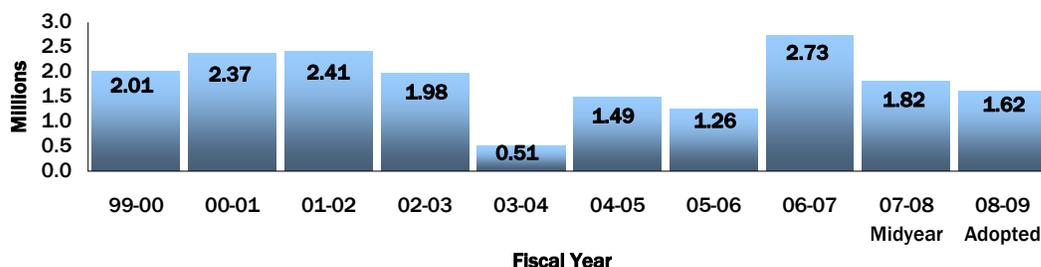
Investment earnings are derived from the investment management of the City's surplus funds in accordance with State Law, City Charter, and City Investment Policy.

BACKGROUND

Under the stewardship of the elected City Treasurer, the City invests all surplus funds based upon the requirements of the California Government Code, City Charter, and in accordance with the City's Statement of Investment Policy. The investment policy is reviewed and approved by the Mayor and City Council on an annual basis. In addition, the investment policy maintains its certification for investment reporting and legal compliance standards of excellence awarded by the Association of Public Treasurers United States and Canada. Investments are maintained in a prudent and professionally responsible manner ensuring sufficient investment portfolio liquidity, responding to both the City's operating and capital improvement cash flow requirements. Investment liquidity is maintained while honoring fiduciary responsibilities of investment safety, producing competitive investment returns measured against established investment portfolio performance benchmarks. The City maintains long established annual participation in the California Statewide Communities Development Authority Tax and Revenue Anticipation Note Program, a cost effective cash management tool producing additional investment income to the City's General Fund totaling \$735,000 cumulatively over the 13 years of program participation.

OUTLOOK

Investment Earnings for the General Fund for FY 2008-09 are projected to moderately decline by \$202,500, or 11.1%, to \$1,619,500. This decline is attributable to lower interest rates available within the investment marketplace resulting from the slowing economy. The initial estimate for FY 2008-09 is conservatively postured based upon maintaining a relatively stable amount of funds within the overall investment portfolio. Factored in are the impacts of declining market interest rates upon the three major components of the portfolio: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high grade Corporate Medium Term Note investments structured within a 1 to 5 year investment maturity matrix. As with all City operating revenue sources, initial estimates of FY 2008-09 revenue will be updated within a six month period as part of the annual mid-year fiscal review. Implementation of a strategically focused Capital Improvement Program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring sufficient program liquidity.



GENERAL FUND INTERGOVERNMENTAL

DESCRIPTION

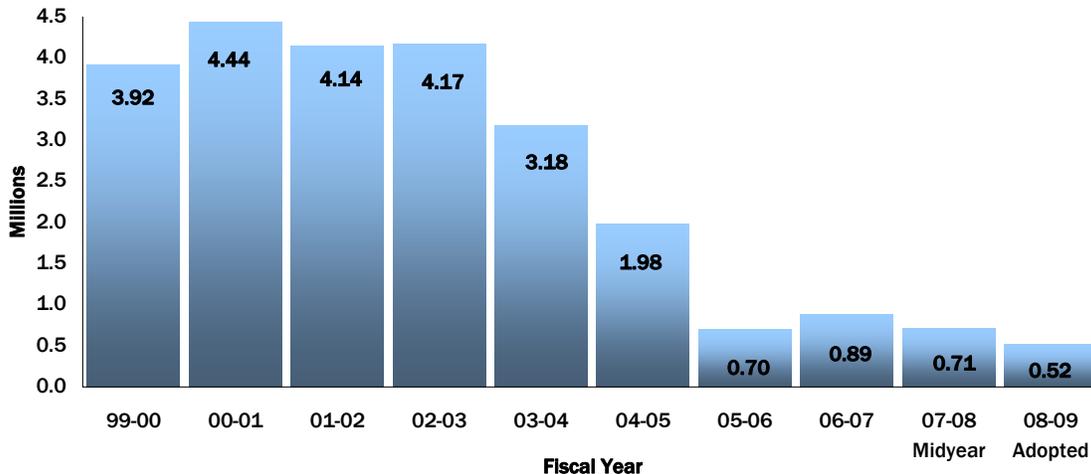
Intergovernmental revenue comes from other governmental agencies. The majority of this revenue is received from State subventions. Examples include motor vehicle (registration) in-lieu tax (MVIL), SB90 reimbursements, and the California Library Services Act.

