

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 June 22, 2010, the City declared a fiscal emergency. For more detailed information, see Note 15 in the Notes to the Financial Statements.

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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010 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 the Required Supplementary Information.

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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 10, 2010

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, 2010. 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, 2010 by \$215.3 million - assets for governmental activities exceeded liabilities by \$153.8 million and assets for business-type activities exceeded liabilities by \$61.5 million.

Changes in Net Assets - The City's net assets increased \$462,650 in fiscal year 2009-2010. Net assets of governmental activities decreased \$145,306, while net assets of business-type activities increased \$557,956.

♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2009-2010, the City's total governmental funds reported a fund balance of \$29.2 million, a decrease of \$8.8 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, 2010 was \$9.9 million, a decrease of \$131,245 from the prior year.

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2010 was (\$2.3) million, increasing the negative fund balance by \$1.3 million when compared to prior year.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2010 was \$13.3 million, an increase of \$575,101 from the prior year.

Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2010, was \$6.5 million, a decrease of \$6.0 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, 2010, was \$8.4 million, a decrease of \$1.7 million from the prior year.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2010, was (\$15.8) million, increasing the negative fund balance by \$53,011 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, sewer (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, major facilities 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 | |
|---------------------------|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
| | 2009-2010 | 2008-2009 | 2009-2010 | 2008-2009 | 2009-2010 | 2008-2009 |
| Current and Other Assets | \$ 63,085,693 | \$ 67,145,078 | \$ 35,999,882 | \$ 36,137,332 | \$ 99,085,575 | \$ 103,282,410 |
| Capital Assets, net depre | 137,764,053 | 136,668,830 | 39,643,363 | 39,243,111 | 177,407,416 | 175,911,941 |
| Total assets | 200,849,746 | 203,813,908 | 75,643,245 | 75,380,443 | 276,492,991 | 279,194,351 |
| Long-Term Liabilities | | | | | | |
| Outstanding | 38,765,368 | 43,229,908 | 12,890,738 | 13,313,353 | 51,656,106 | 56,543,261 |
| Other Liabilities | 8,354,326 | 6,708,642 | 1,215,666 | 1,088,205 | 9,569,992 | 7,796,847 |
| Total Liabilities | 47,119,694 | 49,938,550 | 14,106,404 | 14,401,558 | 61,226,098 | 64,340,108 |
| Investments in Capital | | | | | | |
| Net of Related Debt | 137,743,367 | 135,170,376 | 35,985,952 | 35,414,035 | 173,729,319 | 170,584,411 |
| Restricted | 16,803,437 | 17,828,013 | - | - | 16,803,437 | 17,828,013 |
| Unrestricted | (816,752) | 876,969 | 25,550,889 | 25,564,850 | 24,734,137 | 26,441,819 |
| Total Net Assets | \$ 153,730,052 | \$ 153,875,358 | \$ 61,536,841 | \$ 60,978,885 | \$ 215,266,893 | \$ 214,854,243 |

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 \$215.3 million at the close of fiscal year ending June 30, 2010.

The largest portion of the City's total net assets (80.7%) 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 (19.3%) 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 2009-2010 total net assets increased by \$412,650, or 0.2%, from the prior year. The governmental activities net assets decreased \$145,306, or 0.1%, while the business-type activities net assets increased \$557,956, or 0.9%.

The decrease in net assets of governmental activities of \$145,306 was due to a decrease in total assets of \$3.0 million offset by a decrease in liabilities of \$2.8 million. Within total assets, the decrease in current and other assets was attributable to decreases in revenues. Decreases to general revenues were mainly due to significant reductions in sales tax, transient occupancy tax, franchise tax, and other revenues. The substantial decrease in other revenues is due to a one-time release of bond reserve proceeds (revenue) to the Redevelopment Agency's low and moderate housing income fund in the amount of \$905,418 in the prior year that was not repeated in FY 2009-2010. The offset to these general revenue reductions was an increase in program revenues, primarily driven by increases in capital grants and contributions related to public safety, public works, and housing and community development. The substantial increase in capital grants and contributions related to public works and housing and community development is due to the awarding of American Reinvestment and Recovery Act (ARRA) funds for three transit bus purchases and various street improvement projects. The decrease in total liabilities was principally attributable to decreases in long-term liabilities. The reasons for this decrease are as follows: (1) general government, public safety, and cultural and leisure services related expenses decreased, primarily due to reductions in personnel related costs as a result of a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions and (2) long-term debt payable diminished due to the principal payments made on the City's various bonds and loans, which reduces the interest expense on those debts. Other liabilities, specifically accounts payable, increased mainly due to the timing of payments to vendors. Business-type activities showed a 0.9% increase in net assets primarily due to increased revenue from charges for services.

