

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Redondo Beach
Redondo Beach, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On August 4, 2009, the City declared a fiscal emergency. For more detailed information, see Note 16 in the Notes to the Financial Statements.

Subsequent to the financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed, deferred paying certain revenues and proposed taking other funds from local governments including cities, counties, districts and agencies. These actions by the State include:

- o 8% of Property Taxes borrowed -- to be repaid in 3 years
- o Redevelopment Agency funds -- prepared to be taken for fiscal year 2010

These above amounts are significant to the City and may affect its ongoing operations. Certain lawsuits are in process to stop such State actions. State legislation is also in process to aid local governments to be able to borrow from a Joint Powers Authority the 8% of property taxes borrowed by the State. For more detailed information, see Note 16 in the Notes to the Financial Statements.

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To the Honorable Mayor and Members of the City Council
of the City of Redondo Beach
Redondo Beach, California

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted Statement of Governmental Accounting Standards Board No. 45, *Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Plans*, No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Irvine, California
December 9, 2009

CITY OF REDONDO BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Redondo Beach (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net assets, changes in net assets, and fund disclosures are discussed in more detail later in the report.

Financial Highlights - Primary Government

♦ *Government-Wide Highlights*

Net Assets - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2009 by \$214.9 million - assets for governmental activities exceeded liabilities by \$153.9 million and assets for business-type activities exceeded liabilities by \$61.0 million.

Changes in Net Assets - The City's net assets decreased \$2.0 million in fiscal year 2008-2009. Net assets of governmental activities decreased \$747,703, while net assets of business-type activities decreased \$1.2 million.

♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2008-2009, the City's total governmental funds reported a fund balance of \$38.0 million, a decrease of \$5.3 million from the prior year. Highlighted below are this year's six major funds included in this grouping.

General Fund - The fund balance of the General fund on June 30, 2009 was \$10.0 million, a decrease of \$2.6 million from the prior year.

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2009 was (\$1.1) million, decreasing the negative fund balance by \$669,697 when compared to prior year.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2009 was \$12.7 million, an increase of \$1.2 million from the prior year.

Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2009, was \$12.5 million, a decrease of \$1.6 million from the prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2009, was \$9.7 million, a decrease of \$2.9 million from the prior year.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2009, was (\$15.4) million, decreasing the negative fund balance by \$1.2 million when compared to prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

- ♦ *Statement of Net Assets*

The Statement of Net Assets presents summarized information of all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This financial statement combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations.

- ♦ *Statement of Activities and Changes in Net Assets*

The Statement of Activities and Changes in Net Assets presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, cultural and leisure services and housing and community development. Business type activities include operations of the harbor, sewers (wastewater), and solid waste.

The government-wide financial statements include not only the City itself (known as the primary government), but also the activities of legally separate component units: the Parking Authority of the City of Redondo Beach, the Redondo Beach Public Financing Authority (PFA), the Redevelopment Agency of the City of Redondo Beach (RDA), and the Redondo Beach Housing Authority. Because the City Council acts as the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

The government-wide financial statements can be found behind the tab section titled Government-Wide Financial Statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

- ♦ *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has 26 governmental funds, of which six are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's six major funds are: General Fund, Special Revenue – Other Intergovernmental Grants Fund, Special Revenue – Redevelopment Agency Fund, Capital Projects – Capital Improvement Projects Fund, Debt Service - Public Financing Authority Fund, and Debt Service - Redevelopment Agency Fund. Data from the non-major governmental funds (e.g., State Gas Tax Fund, Local Transit Fund, Storm Drain Fund, Disaster Recovery Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Non-Major Governmental Funds.

- ◆ *Proprietary Funds*

The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for harbor activities, solid waste (i.e., collection, recycling and hazardous waste disposal), and operations and maintenance of City sewers. Internal service funds are used to accumulate and account for the City's vehicles, building maintenance and repair, graphics and printing, information technology, emergency communications, and insurance. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds' financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds' financial statements use the accrual basis of accounting. Separate financial statements are provided for Harbor Uplands, Harbor Tidelands, Solid Waste and Wastewater. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for each internal service fund is provided in the form of combining statements in the Internal Service Funds section of this report.

The basic proprietary funds financial statements can be found behind the tab section titled Fund Financial Statements.

- ◆ *Fiduciary Funds*

Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found behind the tab section titled Notes to the Financial Statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes disclosure of the modified approach for the city pavement infrastructure and budgetary and pension plan information. This information can be found behind the tab section titled Required Supplementary Information.

City of Redondo Beach's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Current and Other Assets	\$ 67,145,078	\$ 71,601,562	\$ 36,137,332	\$ 36,746,638	\$ 103,282,410	\$ 108,348,200
Capital Assets, net depre	136,668,830	134,588,982	39,243,111	40,212,474	175,911,941	174,801,456
Total assets	<u>203,813,908</u>	<u>206,190,544</u>	<u>75,380,443</u>	<u>76,959,112</u>	<u>279,194,351</u>	<u>283,149,656</u>
Long-Term Liabilities						
Outstanding	43,229,908	46,829,653	13,313,353	13,582,592	56,543,261	60,412,245
Other Liabilities	6,708,642	4,737,830	1,088,205	1,181,665	7,796,847	5,919,495
Total Liabilities	<u>49,938,550</u>	<u>51,567,483</u>	<u>14,401,558</u>	<u>14,764,257</u>	<u>64,340,108</u>	<u>66,331,740</u>
Investments in Capital						
Net of Related Debt	136,635,661	134,543,764	35,414,035	36,923,208	172,049,696	171,466,972
Restricted	17,475,836	34,884,364	-	-	17,475,836	34,884,364
Unrestricted	(236,139)	(14,805,067)	25,564,850	25,271,647	25,328,711	10,466,580
Total Net Assets	<u>\$ 153,875,358</u>	<u>\$ 154,623,061</u>	<u>\$ 60,978,885</u>	<u>\$ 62,194,855</u>	<u>\$ 214,854,243</u>	<u>\$ 216,817,916</u>

Total Assets:

Current and Other Assets include: Cash and Investments; Accounts Receivable and Receivables for Taxes, Interest, and Loans; Prepaid costs; Unamortized debt issuance costs; Deposits; Due from other governments; and Restricted assets of Cash with fiscal agent; and Internal Balances (Due to/from and Advances between the business activities and governmental activities).