BACKGROUND

Revenue estimates are provided by the State Department of Finance, State Controller's Office and the State Board of Equalization utilizing trend and projection assumptions. Fluctuations in this revenue source are dependent on the grants and other state subventions received by the City. FY 1999-00 and 2000-01 revenues include a subvention for the past property tax loss based on a per capita basis. The steep decline in intergovernmental revenue from FY 2002-03 to FY 2005-06 is primarily due to newly elected State officials' vehicle license fee (VLF) philosophies, reclassifications of VLF revenue and local assistance in balancing the State budget. In addition, during the same period of time, the State was withholding SB 90 State mandated cost reimbursements.

OUTLOOK

Estimates for FY 2008-09 Intergovernmental revenue reflect a decrease in revenue of \$193,969 or 27.3% for a total of \$515,800. This is due to State budgetary problems leading to uncertainty regarding the SB90 State mandated core reimbursement being allocated to the City in a timely manner.



GENERAL FUND CHARGES FOR SERVICES

DESCRIPTION

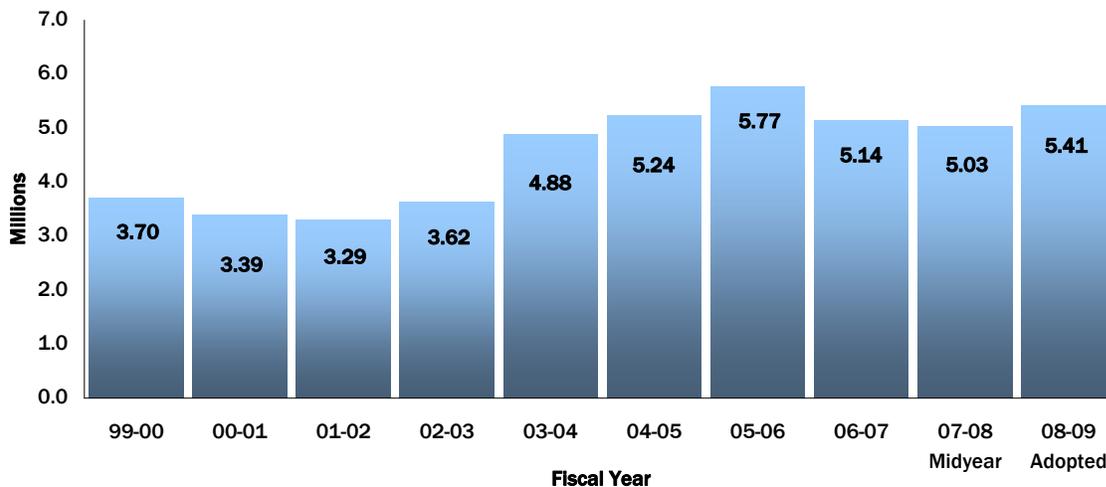
The City collects fees from users of, or participants in, City-provided services, such as plan checking, engineering services, parking meter fees, fire inspections, police booking fees, stand-by at special events, and recreational and cultural activities.

BACKGROUND

The City establishes its user-fee structure to recover the full cost, or at least part of the cost, of providing services enjoyed by the users or participants. The master fee schedule, which includes the rate structure for these fees, was modified in FY 2007-08 to raise a large percentage of these fees to full cost. However, this review only addressed the user rates; whereas revenue is also impacted by usage.