City of Redondo Beach's Changes in Net Assets
Fiscal Year Ended June 30, 2010 and 2009

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2009-2010 | 2008-2009 | 2009-2010 | 2008-2009 | 2009-2010 | 2008-2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 16,592,335 | \$ 17,262,299 | \$ 15,138,056 | \$ 14,593,882 | \$ 31,730,391 | \$ 31,856,181 |
| Operating grants and contributions | 8,715,661 | 9,137,687 | 17,769 | 162,512 | 8,733,430 | 9,300,199 |
| Capital grants and contributions | 6,605,139 | 3,486,113 | - | - | 6,605,139 | 3,486,113 |
| Total program revenues | <u>31,913,135</u> | <u>29,886,099</u> | <u>15,155,825</u> | <u>14,756,394</u> | <u>47,068,960</u> | <u>44,642,493</u> |
| General revenues: | | | | | | |
| Property taxes | 29,598,821 | 28,612,395 | - | - | 29,598,821 | 28,612,395 |
| Sales taxes | 7,839,179 | 9,329,872 | - | - | 7,839,179 | 9,329,872 |
| Utilities users taxes | 8,043,207 | 7,848,157 | - | - | 8,043,207 | 7,848,157 |
| Motor vehicle license | 198,745 | 205,403 | - | - | 198,745 | 205,403 |
| Transient occupancy taxes | 3,204,045 | 3,485,290 | - | - | 3,204,045 | 3,485,290 |
| Franchise taxes | 1,673,632 | 1,970,548 | - | - | 1,673,632 | 1,970,548 |
| Business license taxes | 1,256,462 | 1,293,056 | - | - | 1,256,462 | 1,293,056 |
| Use of money and property ¹ | 5,118,217 | 4,948,736 | 801,184 | 944,480 | 5,919,401 | 5,893,216 |
| Other revenues | 1,089,627 | 1,599,388 | 176,052 | 195,080 | 1,265,679 | 1,794,468 |
| Gain (loss) on sale of capital asset | 26,396 | 28,288 | (16,398) | - | 9,998 | 28,288 |
| Total general revenues | <u>58,048,331</u> | <u>59,321,133</u> | <u>960,838</u> | <u>1,139,560</u> | <u>59,009,169</u> | <u>60,460,693</u> |
| Total revenue | <u>89,961,466</u> | <u>89,207,232</u> | <u>16,116,663</u> | <u>15,895,954</u> | <u>106,078,129</u> | <u>105,103,186</u> |
| Expenses: | | | | | | |
| General government | 7,618,055 | 9,234,672 | - | - | 7,618,055 | 9,234,672 |
| Public safety | 40,737,832 | 42,293,976 | - | - | 40,737,832 | 42,293,976 |
| Public works | 17,980,811 | 12,538,423 | - | - | 17,980,811 | 12,538,423 |
| Cultural and leisure services | 6,543,884 | 7,586,649 | - | - | 6,543,884 | 7,586,649 |
| Housing and community development | 16,227,602 | 17,696,101 | - | - | 16,227,602 | 17,696,101 |
| Interest on long-term debt | 1,077,588 | 1,747,427 | - | - | 1,077,588 | 1,747,427 |
| Harbor Tidelands | - | - | 5,372,721 | 5,360,523 | 5,372,721 | 5,360,523 |
| Harbor Uplands | - | - | 4,441,227 | 5,288,345 | 4,441,227 | 5,288,345 |
| Wastewater | - | - | 3,364,549 | 2,092,245 | 3,364,549 | 2,092,245 |
| Solid Waste | - | - | 2,207,319 | 3,228,498 | 2,207,319 | 3,228,498 |
| Total expenses | <u>90,185,772</u> | <u>91,097,248</u> | <u>15,385,816</u> | <u>15,969,611</u> | <u>105,571,588</u> | <u>107,066,859</u> |
| Change in net assets before transfers | <u>(224,306)</u> | <u>(1,890,016)</u> | <u>730,847</u> | <u>(73,657)</u> | <u>506,541</u> | <u>(1,963,673)</u> |
| Transfers | 79,000 | 1,142,313 | (79,000) | (1,142,313) | - | - |
| f Change in net assets | <u>(145,306)</u> | <u>(747,703)</u> | <u>651,847</u> | <u>(1,215,970)</u> | <u>506,541</u> | <u>(1,963,673)</u> |
| Net assets, beginning of year as restated | <u>153,875,358</u> | <u>154,623,061</u> | <u>60,884,994</u> | <u>62,194,855</u> | <u>214,760,352</u> | <u>216,817,916</u> |
| Net assets, end of year | <u>\$ 153,730,052</u> | <u>\$ 153,875,358</u> | <u>\$ 61,536,841</u> | <u>\$ 60,978,885</u> | <u>\$ 215,266,893</u> | <u>\$ 214,854,243</u> |

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 increased in fiscal year 2009-2010 by \$974,943, or 1.6%. The increase in revenues was mainly due to capital grants and contributions. The substantial increase in capital grants and contributions related to public works and housing and community development is due to the awarding of American Reinvestment and Recovery Act (ARRA) funds for three transit bus purchases and various street improvement projects. Offsetting the substantial increase in capital grants and contributions were significant reductions in sales tax, transient occupancy tax, franchise tax, and other revenues, a result of disappointingly slow economic growth and a one-time release of bond reserve proceeds to the Redevelopment Agency's low and moderate housing income fund in the amount of \$905,418 in the prior year that was not repeated in fiscal year 2009-2010.