Capital Assets include: Assets net of depreciation as well as assets not being depreciated (e.g., Streets, Land, Construction in progress).

Total Liabilities:

Long-Term Liabilities Outstanding include: Compensated absences payable, Claims and judgments payable, and Long-term debt payable.

Other Liabilities include: Accounts payable; Accrued interest; Unearned revenue; Deposits Payable; Due to other governments.

Net Assets

The chart above reflects the City's combined net assets (governmental and business-type activities) of \$214.9 million at the close of fiscal year ending June 30, 2009.

The largest portion of the City's total net assets (80.0%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net assets (20.0%) represent resources that are subject to external restrictions (e.g., certain capital projects, community development, debt services).

Changes in Net Assets

As noted in the chart above, the City's fiscal year 2008-2009 total net assets decreased by \$2.0 million, or 1.0%, from the prior year. The governmental activities net assets decreased \$747,703, or 0.5%, while the business-type activities net assets decreased \$1.2 million, or 2.0%.

The decrease in net assets of governmental activities of \$747,703 was due to a decrease in total assets of \$2.4 million offset by a decrease in liabilities of \$1.6 million. Within total assets, the decrease in current and other assets was attributable to decreases in revenues. Significant decreases to program revenues were mainly due to both operating grants and contributions and capital grants and contributions related to public safety, public works, cultural and leisure services, and housing and community development. The offset to these program revenue reductions was an increase in general revenues, primarily driven by increases in property tax revenues, the release of the Heritage Pointe bond reserve proceeds, and transfers. The bond reserve proceeds were released to the Redevelopment Agency's low and moderate housing income fund, increasing other revenues by \$907,318. Additional increases to other revenues resulted from transfers into the governmental activities from the business-type activities of \$1.07 million, which is comprised of an \$877,000 transfer from the Solid Waste Fund to the General Fund and a \$200,313 transfer from the Wastewater Fund to the General Fund. The decrease in total liabilities was principally attributable to long-term liabilities outstanding, primarily long-term debt payable, due to the retirement of the outstanding Public Financing Authority 2000 Tax Allocation Bonds. Other liabilities, specifically accounts payable and accrued liabilities, increased mainly due to the timing of payments to vendors and the increase in number of days worked included in the year-end payroll accrual. Business-type activities showed a 2.0% decrease in net assets primarily due to reduced revenue from charges for services, lower investment earnings, and a reduction in harbor rental revenues.

City of Redondo Beach's Changes in Net Assets
Fiscal Year Ended June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Revenues:						
Program revenues:						
Charges for services	\$ 17,262,299	\$ 16,443,203	\$ 14,668,889	\$ 15,070,853	\$ 31,931,188	\$ 31,514,056
Operating grants and contributions	9,137,687	14,480,137	162,512	70,150	9,300,199	14,550,287
Capital grants and contributions	3,486,113	4,863,545	-	-	3,486,113	4,863,545
Total program revenues	29,886,099	35,786,885	14,831,401	15,141,003	44,717,500	50,927,888
General revenues:						
Property taxes	28,612,395	27,311,112	-	-	28,612,395	27,311,112
Sales taxes	9,329,872	9,635,626	-	-	9,329,872	9,635,626
Utilities users taxes	7,848,157	8,018,564	-	-	7,848,157	8,018,564
Motor vehicle license	205,403	293,685	-	-	205,403	293,685
Transient occupancy taxes	3,485,290	3,933,009	-	-	3,485,290	3,933,009
Franchise taxes	1,970,548	1,807,308	-	-	1,970,548	1,807,308
Business license taxes	1,293,056	1,385,726	-	-	1,293,056	1,385,726
Use of money and property ¹	4,596,559	4,264,527	938,657	1,329,922	5,535,216	5,594,449
Other revenues	1,779,388	443,706	125,896	141,621	1,905,284	585,327
Gain on sale of capital asset	28,288	34,735	-	-	28,288	34,735
Transfers	1,142,313	(146,710)	(1,142,313)	146,710	-	-
Total general revenues	60,291,269	56,981,288	(77,760)	1,618,253	60,213,509	58,599,541
Total revenue	90,177,368	92,768,173	14,753,641	16,759,256	104,931,009	109,527,429
Expenses:						
General government	9,234,672	10,234,450	-	-	9,234,672	10,234,450
Public safety	42,293,976	40,835,961	-	-	42,293,976	40,835,961
Public works	12,538,423	13,601,505	-	-	12,538,423	13,601,505
Cultural and leisure services	7,586,649	10,143,340	-	-	7,586,649	10,143,340
Housing and community development	17,473,218	14,063,015	-	-	17,473,218	14,063,015
Interest on long-term debt	1,798,133	2,419,799	-	-	1,798,133	2,419,799
Harbor Tidelands	-	-	5,360,523	5,075,571	5,360,523	5,075,571
Harbor Uplands	-	-	5,288,345	5,416,019	5,288,345	5,416,019
Solid Waste	-	-	3,228,498	3,129,337	3,228,498	3,129,337
Wastewater	-	-	2,092,245	1,853,206	2,092,245	1,853,206
Total expenses	90,925,071	91,298,070	15,969,611	15,474,133	106,894,682	106,772,203
Change in net assets	(747,703)	1,470,103	(1,215,970)	1,285,123	(1,963,673)	2,755,226
Net assets, beginning of year	154,623,061	153,294,181	62,194,855	60,909,732	216,817,916	214,203,913
Restatement of net assets	-	(141,223)	-	-	-	(141,223)
Net assets, end of year	\$ 153,875,358	\$ 154,623,061	\$ 60,978,885	\$ 62,194,855	\$ 214,854,243	\$ 216,817,916