OUTLOOK

For FY 2008-09, forecasted revenue for charges for services will increase slightly by \$385,833 or 7.7%. Rate increases adopted in FY 2007-08 are partially offset by a slowing economy and a less robust housing market.



REVENUE DETAIL
FISCAL YEARS 2004-2009

<i>Fund</i>	Actual 2004-05	Actual 2005-06	Actual 2006-07	Midyear 2007-08	Adopted 2008-09
GENERAL FUND:					
Taxes:					
Business License Tax	1,323,345	1,376,009	1,289,223	1,200,000	1,180,000
Property Tax	14,368,476	15,925,451	16,982,581	17,326,000	18,315,000
Property Transfer Tax	3,012,123	2,516,607	2,609,868	1,580,000	1,378,000
Property Tax In Lieu Of VLF	3,574,910	4,413,623	4,646,310	4,976,000	5,205,000
Homeowners' Exemption	153,512	155,558	154,393	155,000	156,000
Sales and Use Tax	8,850,167	9,578,526	10,127,274	10,274,000	10,078,000
Franchise Fees	1,759,941	1,767,452	1,685,711	1,813,000	1,846,000
Public Safety Aug. Fund	598,894	569,221	636,844	635,000	633,000
Transient Occupancy Tax	2,648,323	3,354,138	3,738,839	3,786,000	3,630,000
Utility Users' Tax	7,184,530	7,398,984	7,878,429	7,800,000	7,675,000
State Take-Aways	(917,492)	(917,492)	-	-	-
Sub-total	42,556,729	46,138,077	49,749,472	49,545,000	50,096,000
Licenses And Permits:					
Misc. Licenses/Permits	76,595	73,478	88,708	74,550	74,550
Street/Curb/Parking Permits	101,282	136,137	132,679	115,500	191,100
Construction/Excavation Permits	1,537,758	1,797,179	1,438,994	1,280,000	1,084,000
Sub-total	1,715,635	2,006,794	1,660,381	1,470,050	1,349,650
Fines And Forfeitures:					
Vehicle Code Fines	309,264	344,704	389,539	350,000	350,000
Restitution	143,155	131,964	183,387	235,850	170,000
Parking Citations	489,154	412,769	544,271	1,124,000	1,124,000
Sub-total	941,573	889,437	1,117,197	1,709,850	1,644,000
Investment:					
Investment Earnings	1,493,180	1,256,880	2,731,299	1,822,000	1,619,500
Sub-total	1,493,180	1,256,880	2,731,299	1,822,000	1,619,500
Intergovernmental:					
State Library Allocation	122,939	106,403	184,868	125,927	125,000
Motor Vehicle/In-Lieu	1,852,065	453,646	429,612	343,000	371,000
SB90 State Mandated Cost Reimb.	1,665	97,598	250,667	149,042	-
Grants	-	39,596	19,798	91,800	19,800
Sub-total	1,976,669	697,243	884,945	709,769	515,800

REVENUE DETAIL
FISCAL YEARS 2004-2009

<i>Fund</i>	Actual 2004-05	Actual 2005-06	Actual 2006-07	Midyear 2007-08	Adopted 2008-09
Charges for Services:					
Administrative Fees	46,310	443,429	121,764	35,300	80,000
PW Fees	42,269	(2,020)	1,106	14,997	2,000
Fire Service Fees	181,985	209,133	149,956	157,092	194,370
Library Book Fines And Fees	172,998	174,497	162,148	144,560	154,100
Parking Meter Fees	941,624	1,004,563	1,056,399	980,000	980,000
Police Service Fees	522,142	422,455	465,394	560,400	828,200
Recreation Users Pay	1,296,995	1,305,637	1,296,921	1,336,200	1,395,200
Building & Engineering Fees	1,376,064	1,436,805	1,190,866	1,089,830	975,000
State Energy Fees	195,981	191,203	150,223	130,000	108,000
Other Building Fees	-	254,272	286,317	308,080	395,422
Planning Fees	460,097	326,674	257,800	270,000	300,000
Sub-total	5,236,465	5,766,648	5,138,894	5,026,459	5,412,292
Other Revenues:					
Miscellaneous Revenue	91,498	297,458	141,027	130,296	731,730
Claims Settlement	27,600	-	25,531	12,500	-
Rents and Percentages	1,216,049	1,146,233	1,103,940	1,195,090	1,139,700
Program Donations	34,085	200,963	123,292	25,645	100,000
Adopt-A-Waterway	17,394	12,593	15,333	20,000	-
Sub-total	1,386,626	1,657,247	1,409,123	1,383,531	1,971,430
REVENUE FROM OUTSIDE SOURCES	55,306,877	58,412,326	62,691,311	61,666,659	62,608,672
Overhead					
Overhead Charges	-	4,298,260	6,314,753	6,314,750	5,850,432
Sub-total	-	4,298,260	6,314,753	6,314,750	5,850,432
TOTAL GENERAL FUND	55,306,877	62,710,586	69,006,064	67,981,409	68,459,104