Citywide total expenses decreased \$1.5 million, or 1.4%, when compared to fiscal year 2008-2009. The decreases in general government, public safety, and cultural and leisure services resulted primarily from reductions in personnel related costs as a result of a citywide hiring freeze, employee concessions and elimination of funding for selected filled and vacant positions. The decrease in housing and community development is due to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and a decrease in transit related contracts and projects as a result of reduced Proposition A funding. Offsetting these decreases is a substantial increase in public works expenses, primarily due to construction related expenses of the North Branch Library/Hayward Center and numerous ARRA funded street improvement projects, such as the Aviation Blvd Resurfacing Project and the Esplanade Streetscapes Project.

Governmental Activities

As reflected in the Changes in Net Assets schedule above, the total governmental activity expenses were \$90.2 million in fiscal year 2009-2010; whereas, total revenues from governmental activities were \$90.0 million, of which 35.5% were derived from program revenues consisting of charges for services and grants.

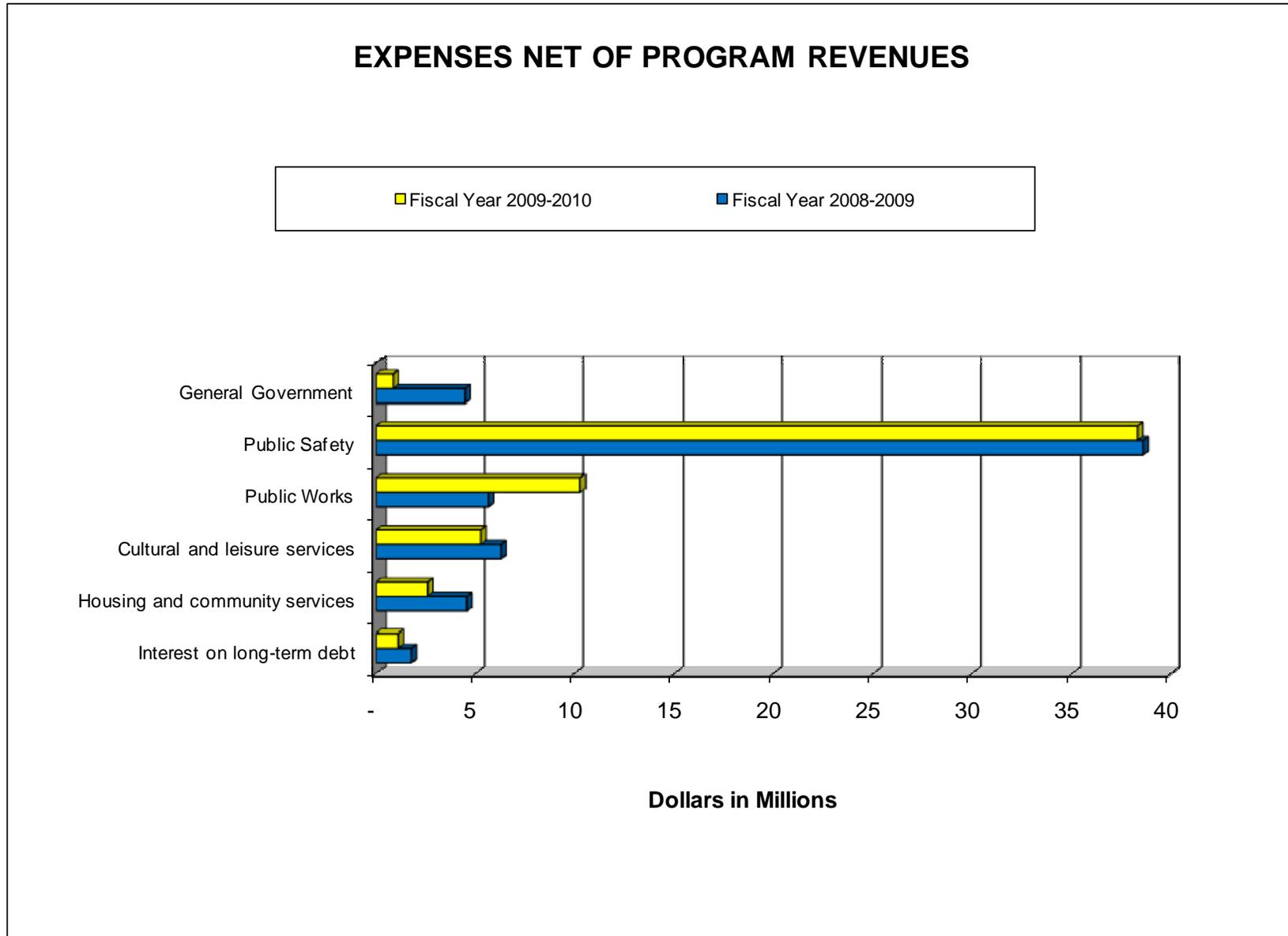
On the following chart, the governmental activity expenses net of program revenues, decreased \$3.0 million, or 4.9%, in fiscal year 2009-2010. Net expenses related to public safety remained relatively flat versus prior year. General government net expenses decreased substantially due to reductions in personnel related costs as a result of a citywide hiring freeze, employee concessions, elimination of funding for selected filled and vacant positions, decreased attorneys fees, and reduced election related expenses, as well as increases in charges for services specifically related to parking meter fees, planning fees, and plan check fees. Decreases in cultural and leisure services and housing and community development net expenses are primarily due to reduced personnel costs resulting from a citywide hiring freeze employee concessions, elimination of funding for selected filled and vacant positions, and increases in grants and contributions. Interest on long-term debt decreased due to the retirement of the outstanding Public Financing Authority 2000 Tax Allocation Bonds and the Redevelopment Agency 2008 Tax Allocation Refunding Bonds.