¹ Includes investment earnings

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net assets. As reflected above, total revenues decreased in fiscal year 2008-2009 by \$4.6 million, or 4.2%. The decrease in revenues was mainly due to both operating grants and contributions and capital grants and contributions. The major decrease in operating grants and contributions resulted from numerous grants the City received for youth projects, workforce reinvestment, and transit activities in the previous fiscal year that were not received in fiscal year 2008-2009. Capital Grants and Contribution decreased for two reasons: (1) the City received less grant funding related to Homeland Security programs and the Bike Path Improvement Project than it had in the prior year and (2) the City completed the 190th Street resurfacing project in fiscal year 2007-2008 and did not receive additional funding for that project in fiscal year 2008-2009. Use of money and property increased as a result of correctly including rents and percentages revenues in this classification, whereas in the previous fiscal years these revenues were included in the program revenues as charges for services. Transfers into the governmental activities from the business-type activities are mostly comprised of an \$877,000 transfer from the Solid Waste Fund to the General Fund and a \$200,313 transfer from the Wastewater Fund to the General Fund for the fiscal year 2009-2010 budget.

Citywide total expenses remained relatively flat when compared to fiscal year 2007-2008; however, expenses in the five primary governmental activities reflect variances between prior-year and current year. The decrease in general government resulted primarily from reductions in personnel related costs as a result of a citywide hiring freeze, decreased attorneys fees, and lower transient occupancy tax payments to the Redondo Beach Visitors Bureau. To properly compare public works, cultural and leisure services, and housing and community development from fiscal year 2007-2008 to fiscal year 2008-2009, you must combine all variances. The total change for all three areas is a decrease of \$209,570. The reason for combining public works, cultural and leisure services, and housing and community development is that many expenditures were reclassified in each area to properly reflect the area's activities. Further analysis is provided in the governmental and business-type activity sections below.

	Expenses		Percent Increase (Decrease)
	2008-2009	2007-2008	
Governmental Activities:			
<i>Combined Expenses</i>			
Public works	12,538,423	13,601,505	(7.8%)
Cultural and leisure services	7,586,649	10,143,340	(25.2%)
Housing and community development	17,473,218	14,063,015	24.2%
Public works, cultural and leisure services, and housing and community development	\$ 37,598,290	\$ 37,807,860	(0.6%)

Governmental Activities

As reflected in the Changes in Net Assets schedule above, the total governmental activity expenses were \$90.9 million in fiscal year 2008-2009; whereas, total revenues from governmental activities were \$90.2 million, of which 33.1% were derived from program revenues consisting of charges for services and grants.

On the following chart, the governmental activity expenses net of program revenues, increased \$5.5 million, or 10.0%, in fiscal year 2008-2009. Net expenses related to public safety remained relatively flat versus prior year. To properly compare public works, cultural and leisure services, and housing and community development from fiscal year 2007-2008 to fiscal year 2008-2009, you must combine all variances. The total change for all three areas is a decrease of \$524,310. The reason for combining public works, cultural and leisure services, and housing and community development is that many expenditures were reclassified in each area to properly reflect the area's activities. Making a prior year comparison of these areas as a whole will provide the user of the financial statements with a more accurate depiction of the City's activities from year-to-year. General government net expenses increased due to a reduction in charges for services specifically related to construction/excavation permits. Interest on long-term debt decreased due to the retirement of the outstanding Public Financing Authority 2000 Tax Allocation Bonds.

Governmental Activities:	Impact to Net Assets		Percent Increase (Decrease)
	2008-2009	2007-2008	
<i>Expenses Net of Program Revenues*</i>			
General government	\$ (4,435,073)	\$ (3,671,132)	20.8%
Public safety	(38,574,472)	(38,073,767)	1.3%
Public works, cultural and leisure, and housing and community development ¹	(16,231,294)	(11,346,487)	43.1%
Interest on long-term debt	(1,798,133)	(2,419,799)	(25.7%)
Total Governmental Activity Expenses Net of Program Revenues	\$ (61,038,972)	\$ (55,511,185)	10.0%

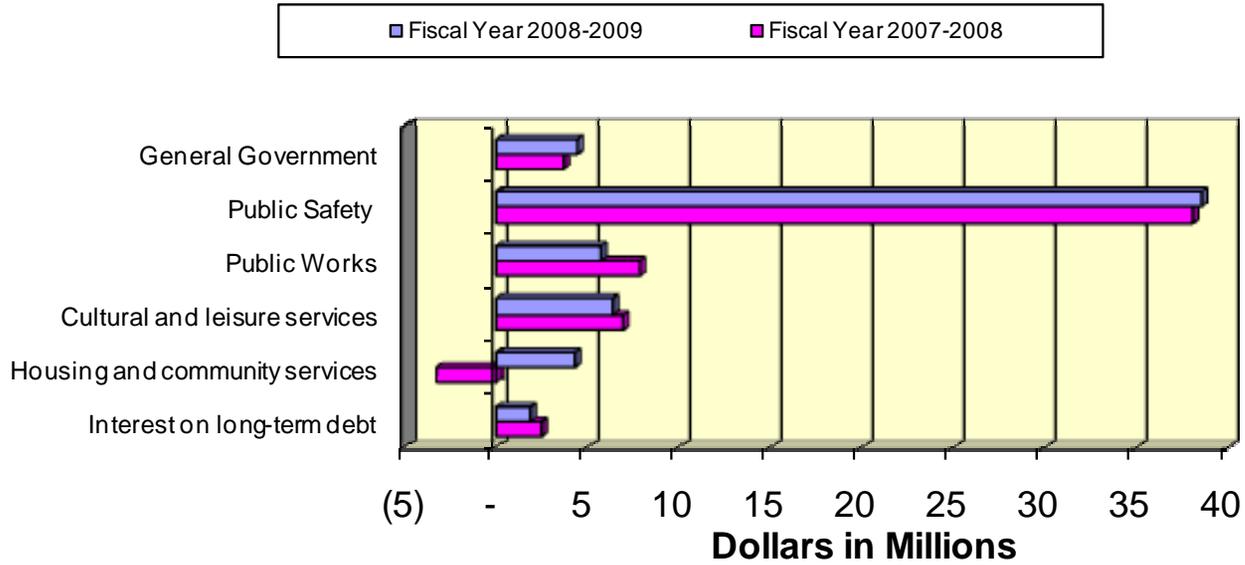
*Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues.