REVENUE DETAIL
FISCAL YEARS 2004-2009

<i>Fund</i>	Actual 2004-05	Actual 2005-06	Actual 2006-07	Midyear 2007-08	Adopted 2008-09
<i>TRAFFIC CONG RELIEF FUND:</i>					
Intergovernmental	-	300,159	494,067	-	-
Investment	79	2,229	32,750	13,000	19,000
TOTAL TRAFFIC CONG RELIEF FUND	79	302,388	526,817	13,000	19,000
<i>STATE GAS TAX FUND:</i>					
Investment	16,229	19,552	42,406	14,000	15,000
Other Revenues	68,000	222	-	-	-
Taxes	1,226,517	1,209,437	1,205,597	1,243,091	1,208,300
TOTAL STATE GAS TAX FUND	1,310,746	1,229,211	1,248,003	1,257,091	1,223,300
<i>STORM DRAIN IMPROV FUND:</i>					
Charges For Services	146,346	146,210	68,600	55,714	42,000
TOTAL STORM DRAIN IMPROV FUND	146,346	146,210	68,600	55,714	42,000
<i>ST. LANDSCAPING/LIGHTING FUND:</i>					
Charges For Services	1,522,446	1,515,672	1,530,261	1,535,258	1,551,000
Investment	11,098	5,264	1,731	-	-
Other Revenues	74,538	4,878	32,021	43,018	20,000
TOTAL ST. LANDSCAPING/LIGHTING FUND	1,608,082	1,525,814	1,564,013	1,578,276	1,571,000
<i>LOCAL TRANSPORT TAX FUND:</i>					
Intergovernmental	-	-	-	180,310	189,420
TOTAL LOCAL TRANSPORT TAX FUND	-	-	-	180,310	189,420
<i>PROPOSITION A FUND:</i>					
Intergovernmental	969,038	1,078,853	1,077,680	1,079,961	1,100,000
Investment	20,440	7,819	40,492	12,000	31,000
TOTAL PROPOSITION A FUND	989,478	1,086,672	1,118,172	1,091,961	1,131,000
<i>PROPOSITION C FUND:</i>					
Intergovernmental	803,992	928,377	896,906	895,913	907,000
Investment	79,525	71,882	143,554	46,000	59,000
TOTAL PROPOSITION C FUND	883,517	1,000,259	1,040,460	941,913	966,000
<i>TRANSIT FUND:</i>					
Charges For Services	761,218	708,226	1,672,956	1,439,571	1,727,712
Intergovernmental	-	-	54,016	-	-
Other Revenues	9,826	29,871	11,918	1,500	-
TOTAL TRANSIT FUND	771,044	738,097	1,738,890	1,441,071	1,727,712