Offsetting these decreases is a substantial increase in public works net expenses. The increase in public works of \$4.6 million, or 81.9%, is primarily due to construction related expenses of the North Branch Library/Hayward Center and numerous ARRA funded street improvement projects, such as the Aviation Blvd Resurfacing Project and the Esplanade Streetscapes Project.

| | Impact to Net Assets | | Percent Increase (Decrease) |
|---|------------------------|------------------------|--------------------------------|
| | 2009-2010 | 2008-2009 | |
| Governmental Activities: | | | |
| <i>Expenses Net of Program Revenues*</i> | | | |
| General government | \$ (813,713) | \$ (4,435,073) | (81.7%) |
| Public safety | (38,289,774) | (38,574,472) | (0.7%) |
| Public works | (10,254,869) | (5,638,152) | 81.9% |
| Cultural and leisure services | (5,247,332) | (6,293,912) | (16.6%) |
| Housing and community development | (2,589,361) | (4,522,113) | (42.7%) |
| Interest on long-term debt | (1,077,588) | (1,747,427) | (38.3%) |
| Total Governmental Activity Expenses | | | |
| Net of Program Revenues | <u>\$ (58,272,637)</u> | <u>\$ (61,211,149)</u> | (4.8%) |

*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.

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



General Revenues Related to Governmental Activities

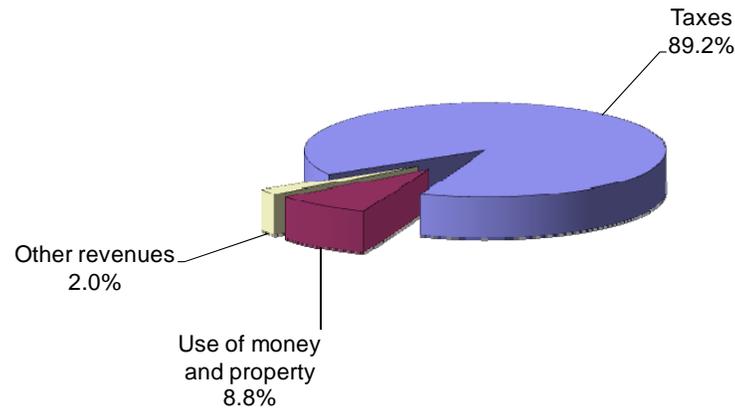
| <u>General Revenues</u> | <u>2009-2010</u> | <u>2008-2009</u> |
|--|----------------------|----------------------|
| Taxes | \$ 51,836,491 | \$ 52,744,721 |
| Use of money and property ¹ | 5,118,217 | 4,948,736 |
| Other revenues ² | 1,172,623 | 2,769,989 |
| Total General Revenues | <u>\$ 58,127,331</u> | <u>\$ 60,463,446</u> |

¹ Includes investment earnings

² 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 \$58.1 million in fiscal year 2009-2010. The largest percentage of these revenues for fiscal year 2009-2010 (89.2%) was derived from taxes, decreasing 1.7% 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 10.8% of General Revenues, these items in total reflected a decrease of 18.4% over the prior year. The largest decrease was experienced in other revenues, primarily resulting from two, one-time transactions that substantially enhanced revenues in fiscal year 2008-2009. They were as follows: (1) in fiscal year 2008-2009, Heritage Pointe bond reserve proceeds were released to the Redevelopment Agency's low and moderate housing income fund, increasing other revenues by \$905,418 and (2) in fiscal year 2008-2009, transfers to governmental activities (specifically general fund) from business-type activities - \$877,000 from the Solid Waste Fund and \$200,313 from the Wastewater 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 increased the City's total net assets by \$557,956 from the prior year, after consideration of a prior period adjustment totaling \$93,981.