¹ The following table reflects a breakdown of the combined activity areas of public works, cultural and leisure services, and housing and community development to reflect the net effect of the changes from year to year as a whole.

Governmental Activities:	Impact to Net Assets		Percent Increase (Decrease)
	2008-2009	2007-2008	
<i>Expenses Net of Program Revenues*</i>			
Public works	(5,638,152)	(7,816,112)	(27.9%)
Cultural and leisure services	(6,293,912)	(6,878,230)	(8.5%)
Housing and community development	(4,299,230)	3,347,855	228.4%
Total Activity Expenses Net of Program Revenues	\$ (16,231,294)	\$ (11,346,487)	43.1%

The chart below is a graphical representation of the schedule above.

EXPENSES NET OF PROGRAM REVENUES



General Revenues Related to Governmental Activities

<u>General Revenues</u>	<u>2008-2009</u>	<u>2007-2008</u>
Taxes ¹	\$ 52,744,721	\$ 52,385,030
Use of money and property ²	4,596,559	4,264,527
Other revenues ³	2,949,989	331,731
Total General Revenues	<u>\$ 60,291,269</u>	<u>\$ 56,981,288</u>

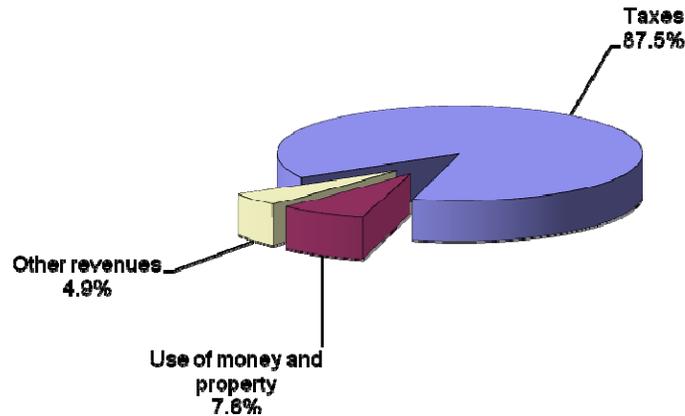
¹ Includes sales tax receivable of \$414,704

² Includes investment earnings

³ Includes gain (loss) on sale of assets and transfers

General revenues are all other revenues not attributable to a specific program and, therefore, not categorized as program revenues. These revenues include taxes, use of money and property, and other revenues. Total general revenues from governmental activities were \$60.3 million in fiscal year 2008-2009. The largest percentage of these revenues for fiscal year 2008-2009 (87.5%) was derived from taxes, remaining relatively flat versus prior year. This includes property taxes, transient occupancy taxes, sales taxes, franchise taxes, business license taxes, utility users' taxes, and motor vehicle in lieu license fees. Although the remaining items makeup only 12.5% of General Revenues, these items in total reflected an increase of 64.2% over the prior year. The largest increase was experienced in other revenues, primarily resulting for two reasons: (1) the release of the Heritage Pointe bond reserve proceeds to the Redevelopment Agency's low and moderate housing income fund, increasing other revenues by \$907,318 and (2) transfers into the governmental activities from the business-type activities mostly comprised of an \$877,000 transfer from the Solid Waste Fund to the General Fund and a \$200,313 transfer from the Wastewater Fund to the General Fund.

GENERAL REVENUES



Business-Type Activities

The City has four business-type activities: Harbor Tidelands, Harbor Uplands, Wastewater, and Solid Waste. These business-type activities decreased the City's total assets by \$1.5 million from the prior year.

Harbor Tidelands is used for the operations of small boat harbor facilities available to the general public, including related pier activities. This fund is restricted under the City Tidelands Trust Agreement with the State of California. In fiscal year 2008-2009, the assets of the Harbor Tidelands increased \$399,481 from prior year.

Harbor Uplands is also used for the operations of small boat harbor facilities available to the general public, including related pier activities. However, the use of these funds is subject only to the decisions of the City Council. In fiscal year 2008-2009, the assets of Harbor Uplands decreased by \$1.1 million, from prior year. The major causes for the decrease were related to depreciation of capital assets and a reduction in cash and investments. Reduction in cash and investments is due to decreases in investment earnings of \$108,488, harbor rentals of \$383,268, and cash outlay of \$140,927 for increased accounts payable. The remaining decrease was due to depreciation.

Wastewater is funded by a capital facility charge, or more commonly referred to as a sewer user fee. These funds are substantially used to service the City's debt relative to the sewer bond, which is restricted to sewer infrastructure improvements. The assets of Wastewater decreased \$111,395 from the prior year.

Solid Waste is the City's comprehensive solid waste program, which includes refuse collection, recycling, and hazardous waste disposal services. The solid waste program is supported through user service fees. The assets of Solid Waste decreased \$759,204 from prior year.