REVENUE DETAIL
FISCAL YEARS 2004-2009

<i>Fund</i>	Actual 2004-05	Actual 2005-06	Actual 2006-07	Midyear 2007-08	Adopted 2008-09
<i>AIR QUALITY IMPROVEMENT FUND:</i>					
Charges For Services	81,267	59,030	101,853	70,000	70,000
Investment	5,905	5,170	6,709	3,000	2,000
TOTAL AIR QUALITY IMPROVE FUND	87,172	64,200	108,562	73,000	72,000
<i>INTERGOV'TL GRANTS FUND:</i>					
Investment	12,199	-	-	-	-
Intergovernmental	-	1,682,658	2,268,019	4,534,988	2,286,679
TOTAL INTERGOV'TL GRANTS FUND	12,199	1,682,658	2,268,019	4,534,988	2,286,679
<i>SO. BAY YOUTH PROJECT FUND:</i>					
Intergovernmental	900,935	707,515	723,294	873,700	-
TOTAL SO. BAY YOUTH PROJECT FUND	900,935	707,515	723,294	873,700	-
<i>COM DEV BLOCK GRANT FUND:</i>					
Intergovernmental	332,158	534,351	574,317	1,081,979	409,725
Other Revenues	27,811	76,293	78,827	20,000	30,000
TOTAL COM DEV BLOCK GRANT FUND	359,969	610,644	653,144	1,101,979	439,725
<i>WORKFORCE INVEST ACT FUND:</i>					
Intergovernmental	-	885,958	446,424	680,197	-
TOTAL WORKFORCE INVEST ACT FUND	-	885,958	446,424	680,197	-
<i>HOUSING AUTHORITY FUND:</i>					
Other Revenue	-	53,685	66,509	-	-
Intergovernmental	4,743,519	4,877,440	4,941,770	4,961,720	5,564,683
Investment	18,087	18,087	20,498	-	-
TOTAL HOUSING AUTHORITY FUND	4,761,606	4,949,212	5,028,777	4,961,720	5,564,683
<i>PARKS AND REC FACILITIES FUND:</i>					
Taxes	101,200	147,145	76,750	40,800	30,000
TOTAL PARKS AND REC FACILITIES FUND	101,200	147,145	76,750	40,800	30,000
<i>NARCOTIC FORF/SEIZURE FUND:</i>					
Fines And Forfeitures	84,170	43,470	185,455	50,000	50,000
Investment	16,539	12,210	31,541	17,800	15,000
Other Revenues	9,614	-	-	-	-
TOTAL NARCOTIC FORF/SEIZURE FUND:	110,323	55,680	216,996	67,800	65,000

REVENUE DETAIL
FISCAL YEARS 2004-2009

<i>Fund</i>	Actual 2004-05	Actual 2005-06	Actual 2006-07	Midyear 2007-08	Adopted 2008-09
<i>SUBDIVISION PARK TRUST FUND:</i>					
Other Revenues	82,500	615,000	472,901	180,000	150,000
Investment	-	(6,759)	2,805	-	-
TOTAL SUBDIVISION PARK TRUST FUND	82,500	608,241	475,706	180,000	150,000
<i>DISASTER RECOVERY FUND:</i>					
Other Revenues	-	119,620	108,330	247,856	50,000
TOTAL DISASTER RECOVERY FUND	-	119,620	108,330	247,856	50,000
TOTAL SPECIAL REVENUE FUNDS	12,125,196	15,859,524	17,410,957	19,321,376	15,527,519
<i>PIER PARK ST REHAB FUND:</i>					
Investment	-	17	43	-	-
TOTAL PIER PARK ST REHAB FUND	-	17	43	-	-
<i>CAPITAL PROJECTS FUND:</i>					
Other Revenues	-	16,918	75,600	134,000	908,000
TOTAL CAPITAL PROJECTS FUND	-	16,918	75,600	134,000	908,000
TOTAL GOVERNMENTAL FUNDS	67,432,073	78,587,045	86,492,664	87,436,785	84,894,623
<i>HARBOR TIDELANDS FUND:</i>					
Charges For Services	985,905	839,636	967,033	964,000	1,125,234
Investment	603,989	441,272	796,369	163,000	412,000
Other Revenues	4,057,937	4,039,410	4,128,846	5,165,312	4,469,741
TOTAL HARBOR TIDELANDS FUND	5,647,831	5,320,318	5,892,248	6,292,312	6,006,975
<i>HARBOR UPLANDS FUND:</i>					
Charges For Services	1,556,170	1,743,410	1,859,353	1,797,325	1,771,857
Investment	161,677	141,548	302,154	73,000	153,000
Other Revenues	2,132,803	2,118,604	2,244,643	2,401,000	2,360,820
TOTAL HARBOR UPLANDS FUND	3,850,650	4,003,562	4,406,150	4,271,325	4,285,677