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 2009-2010, the total net assets of the Harbor Tidelands, after consideration of a prior period adjustment of \$57,738 increased \$521,132 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 2009-2010, the assets of Harbor Uplands decreased by \$400,396 from prior year. The major causes for the decrease were to due prior period adjustments of \$36,153 relating to amounts that were erroneously recorded as revenue in prior years, which are now properly classified as deposits payable; depreciation of capital assets; and an increase in harbor operating lease deposits, a liability to the City.

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 total net assets of Wastewater increased \$333,522 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 total net assets of Solid Waste increased \$103,698 from prior year.

INTERNAL SERVICE FUNDS

The City has seven internal service funds: Vehicle Replacement, Building Occupancy, Information Technology, Self-Insurance Program, Printing and Graphics, Emergency Communications, and Major Facilities Repair. 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

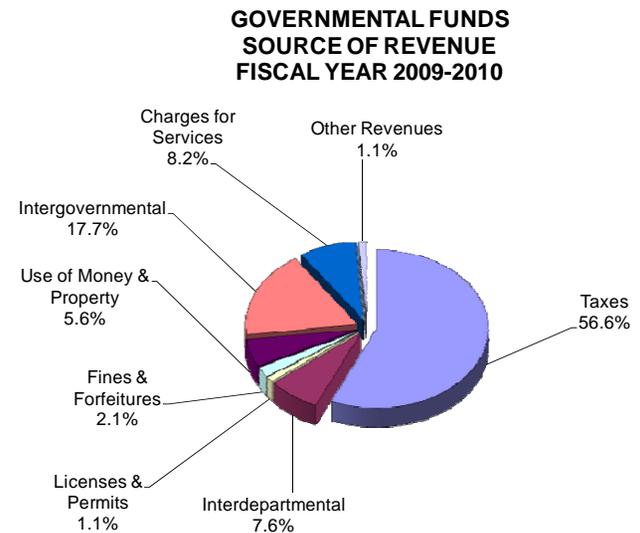
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, 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, 2010, 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 09-10 | Percent of Total | Increase (Decrease) FY 08-09 | Percent Increase (Decrease) |
|-------------------------|----------------------|---------------------|------------------------------------|-----------------------------------|
| Taxes | \$ 49,946,499 | 56.6% | \$ (2,383,518) | (4.6%) |
| Interdepartmental | 6,681,277 | 7.6% | 25,819 | 0.4% |
| Licenses & permits | 930,523 | 1.1% | (75,552) | (7.5%) |
| Fines & forfeitures | 1,875,287 | 2.1% | 29,449 | 1.6% |
| Use of money & property | 4,929,845 | 5.6% | (750,488) | (13.2%) |
| Intergovernmental | 15,619,990 | 17.7% | 1,628,579 | 11.6% |
| Charges for services | 7,279,164 | 8.2% | 332,091 | 4.8% |
| Other revenues | 999,916 | 1.1% | (704,068) | (41.3%) |
| Total | \$ 88,262,501 | 100.0% | \$ (1,897,688) | (2.1%) |

