

REQUIRED SUPPLEMENTARY INFORMATION

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2009

1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year.
2. The City Council's policy is to adopt an annual line-item budget for the general, special revenue, debt service, and capital projects funds.
3. Public hearings are conducted prior to its adoption by the Council.
4. Supplemental appropriations, when required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager.
5. Expenditures may not exceed appropriations at the departmental level, which is the legal level of control.
6. Budgets are created in accordance with GAAP.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue, debt service, and capital projects funds. Unexpended and unencumbered appropriations of these governmental funds automatically lapse at the end of the fiscal year. Encumbrances outstanding at year-end are reported as a reservation of fund balances. They do not constitute expenditures or estimated liabilities.

The following are the budget comparison schedules for General Fund, Other Intergovernmental Grants Fund and Redevelopment Agency Special Revenue Fund.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ 12,581,759	\$ 12,581,759	\$ 12,581,759	\$ -
Resources (inflows):				
Taxes	50,096,000	49,646,000	49,621,621	(24,379)
Interdepartmental	6,536,862	7,281,059	6,655,458	(625,601)
Licenses and permits	1,349,650	944,970	1,006,075	61,105
Intergovernmental	515,800	360,000	278,225	(81,775)
Charges for services	5,412,292	4,845,079	4,810,548	(34,531)
Use of money and property	2,719,200	2,790,898	3,127,757	336,859
Fines and forfeitures	1,644,000	1,429,000	1,845,838	416,838
Miscellaneous	182,300	180,300	252,210	71,910
Transfers in	-	-	1,588,314	1,588,314
Amount available for appropriation	81,037,863	80,059,065	81,767,805	1,708,740
Charges to appropriations (outflows):				
Current:				
General government	9,020,731	10,805,481	8,693,889	2,111,592
Public safety	41,052,832	42,704,807	42,237,762	467,045
Housing and community development	8,544,636	8,905,928	5,936,851	2,969,077
Public works	5,753,830	5,999,143	5,683,859	315,284
Cultural and leisure services	7,138,241	7,502,422	7,372,691	129,731
Capital outlay	50,000	169,034	218,424	(49,390)
Transfers out	1,121,500	1,244,500	1,599,007	(354,507)
Total charges to appropriations	72,681,770	77,331,315	71,742,483	5,588,832
Fund Balance - Ending	\$ 8,356,093	\$ 2,727,750	\$ 10,025,322	\$ 7,297,572

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Other Intergovernmental Grants

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ (1,750,963)	\$ (1,750,963)	\$ (1,750,963)	\$ -
Resources (inflows):				
Intergovernmental	2,286,679	3,848,638	2,598,584	(1,250,054)
Amount available for appropriation	535,716	2,097,675	847,621	(1,250,054)
Charges to appropriations (outflows):				
Current:				
Public safety	189,694	565,388	552,589	12,799
Housing and community development	-	8,837	8,837	-
Public works	128,315	45,291	47,931	(2,640)
Capital outlay	1,968,670	5,687,143	1,319,530	4,367,613
Total charges to appropriations	2,286,679	6,306,659	1,928,887	4,377,772
Fund Balance - Ending	\$ (1,750,963)	\$ (4,208,984)	\$ (1,081,266)	\$ 3,127,718

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Redevelopment Agency Special Revenue

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ 11,477,111	\$ 11,477,111	\$ 11,477,111	\$ -
Resources (inflows):				
Taxes	822,600	822,600	869,732	47,132
Use of money and property	360,739	360,739	416,223	55,484
Miscellaneous	-	-	907,319	907,319
Amount available for appropriation	12,660,450	12,660,450	13,670,385	1,009,935
Charges to appropriations (outflows):				
Current:				
Housing and community development	1,106,641	1,106,641	987,671	118,970
Total charges to appropriations	1,106,641	1,106,641	987,671	118,970
Fund Balance - Ending	\$ 11,553,809	\$ 11,553,809	\$ 12,682,714	\$ 1,128,905

City of Redondo Beach
Required Supplementary Information, Continued
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2. DEFINED PENSION PLAN

A schedule of funding progress for the past three actuarial valuations is presented below.

Actuarial Valuation Date*	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	<u>Safety Plan</u>		(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
			(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)		
6/30/2006	\$ 173,773,778	\$ 206,971,506	\$ 33,197,728	84.0%	\$ 13,871,365	239.3%
6/30/2007	185,561,290	220,319,464	34,758,174	84.2%	14,969,425	232.2%
6/30/2008	195,959,373	232,567,064	36,607,691	84.3%	15,118,770	242.1%

Actuarial Valuation Date*	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	<u>Miscellaneous Plan</u>		(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
			(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)		
6/30/2006	\$ 99,965,770	\$ 108,578,292	\$ 8,612,522	92.1%	\$ 18,128,139	47.5%
6/30/2007	107,468,916	117,169,713	9,700,797	91.7%	20,093,839	48.3%
6/30/2008	114,865,498	124,542,795	9,677,297	92.2%	20,641,265	46.9%

* Latest information available.