REVENUE DETAIL
FISCAL YEARS 2004-2009

<i>Fund</i>	Actual 2004-05	Actual 2005-06	Actual 2006-07	Midyear 2007-08	Adopted 2008-09
SOLID WASTE FUND:					
Charges For Services	2,262,684	2,484,707	2,756,524	2,824,818	2,916,639
Fines And Forfeitures	666,448	682,533	709,069	-	-
Intergovernmental	49,717	73,036	68,841	124,051	36,000
Licenses And Permits	5,039	17,241	15,541	15,000	12,000
Other Revenues	131,853	146,991	116,705	118,281	120,000
TOTAL SOLID WASTE FUND	3,115,741	3,404,508	3,666,680	3,082,150	3,084,639
WASTEWATER FUND:					
Charges For Services	2,487,868	2,120,497	1,827,479	1,721,968	2,369,990
Investment	-	228,131	334,154	395	1,000
Other Revenues	-	12,514	4,057	15,000	15,001
TOTAL WASTEWATER FUND	2,487,868	2,361,142	2,165,690	1,737,363	2,385,991
TOTAL ENTERPRISE FUNDS	15,102,090	15,089,530	16,130,768	15,383,150	15,763,282
SELF-INSURANCE PROG FUND:					
Charges For Services	3,272,880	4,083,460	4,622,091	4,622,728	4,057,781
Other Revenues	-	638	117,765	-	-
TOTAL SELF-INSURANCE PROG FUND	3,272,880	4,084,098	4,739,856	4,622,728	4,057,781
VEHICLE REPLACEMENT FUND:					
Charges For Services	1,845,009	2,010,362	2,661,832	2,770,212	3,231,911
Other Revenues	52,074	48,638	77,571	62,400	90,000
TOTAL VEHICLE REPLACEMENT FUND	1,897,083	2,059,000	2,739,403	2,832,612	3,321,911
BUILDING OCCUPANCY FUND:					
Charges For Services	2,086,615	2,300,250	2,424,818	2,439,819	2,572,263
Other Revenues	-	171	-	-	-
TOTAL BUILDING OCCUPANCY FUND	2,086,615	2,300,421	2,424,818	2,439,819	2,572,263
INFO TECHNOLOGY FUND:					
Charges For Services	1,651,610	2,245,680	2,569,498	2,569,498	2,538,663
Other Revenues	-	2,908	1,531	-	-
TOTAL INFO TECHNOLOGY FUND	1,651,610	2,248,588	2,571,029	2,569,498	2,538,663
PRINTING & GRAPHICS FUND:					
Charges For Services	281,910	309,610	319,865	319,865	314,694
Other Revenues	-	(358)	-	-	-
TOTAL PRINTING & GRAPHICS FUND	281,910	309,252	319,865	319,865	314,694

REVENUE DETAIL
FISCAL YEARS 2004-2009

<i>Fund</i>	Actual 2004-05	Actual 2005-06	Actual 2006-07	Midyear 2007-08	Adopted 2008-09
<i>EMERGENCY COMMUNICATIONS FUND :</i>					
Charges For Services	-	353,780	2,330,965	2,330,998	2,307,310
Other Revenues	-	96,578	1,048	-	-
TOTAL EMERGENCY COMMUNICATIONS FUND	-	450,358	2,332,013	2,330,998	2,307,310
TOTAL INTERNAL SERVICE FUNDS	9,190,098	11,451,717	15,126,984	15,115,520	15,112,622
LESS: INTERNAL CHARGES/OVERHEAD	9,417,410	15,387,670	21,153,461	21,158,936	20,660,284
TOTAL CITY	82,306,851	89,740,622	96,596,955	96,776,519	95,110,243
TOTAL REDEVELOPMENT AGENCY	4,764,075	6,271,700	6,632,874	7,601,658	7,516,325
GRAND TOTAL	87,070,926	96,012,322	103,229,829	104,378,177	102,626,568



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