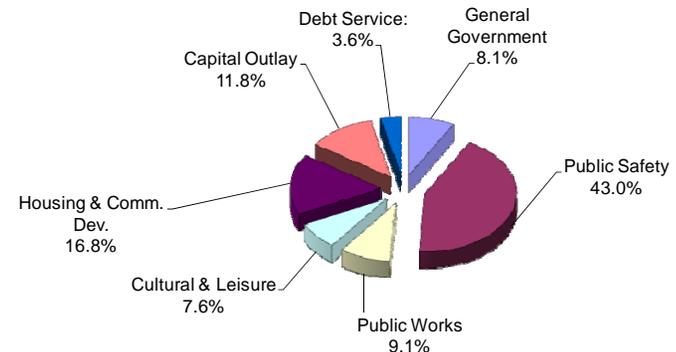


Total governmental fund revenues decreased \$1.9 million, or 2.1%, from fiscal year 2008-2009. The largest source of revenue was taxes, which decreased \$2.4 million, or 4.6%, which was primarily due to decreases in sales tax, transient occupancy tax, and franchise tax resulting from persistently low consumer confidence and disappointingly slow economic growth. Interdepartmental and fines and forfeitures revenue remained relatively flat from fiscal year 2008-2009. Licenses and permits revenue decreased \$75,552, or 7.5%, due entirely to decreases in plumbing, electric, and mechanical permit fees. Use of money and property revenue decreased \$750,488, or 13.2%, due to declines in investment earnings and rents and percentages. Intergovernmental increased \$1.6 million, or 11.6%, due to a substantial increase in capital grants and contributions related to the awarding of American Reinvestment and Recovery Act (ARRA) funds for three transit bus purchases and various street improvement projects. Charges for services increased \$332,091, or 4.8%, due to increases in parking meter fees, planning fees, and plan check fees. Other revenues decreased \$704,068, or 41.3%, due primarily from the one-time release of the Heritage Pointe bond reserve proceeds to the Redevelopment Agency's low and moderate housing income fund in fiscal year 2008-2009.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2010, 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 09-10 | Percent Total | Increase (Decrease) FY 08-09 | Percent Increase (Decrease) |
|--------------------------------------|----------------------|------------------|------------------------------------|-----------------------------------|
| Current: | | | | |
| General government | \$ 7,901,358 | 8.1% | \$ (792,531) | (9.1%) |
| Public safety | 41,964,634 | 43.0% | (905,164) | (2.1%) |
| Public works | 8,837,700 | 9.1% | (717,293) | (7.5%) |
| Cultural and leisure services | 7,427,423 | 7.6% | 54,732 | 0.7% |
| Housing and community development | 16,392,441 | 16.8% | (1,176,608) | (6.7%) |
| Capital outlay | 11,562,615 | 11.8% | 5,878,888 | 103.4% |
| Debt service | 3,561,095 | 3.6% | (1,626,266) | (31.4%) |
| Total | \$ 97,647,266 | 100.0% | \$ 715,758 | 0.7% |

**GOVERNMENTAL FUNDS
EXPENDITURES BY CATEGORIES
FISCAL YEAR 2009-2010**



Total governmental fund expenditures increased \$715,758, or 0.7%, from fiscal year 2008-2009. As mentioned earlier, the variances are attributable to:

- General government decreased by \$792,531, or 9.1%; Public safety decreased by \$905,164, or 2.1%; and public works decreased by \$717,293, or 7.5%; due primarily to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions.
- Housing and community development decreased by \$1.2 million, or 6.7%, due to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, elimination of funding for selected filled and vacant positions, and a decrease in transit related contracts and projects as a result of reduced Proposition A funding.
- Capital outlay expenditures increased by \$5.9 million, or 103.4%, primarily due to construction related expenses of the North Branch Library and numerous ARRA funded street improvement projects, such as the Aviation Blvd. Resurfacing Project and the Sapphire Storm Drain Project.
- Debt service expenditures decreased by \$1.6 million, or 31.4%. The substantial decrease is due to the retirement of the outstanding Public Financing Authority 2000 Tax Allocation Bonds in fiscal year 2008-2009.

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, 2010 was (\$2.3) million, increasing the negative fund balance by \$1.3 million when compared to prior year. The increase in negative fund balance is due to an increase in capital outlay related to ARRA funded street improvement projects, such as the Aviation Blvd. Resurfacing Project and the Esplanade Streetscapes Project.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2010 was \$13.3 million, an increase of \$575,101 from the prior year. The increase is due to greater tax revenue and lower housing and community development related expenses versus prior year.

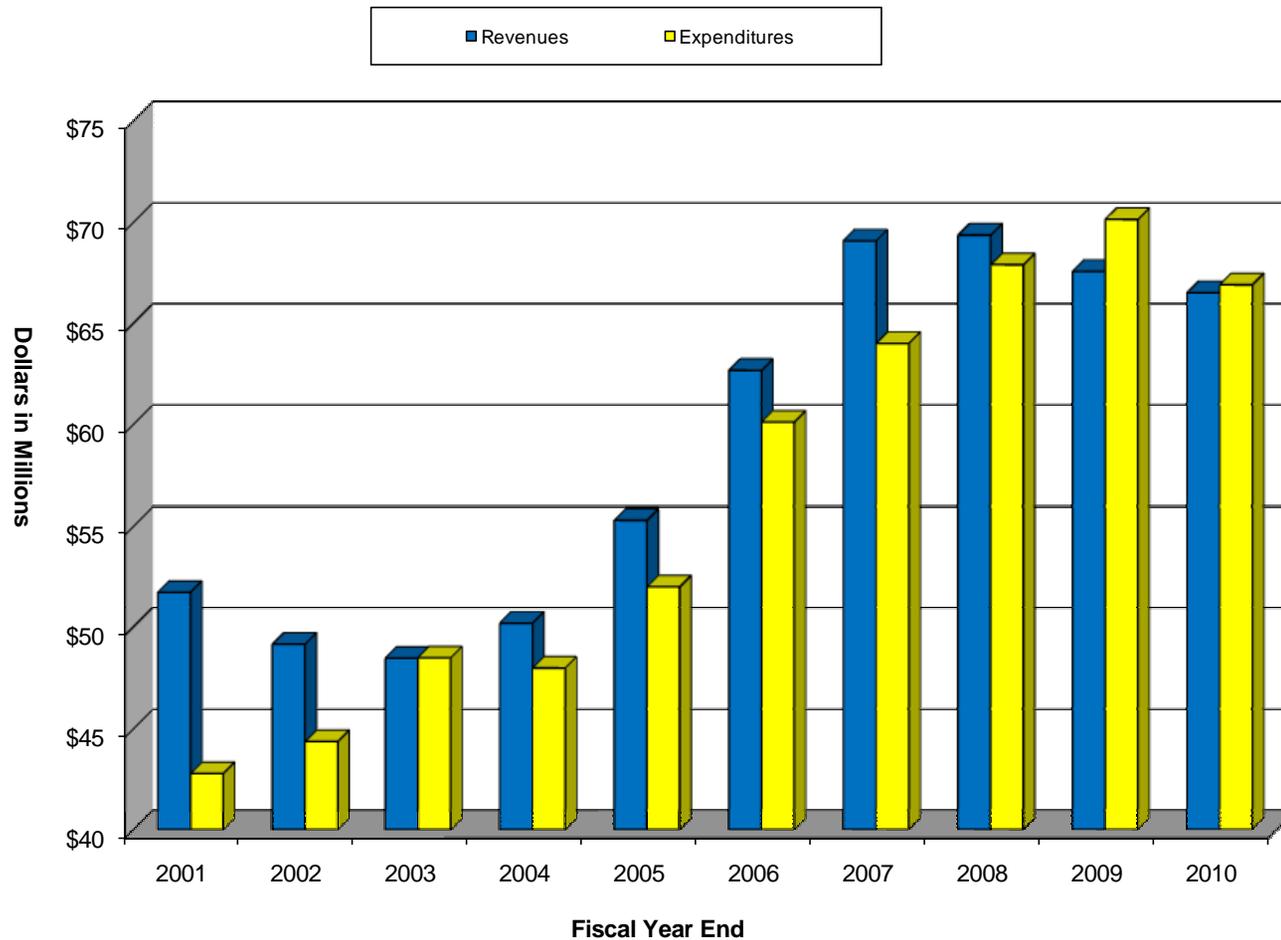
Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2010, was \$6.5 million, a decrease of \$6.0 million from the prior year. The decrease is primarily due to an increase in capital outlay related to construction of the North Branch Library/Hayward Center