INTERNAL SERVICE FUNDS

The City has six internal service funds: Vehicle Replacement, Building Occupancy, Information Technology, Self-Insurance Program, Printing and Graphics, and Emergency Communications. These funds are used to account for interdepartmental operations where the costs of services provided to the departments is financed or recovered by charging the user department.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

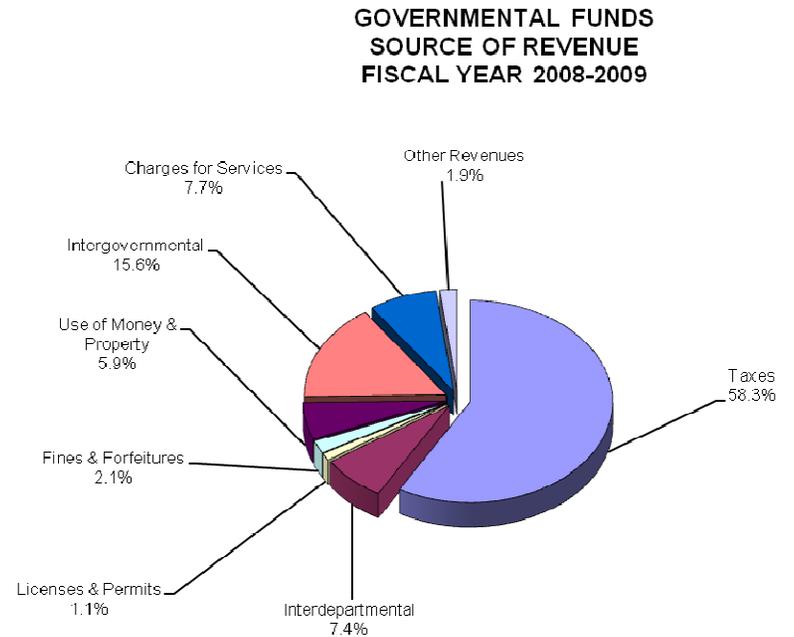
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, amounts reflected in the fund financial statements versus the Government-Wide statements may differ due to this change in accounting methodology.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Funds - The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2009, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue compared to the prior year.

Source of Revenue	Amount FY 08-09	Percent of Total	Increase (Decrease) FY 07-08	Percent Increase (Decrease)
Taxes	\$ 52,330,017	58.3%	\$ (722,473)	(1.4%)
Interdepartmental	6,655,458	7.4%	340,708	5.4%
Licenses & permits	1,006,075	1.1%	(299,950)	(23.0%)
Fines & forfeitures	1,845,838	2.1%	(138,845)	(7.0%)
Use of money & property	5,280,991	5.9%	(998,661)	(15.9%)
Intergovernmental	13,991,411	15.6%	(2,668,957)	(16.0%)
Charges for services	6,947,073	7.7%	132,806	1.9%
Other revenues	1,751,149	1.9%	1,192,056	213.2%
Total	\$ 89,808,012	100.0%	\$ (3,163,316)	(3.2%)

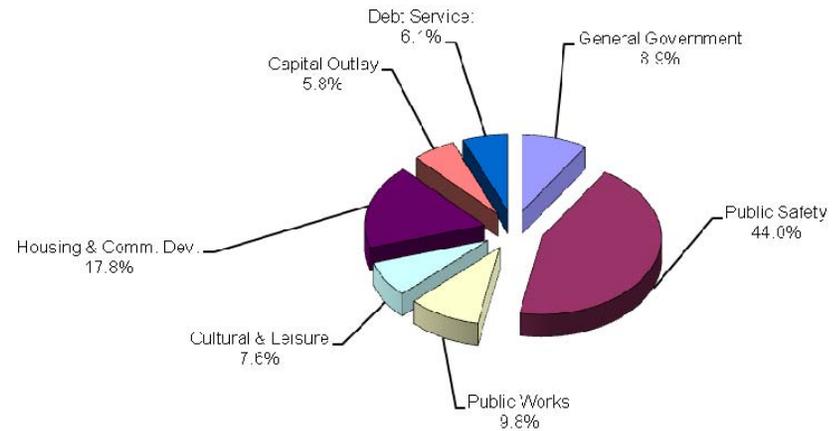


Total governmental fund revenues decreased \$3.2 million, or 3.2%, from fiscal year 2007-2008. The largest source of revenue was taxes, which decreased \$722,473, or 1.4%, which was primarily due to decreases in sales tax, transient occupancy tax, and utility users' tax resulting from the recessionary economy. Interdepartmental increased \$340,708, or 5.4%, due to personnel driven cost of living adjustments. Licenses and permits revenue decreased \$299,950, or 23.0%, due entirely to a substantial decrease in construction and excavation permits. Fines and forfeitures revenue decreased substantially due to parking citations. Use of money and property revenue decreased \$1.0 million, or 15.9%, due to decreased investment earnings and three one-time payments from the Redevelopment Agency to the Public Financing Authority in FY 2007-2008 that were not repeated in the current fiscal year. Intergovernmental decreased \$2.7 million, or 16.0%, due to a reduction in operating grants and contributions pertaining to youth projects, workforce reinvestment, and transit activities. Charges for services increased \$132,806 due to slight increases in fare revenues and advanced life support fees. Other revenues increased \$1.2 million due primarily from the release of the Heritage Pointe bond reserve proceeds to the Redevelopment Agency's low and moderate housing income fund and the reclassification of housing authority income at a gross amount rather than netting the revenue against expenditures.

The following schedule is a summary of governmental fund expenditures by function category for fiscal year ended June 30, 2009, and includes both Major and Non-Major Funds. It reflects the amount and percent of increase or decrease for each functional category of expenditures compared to the prior year.