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3. OTHER POST EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the City's Plan

	(A)	(B)	(C)	(D)	(E)	(F)
		Actuarial	(Unfunded)			Unfunded
Actuarial	Actuarial	Accrued	Actuarial	Funded		Actuarial
Valuation	Asset	Liability	Accrued	Ratio	Covered	Liability as
Date	Value	Entry Age	Liability	(A / B)	Payroll	Percentage of
	(A)	(B)	(A - B)			Covered
						Payroll
						(C / E)
6/30/2008	\$ -	\$ 14,474,000	\$ (14,474,000)	0.0%	\$ 36,525,000	39.63%

City of Redondo Beach
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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

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

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

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

The City commissioned a physical assessment of the street conditions as of June 30, 2008. The study assisted the City by providing inspection data used to evaluate pavement condition. This helped to establish a City-defined target level of pavement performance, while optimizing the expenditure of limited fiscal resources. The entire pavement network within the City is composed of approximately 125 centerline miles of paved surfaces. The City's street system can be grouped by function class as follows: 22 centerline miles of arterial, 5 centerline miles of collector and 98 centerline miles of residential.

In June 2009, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Rating ranged from 0 and 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the visual survey is updated to reflect the pavement's current condition.

City of Redondo Beach
Required Supplementary Information, Continued
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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	90 - 100
Good	70 - 89
Fair	50 - 69
Poor	0 - 49

In line with the Capital Improvement Program and as presented to City Council on December 2002, City policy is to achieve an average rating of 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.

The City established the standard of 70 for the fiscal years of 2007, 2008, and 2009. The condition assessments for the most recent years since implementation are as follows:

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2006	76	Very Good	19%
		Good	55%
		Fair	13%
		Poor	13%
2007	77	Very Good	26%
		Good	51%
		Fair	11%
		Poor	12%
2008	84	Very Good	47%
		Good	37%
		Fair	10%
		Poor	6%
2009	79	Very Good	21%
		Good	61%
		Fair	8%
		Poor	10%

City of Redondo Beach
Required Supplementary Information, Continued
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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The City expended \$3,894,595 on street improvement projects for the fiscal year ended June 30, 2009. These capital improvement expenditures enhanced the condition of many streets and delayed deterioration on others. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2009 through June 30, 2011 is a minimum of \$10,200,000.

A schedule of budget versus actual for the most recent years since implementation, which preserved City streets at the current 79 rating is presented below.

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Funded by General Fund</u>	<u>Funded by Other Funds</u>	<u>Total Expenditures</u>
2004-2005	\$ 5,267,860	\$ 1,283,225	\$ 1,062,881	\$ 2,346,106
2005-2006	5,576,360	110,527	991,714	1,102,241
2006-2007	6,493,717	1,292,207	569,668	1,861,875
2007-2008	11,633,589	154,835	2,824,248	2,979,083
2008-2009	10,835,819	1,543,773	2,350,822	3,894,595

As of June 30, 2009, 29% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is 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.

City of Redondo Beach
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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

<u>Project</u>	<u>Project #</u>	<u>Budget</u>	<u>General Fund Expenditures</u>	<u>Other Fund Expenditures</u>	<u>Total Expenditures</u>
Catalina Avenue Slurry Seal	40101	\$ 554,000	\$ 65,161	\$ 392,223	\$ 457,384
High Lane Traffic Program	40110	7,647	-	-	-
Bus Shelters & Benches	40120	600,000	-	408	408
Pavement & Sidewalk Repairs	40140	201,627	158,195	-	158,195
Pavement Management Study	40170	129,648	30,006	13,005	43,011
Residential Street Rehabilitation	40190	1,749,230	496,438	814,429	1,310,868
Catalina/PCH Intersection Improvement	40220	1,045,962	158,662	941,296	1,099,959
Calle Miramar/Paseo De La Playa	40300	187,622	204,377	-	204,377
Torrance Blvd/PCH Left Turn Signal	40320	89,232	-	33,595	33,595
Esplanade Streetscape Improvements	40380	2,968,165	231,946	(36)	231,910
Citywide Curb Ramp Improvements	40399	-	-	287	287
Artesia Boulevard Landscaping	40400	-	24	-	24
Torrance Blvd Streetscape Master Plan	40410	6,544	-	-	-
190th St. Resurf-Cluster to Hawthorne	40430	21,958	322	-	322
Catalina Corridor Beautification	40450	6,123	-	-	-
Target Community Improvements	40460	91,090	-	-	-
Traffic Calming Project	40470	72,033	61,743	-	61,743
School Safety Zone Program	40480	217,654	-	2,135	2,135
Catalina At Emerald Accessible Ped	40490	16,305	-	37,805	37,805
Bicycle Trans Plan Implementation	40510	50,708	-	12,000	12,000
Camino Real - Juanita to Ecl	40520	(1,966)	-	-	-
182nd St - Hawthorne to Kingsdale	40530	1,966	-	-	-
Main Library Parking Garage Co Sensor	40560	26,635	26,635	-	26,635
PCH/Sapphire/Francisa Traffic Calm	40570	119,688	-	77,243	77,243
Aviation Blvd Resurf-Carnegie/Harpr	40580	610,000	132	-	132
PV Blvd Resurf-Ave F/E City Limit	40590	475,611	162	-	162
Catalina/Harbor Advd Traf Sig Mgmt	40600	417,500	-	960	960
No Redondo Bikeway Light & Amenities	40610	175,000	-	11,010	11,010
RB Ave - Marine Ave to MBB	40620	800,000	-	5,624	5,624
Torrance Blvd Streetscape Improv	40630	95,837	77,056	8,837	85,893
Riviera Village Improvements	40640	100,000	32,912	-	32,912
		<u>\$ 10,835,819</u>	<u>\$ 1,543,773</u>	<u>\$ 2,350,822</u>	<u>\$ 3,894,595</u>

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