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2010, was \$8.4 million, a decrease of \$1.7 million from the prior year. The decrease is primarily due to the retirement of the Redevelopment Agency 2008 Tax Allocation Refunding Bonds, decreased investment earnings, and a reduction in rents and percentages.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2010, was (\$15.8) million, increasing the negative fund balance by \$53,011 when compared to prior year.

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 2008-2009 to fiscal year 2009-2010.

REVENUES VS. EXPENDITURES General Fund – Last Ten Years



Impacts of both increases and decreases to General Fund revenues resulted in a net decrease of \$1.0 million, or 1.5%, from fiscal year 2008-2009. The majority of the decrease in revenue was due to declines in taxes, specifically sales tax, transient occupancy tax, and franchise tax resulting from persistently low consumer confidence and disappointingly slow economic growth. The decrease in these revenues was slightly offset by an increase in revenues related to charges for services.

General Fund expenditures decreased by \$3.2 million, or 4.7%. As mentioned earlier, decreases were due primarily to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions.

General Fund Balance

The fund balance of the General Fund, which includes net transfers in of \$252,658, as of June 30, 2010 was \$9.9 million, a decrease of \$131,245, when compared to the prior year. The City Council approved the designations of the General Fund balance reflected below.

| | <u>FY 07-08</u> | <u>FY 08-09</u> | <u>FY 09-10</u> |
|--|-----------------|-----------------|-----------------|
| General Fund Contingency | \$ 5,773,725 | \$ 5,673,587 | \$ 5,570,473 |
| Compensated Absences | 179,361 | 1,004,104 | 972,424 |
| Carryover Designations | 1,265,352 | 814,129 | 990,746 |
| Legal Fees | - | - | 313,000 |
| Self-Insurance Program Fund Allocation | - | 1,010,000 | - |
| Economic Contingency | 332,897 | - | - |
| Street Landscaping & Lighting | 200,000 | - | - |
| Health Ins Premium Increases | 186,000 | 180,000 | 160,000 |
| Future Labor Negotiations | 840,000 | - | - |
| Future Years' Appropriations | 2,569,817 | 653,982 | - |
| AB1805 - Booking Fees Paid to Sheriff | - | - | 5,000 |
| PERS | - | - | 1,333,167 |
| Undesignated Balance | 331,726 | 37,327 | 21,644 |

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 2009-2010 budget totaled \$70.7 million, including net amendments of \$1,458,115 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 \$200,000 for the November 2009 election.
- Appropriation of \$27,287 for replacement of damaged equipment for which insurance proceeds were received.
- Funding of prior-year encumbrances of \$500,716.
- Funding of carry-over appropriations of \$814,129.
- Reduced mid-year appropriations by \$198,763.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$700,000 and expenditures were \$2.7 million less than budgetary estimates, primarily due to 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, 2010, net capital assets of the governmental and business-type activities totaled \$137.8 million and \$39.6 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. In fiscal year 2008-2009, the PQI rating was converted to a 100 point scale to make it comparable to alternative pavement rating methods. City policy was to achieve an average rating of 80 for all streets by fiscal year 2008-2009 and maintain this rating on a go-forward basis. 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 June 30, 2010 the City's street system was rated at a PQI of 83.