Expenditures	Amount FY 08-09	Percent Total	Increase (Decrease) FY 07-08	Percent Increase (Decrease)
Current:				
General government	\$ 8,693,889	8.9%	\$ (339,129)	(3.8%)
Public safety	42,869,798	44.0%	1,959,885	4.8%
Public works	9,554,993	9.8%	(1,491,778)	(13.5%)
Cultural and leisure services	7,372,691	7.6%	(2,408,219)	(24.6%)
Housing and community development	17,346,166	17.8%	3,375,687	24.2%
Capital outlay	5,683,727	5.8%	1,562,015	37.9%
Debt service	5,938,067	6.1%	1,508,495	34.1%
Total	\$ 97,459,331	100.0%	\$ 4,166,956	4.5%

**GOVERNMENTAL FUNDS
EXPENDITURES BY CATEGORIES
FISCAL YEAR 2008-2009**



Total governmental fund expenditures increased \$4.2 million or 4.5% from fiscal year 2007-2008. As mentioned earlier, the variances are attributable to:

- Public safety increased by \$2.0 million, or 4.8%, due primarily to cost of living related personnel costs and increased workers' compensation insurance expenses.
- To properly compare public works, cultural and leisure services, and housing and community development from fiscal year 2007-2008 to fiscal year 2008-2009, you must combine all variances. The total change for all three areas is a decrease of \$524,310, or 0.2%. The reason for combining public works, cultural and leisure services, and housing and community development is that many expenditures were reclassified in each area to properly reflect the areas activities.
- Capital outlay expenditures increased \$1.6 million, or 37.9%, primarily due to the use of Capital Projects and Traffic Congestion Relief Funds towards the City's Residential Street Rehabilitation Project.
- Debt service expenditures increased by \$1.5 million or 34.1% due to the retirement of the outstanding Public Financing Authority 2000 Tax Allocation Bonds.

Offsetting these increases is a decrease in general government expenditures. The decrease in general government of \$339,129 or 3.8% is primarily due to a hiring freeze resulting in lower personnel costs.

The six major funds are Special Revenue – Other Intergovernmental Grants Fund, Special Revenue – Redevelopment Agency Fund, Capital Projects – Capital Improvement Projects Fund, Debt Service - Public Financing Authority Fund, Debt Service - Redevelopment Agency Fund, and General Fund.

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2009 was (\$1.1) million, decreasing the negative fund balance by \$669,697 from the prior year. The decrease in negative fund balance is due to an increase in intergovernmental revenues and a substantial decrease in capital outlay and public works expenditures versus prior year.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2009 was \$12.7 million, an increase of \$1.2 million from the prior year. The increase is due to a substantial increase in intergovernmental revenues versus prior year.

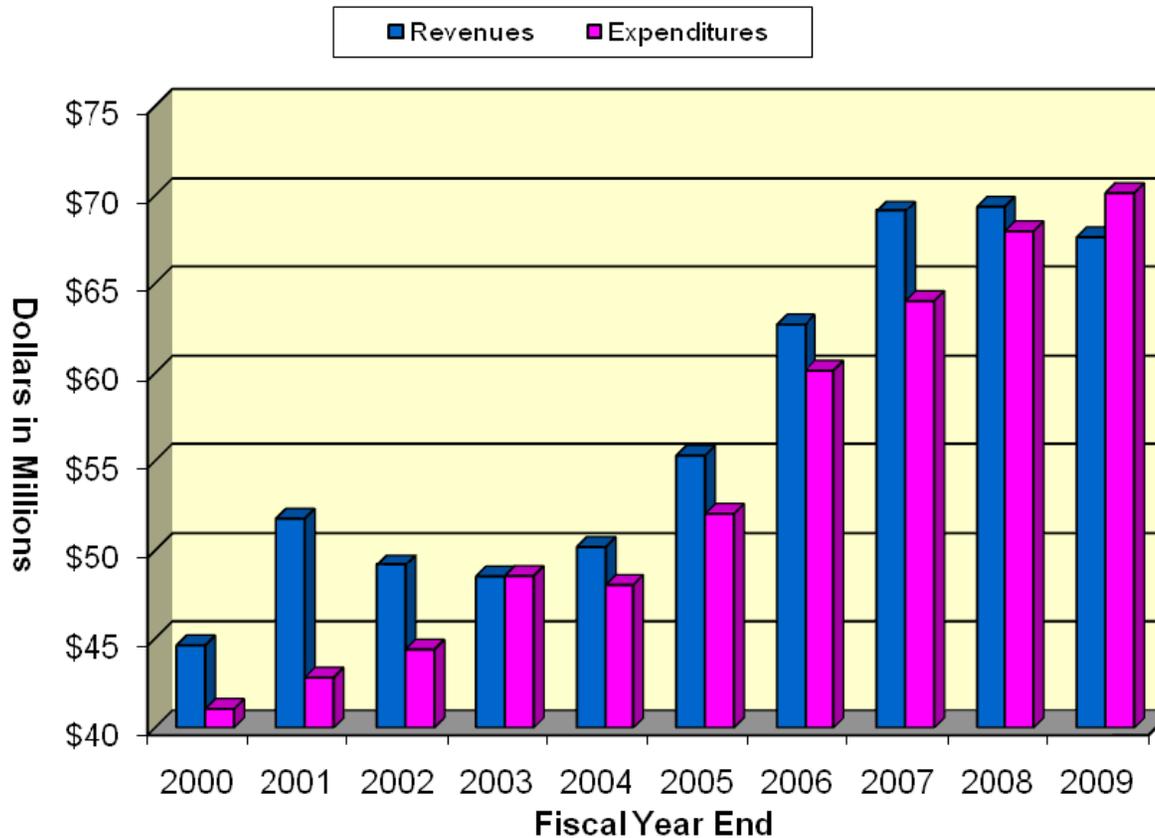
Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2009, was \$12.5 million, a decrease of \$1.6 million from the prior year. The decrease is primarily due to a substantial decrease in intergovernmental revenues and a substantial increase in capital outlay expenditures versus prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2009, was \$9.7 million, a decrease of \$2.9 million from the prior year. The decrease is primarily due to the retirement of the Public Financing Authority 2000 Tax Allocation Bonds.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2009, was (\$15.4) million, decreasing the negative fund balance by \$1.2 million when compared to prior year. The decrease in the negative fund balance is primarily due to a decrease in interest and fiscal charges related to the City's Redevelopment Agency bonds.