The City's budget for street maintenance for the fiscal year ended June 30, 2010 was \$11.8 million. Actual expenditures were \$4.4 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, 2010 through June 30, 2012 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 | 38,780,752 | (13,839,481) | 24,941,271 |
| Equipment, Vehicles, Machinery | 21,128,142 | (13,209,879) | 7,918,263 |
| Work in Progress | 1,003,491 | - | 1,003,491 |
| Construction in Progress | 3,654,121 | - | 3,654,121 |
| Infrastructure | 123,172,058 | (39,448,098) | 83,723,960 |
| Total | <u>\$ 204,261,511</u> | <u>\$ (66,497,458)</u> | <u>\$ 137,764,053</u> |
| Capital Assets - Business-Type Activities | | | |
| Land | \$ 11,323,255 | \$ - | \$ 11,323,255 |
| Buildings and Improvements | 27,969,309 | (13,418,724) | 14,550,585 |
| Equipment, Vehicles, Machinery | 1,010,698 | (885,894) | 124,804 |
| Infrastructure | 23,480,306 | (9,835,587) | 13,644,719 |
| Total | <u>\$ 63,783,568</u> | <u>\$ (24,140,205)</u> | <u>\$ 39,643,363</u> |

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 2009-2010 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

| | Amount | Ratio of Debt to Assessed Value of Property | Debt per Capita |
|----------------------------|---------------|--|-----------------------|
| Net Direct: Bonded Debt | \$ 17,875,000 | 0.15% | \$ 262.46 |

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 "Great Recession" has ravaged the City's revenue sources, the City developed its fiscal year 2010-2011 budget as a retrenchment budget that reduces municipal services. General Fund revenues from outside sources are projected to decrease \$14,287 from the fiscal year 2009-2010 final budget. Budgetary expectations reflect:

- Property Tax revenue for FY 2010-11 is projected to decrease by \$375,000, or 2.0%, to \$18,340,000, excluding property tax in lieu of VLF and homeowners' exemptions. This slight decrease in FY 2010-11 has its roots in a general devaluation of the housing market and a weakening economy. As well, a negative CPI has been used in the Proposition 13 calculation. 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 increase \$350,000, or 4.5%, to \$8,162,000. Sales tax revenue is generally up due to an increase in consumer spending and new businesses replacing closures. This projection is conservatively based on analysis of current trends, including annual adjustments to the State "triple flip" sales tax apportionment, receipts from the City's 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 increase by \$100,000 to \$8,300,000, mainly attributable to an increase in energy costs. 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. Competition among utility providers and growth in the overall demand for services will gradually increase UUT revenue provided to support the provision of essential City operational services.
- Franchise Fees are projected to increase by \$70,000, or 3.8%, to \$1,925,000 for FY 2010-11. 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 2010-11, 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 impacts 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 2010-11 are projected to decrease by \$188,000, or 17.8%, to \$866,000. This decline is attributable to lower interest rates within the investment marketplace, a reduction in the overall size of the portfolio and the financial unfeasibility of the annual TRANS program. 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 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/In-Lieu Fees are included in intergovernmental revenues and are projected to decrease by \$28,500, or 11.9%, to \$211,000. 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.

Budgeted General Fund appropriations decreased 3.7%, or \$2.6 million, to \$66,872,426, from the prior final budget. Personnel costs decreased 2.6%, primarily due to the employee bargaining units continuing to forego cost of living increases, staff reductions, and a citywide hiring freeze. Internal service fund allocations remained the same; however, the allocation will be adjusted at the midyear review. There is a significant decrease in maintenance and operations expenditures of 16.8% from the prior year's final budget due to the prior year's final budget reflecting carryover appropriations of \$814,00, including carryover encumbrances of about \$501,000. Carryovers are not included in the FY 2010-2011 budget. While longer term projections indicate that the City must continue to keep a tight rein on spending, no reductions in City services are anticipated.

Since the recession officially ended in June 2009, Redondo Beach has realized an increase of 0.99% in real property assessed valuations for FY 2009-2010; however, other areas of the local economy provided evidence of disappointingly slow economic growth. For example, transient occupancy rates declined slightly from 76% in FY 2008-2009 to 75% in FY 2009-2010, and sales tax revenue declined 10.6% in FY 2009-2010 from the prior year, a result of persistently low consumer confidence, weak consumer spending, local competition, stagnant population growth, and rising unemployment. 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. Although Redondo Beach experienced an increase in its unemployment rate from 6.2% in FY 2008-2009 to 7.2% in FY 2009-2010, this is well below the Los Angeles County and State of California FY 2009-2010 unemployment rates of 12.3% and 12.4%, respectively.

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. Opportunities still exist to further 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