General Fund - The following graph illustrates the ten-year trend of General Fund revenues and expenditures. Interfund transfers have been excluded from this graphic presentation. The discussion which follows focuses on changes from fiscal year 2007-2008 to fiscal year 2008-2009.

**REVENUES VS. EXPENDITURES
General Fund – Last Ten Years**



Impacts of both increases and decreases to General Fund revenues resulted in a net decrease of \$1.8 million, or 2.6%, from fiscal year 2007-2008. The majority of the decrease in revenue was due to declines in taxes, specifically sales tax, transient occupancy tax, and utility users' tax and a significant reduction in construction/excavation permits resulting from the recessionary economy. The decrease in these revenues was slightly offset by an increase in revenues related to interdepartmental charges.

General Fund expenditures increased by \$2.2 million, or 3.3%. As mentioned earlier, increases were due primarily to cost of living adjustments and increased workers' compensation insurance expenses attributable to the police and fire departments.

General Fund Balance

The fund balance of the General Fund, which includes net transfers out of \$10,693, as of June 30, 2009 was \$10.0 million, a decrease of \$2.6 million, when compared to the prior year. The City Council approved the designations of the General Fund balance reflected below.

	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY 08-09</u>
General Fund Contingency	\$ 5,647,843	\$ 5,773,725	\$ 5,673,587
Compensated Absences	975,405	179,361	1,004,104
Carryover Designations	1,350,448	1,265,352	814,129
Retiree Medical Insurance	406,000	-	-
Self-Insurance Program Fund Allocation	-	-	1,010,000
Economic Contingency	-	332,897	-
Street Landscaping & Lighting	-	200,000	-
Health Ins Premium Increases	274,000	186,000	180,000
Future Labor Negotiations	800,000	840,000	-
Future Years' Appropriations	672,517	2,569,817	653,982
Undesignated Balance	235,132	331,726	37,327

As part of year-end activities, the City Council reviews the General Fund balance and determines how the City should designate the unreserved portion. As illustrated above, Council designations of General Fund balance over the past several years reflect the City's Strategic Plan. Aside from policy-designated amounts (i.e., contingency reserve and compensated absences), much of the money is set aside to accomplish strategic goals.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended fiscal year 2008-2009 budget totaled \$73.7 million, including net amendments of \$4,399,433 to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Appropriation of \$843,371 for labor agreement modifications.
- Appropriation of \$7,000 for professional services related to Other Postemployment Benefits (OPEB).
- Appropriation of \$7,700 for Public Library part-time staffing.
- Appropriation of \$475,000 for Fire Department overtime.
- Funding of prior-year encumbrances of \$801,298.
- Funding of carry-over appropriations of \$1,265,352.
- Funding of mid-year appropriations of \$1,002,712.
- Negative appropriation of \$3,000 to move funding for the historical museum from the General Fund to the Capital Projects Fund.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$125,000 and expenditures were \$2.8 million less than budgetary estimates, primarily due to personnel vacancies and contractual services that were not completed by year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2009, net capital assets of the governmental and business-type activities totaled \$136.7 million and \$39.2 million, respectively. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB 34 for infrastructure reporting for its paving system (streets). Under GASB 34, eligible infrastructure capital assets are not required to be depreciated as long as:

- 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 the results using a measurement scale, and 3) estimated annual amounts budgeted to maintain and preserve an established condition assessment level.
- The City documents the eligible infrastructure capital assets being preserved approximately at the established and disclosed condition assessment level.

Prior to FY 2008-2009, the City's PQI rating, an amalgam of the PCR and the International Roughness Index (IRI) established by the World Bank, was based on a 10.0 scale; however, the PQI rating was converted to a 100 point scale to make it more comparable to the aforementioned alternative pavement rating methods. City policy is to achieve an average rating of 80 for all streets by fiscal year 2008-2009. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of fiscal year 2003, the City established the standard rate of 70, and as of June 30, 2009 the City's street system was rated at a PQI of 79.

The City's budget for street maintenance for the fiscal year ended June 30, 2009 was \$10.8 million. Actual expenditures were \$3.9 million, with the remaining budget carried forward as continuing appropriations. 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. The expenditure required to maintain and improve the overall condition of the streets from July 1, 2009 through June 30, 2011 is a minimum of \$10.2 million.

More information on the modified approach for City streets infrastructure capital assets is behind the tab section titled Required Supplementary Information.

Description	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Buildings and Improvements	37,694,084	(12,863,036)	24,831,049
Equipment, Vehicles, Machinery	20,342,381	(12,214,572)	8,127,809
Work in Progress	1,003,491	-	1,003,491
Construction in Progress	833,053	-	833,053
Infrastructure	122,766,783	(37,416,304)	85,350,479
Total	\$ 199,162,739	\$ (62,493,911)	\$ 136,668,828
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Buildings and Improvements	27,969,308	(12,801,108)	15,168,199
Equipment, Vehicles, Machinery	1,025,451	(782,846)	242,605
Construction in Progress	-	-	-
Infrastructure	22,060,032	(9,550,983)	12,509,049
Total	\$ 62,378,046	\$ (23,134,937)	\$ 39,243,108

For more information on the City's capital assets, refer to Note 6 of the Notes to Financial Statements and also the tab section titled Capital Assets Used in the Operation of Governmental Funds.

DEBT ADMINISTRATION

Debt service funds are used to account for the accumulation of resources for payment of interest and principal on bonds issued by the City. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita for the fiscal year 2008-2009 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value of Property</u>	<u>Debt per Capita</u>
Net Direct: Bonded Debt	\$ 18,954,921	0.16%	\$ 280.21

The bonds issued by the Redevelopment Agency, a component unit of the City, were issued to provide financing of improvements within the South Bay Center project area. Additionally, bonds were issued to refinance the Public Financing Authority’s Aviation Bonds. Bonds issued by the Public Financing Authority (PFA), also a component unit of the City, were originally issued to provide funds to acquire the 1996 Tax Allocation Bonds of the Redevelopment Agency, to finance certain redevelopment activities with respect to the South Bay Center project area and to provide new monies for certain public capital improvements within the City. In addition, bonds were issued to refinance the Redevelopment Agency’s Pier Reconstruction bonds and to finance various improvements to, and to remedy a variety of deficiencies in the facilities of the Wastewater Enterprise. The City has no general obligation bond indebtedness.

For a complete listing of the City’s long-term debt obligations, refer to Note 8 of the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Because the economic upswings of the past few years have subsided and the economy has recessed, the City developed its fiscal year 2009-2010 budget projecting General Fund revenues from outside sources to decrease \$433,261 from the fiscal year 2008-2009 final budget. Budgetary expectations reflect:

- Property tax revenue for FY 2009-10 is projected to decrease by \$94,000, or 0.5%, to \$18,621,000, excluding property tax in lieu of VLF and homeowners’ exemptions. This slight decrease in FY 2009-10 has its roots in a general devaluation of the housing market and a weakening economy. Redondo Beach revenue loss reflects only modest decreases in the value of coastal dwellings due to location advantages. Property tax should continue to decrease into 2011 as more properties are adjusted down in value. Property tax revenue is the City’s number one source of operating revenue.
- Sales and use tax revenue is projected to decline \$599,000, or 6.6%, to \$8,508,000. Sales tax revenue is generally down due to reductions in consumer spending. Following the national trend, the South Bay Galleria has had declining sales and, as a result, closing of businesses. A major business loss was Mervyn’s, which fortunately will be replaced by Kohl’s, although not until October 2009. Redondo Beach also lost Home Depot Expo, another large sales tax generator. 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, levels of consumer disposable income, heightened regional sales tax competition and moderating consumer confidence.

- Utility users' tax (UUT) revenue is projected to remain flat at \$8,000,000. 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. In FY 2008-09 the citizens of Redondo Beach overwhelmingly (75%) passed a measure to maintain the UUT at the current rate. Based on FY 2007-08 fees, UUT on electricity services represents about \$2.5 million, or 32% of this revenue source; while approximately \$3.4 million or 43% is provided from the UUT on telecommunications services, which includes both land 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. The City continues its proactive efforts addressing the challenges impacting this key tax-based operating revenue source.
- Franchise fees are projected to increase by \$181,000, or 11.3%, to \$1,785,000 for FY 2009-10. 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 48% of the overall franchise fee revenue estimate for FY 2009-10, while projected revenue from the electricity franchise represents 22%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents 26% 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 2009-10 are projected to decrease by \$246,500, or 15.6%, to \$1,322,000. This decline is attributable to lower interest 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.
- Motor vehicle fees are projected in two parts – One part, the Motor Vehicle in-lieu fees (VLF), are included in intergovernmental revenues and are projected to decrease by \$62,500, or 20.7%, to \$239,500. The projected decline 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. The other part of this fee is allocated to the City through property tax. This is called the Property Tax in Lieu of Vehicle License Fee (VLF) revenue is projected to increase very slightly by \$50,000 or 1.0 % to \$5,255,000 in FY 2009-10. VLF revenue closely parallels growth in City property tax revenue.

Budgeted General Fund appropriations decreased 7.7%, or \$5.8 million, to \$69,194,495, from the prior final budget. Personnel costs decreased 8.7%, primarily due to the employee bargaining units foregoing cost of living increases, staff reductions, and a citywide hiring freeze. Internal service fund allocations increased 4.5%, or \$770,314; however, the allocation will be adjusted at the midyear review. There is a significant decrease in maintenance and operations expenditures of 23.0% from the prior year's final budget due to the prior year's final budget reflecting carryover appropriations of \$2.1 million, including carryover encumbrances of about \$820,000. Carryovers are not included in the FY 2009-2010 budget. While longer term projections indicate that the City must continue to keep a tight reign on spending, no reductions in City services are anticipated.

Although Redondo Beach saw an increase of 1.1% in real property assessed valuations for FY 2008-2009, other areas of the local economy provided evidence of the continuing recession. For example, transient occupancy rates declined from 79% in FY 2007-2008 to 76% in FY 2008-2009, and sales tax revenue was 13.0% less than projected in the FY 2008-2009 adopted budget and 3.7% less than projected in the FY 2008-2009 revised budget, a result of reduced consumer confidence and weaker consumer spending. Still, Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 31 out of 89 cities. Fortunately, the local economy has not seen massive job losses, as evidenced in other parts of the state. In fact, Redondo Beach experienced a slight decrease in its unemployment rate from 2.9% in 2007 to 2.6% in 2008.

All sectors of the national and regional economy have been impacted by the current recession. Fortunately, the South Bay region has not been negatively impacted nearly as much as other areas of Southern California. Even though the economy is in a recessionary period, opportunities still exist to minimize the impacts and set the stage for improvement.

In order to continue to retain and attract business and stimulate tourism, the City must strive to maintain a business friendly attitude and to provide the highest quality in municipal services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Financial Services Department at 415 Diamond Street, Redondo Beach CA 90277, phone 310-318-0683, or e-mail FinanceMail@redondo.org