

REQUIRED SUPPLEMENTARY INFORMATION

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2010

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, contacts, 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, 2010

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ 10,025,322	\$ 10,025,322	\$ 10,025,322	\$ -
Resources (inflows):				
Taxes	49,194,000	48,118,000	48,542,165	424,165
Interdepartmental	6,997,784	6,673,267	6,681,277	8,010
Licenses and permits	927,084	930,084	930,523	439
Intergovernmental	297,500	299,135	267,303	(31,832)
Charges for services	4,714,330	4,552,075	4,940,243	388,168
Use of money and property	2,586,660	2,324,495	2,821,282	496,787
Fines and forfeitures	1,668,000	1,788,886	1,875,287	86,401
Miscellaneous	1,109,842	1,166,547	497,596	(668,951)
Transfers in	1,045,313	1,124,313	2,057,480	933,167
Amount available for appropriation	78,565,835	77,002,124	78,638,478	1,636,354
Charges to appropriations (outflows):				
Current:				
General government	9,222,947	10,008,625	7,901,358	2,107,267
Public safety	41,521,251	41,381,175	41,527,591	(146,416)
Housing and community development	4,955,126	5,160,019	5,017,769	142,250
Public works	4,900,907	5,126,122	4,757,314	368,808
Cultural and leisure services	7,136,995	7,435,139	7,411,574	23,565
Capital outlay	373,058	342,573	323,973	18,600
Transfers out	1,084,211	1,198,957	1,804,822	(605,865)
Total charges to appropriations	69,194,495	70,652,610	68,744,401	1,908,209
Fund Balance - Ending	\$ 9,371,340	\$ 6,349,514	\$ 9,894,077	\$ 3,544,563

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

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	\$ (1,081,266)	\$ (1,081,266)	\$ (1,081,266)	\$ -
Resources (inflows):				
Intergovernmental	6,988,603	8,597,163	2,805,803	(5,791,360)
Amount available for appropriation	5,907,337	7,515,897	1,724,537	(5,791,360)
Charges to appropriations (outflows):				
Current:				
Public safety	71,220	820,114	410,872	409,242
Housing and community development	-	186,000	186,000	-
Public works	68,577	95,501	79,105	16,396
Cultural and leisure services	-	40,466	15,849	24,617
Capital outlay	6,842,178	11,102,864	3,377,305	7,725,559
Total charges to appropriations	6,981,975	12,244,945	4,069,131	8,175,814
Fund Balance - Ending	\$ (1,074,638)	\$ (4,729,048)	\$ (2,344,594)	\$ 2,384,454

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

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	\$ 12,682,714	\$ 12,682,714	\$ 12,682,714	\$ -
Resources (inflows):				
Taxes	832,000	832,000	905,418	73,418
Use of money and property	358,531	358,531	389,337	30,806
Miscellaneous	-	-	177,732	177,732
Amount available for appropriation	13,873,245	13,873,245	14,155,201	281,956
Charges to appropriations (outflows):				
Current:				
Housing and community development	1,292,965	1,292,965	897,386	395,579
Total charges to appropriations	1,292,965	1,292,965	897,386	395,579
Fund Balance - Ending	\$ 12,580,280	\$ 12,580,280	\$ 13,257,815	\$ 677,535

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

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	Safety Plan		(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	Miscellaneous Plan		(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 2010, 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>
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%
2010	83	Very Good	40%
		Good	47%
		Fair	6%
		Poor	7%

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The City expended \$4,430,579 on street improvement projects for the fiscal year ended June 30, 2010. 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, 2010 through June 30, 2012 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 83 rating is presented below.

<u>Fiscal Year</u>	<u>Final Budget</u>	Funded by <u>Capital Improvement Project Fund</u>	Funded by <u>Other Funds</u>	<u>Total Expenditures</u>
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
2009-2010	11,788,643	1,413,430	3,017,149	4,430,579

As of June 30, 2010, 21% 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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For the year ended June 30, 2010

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

Project	Project #	Budget	Capital Improvement		Total
			Project Fund Expenditures	Other Fund Expenditures	
Catalina Avenue Slurry Seal	40101	\$ 96,616	\$ -	\$ 695	\$ 695
Bus Shelters & Benches	40120	599,593	-	8,746	8,746
Pavement & Sidewalk Repairs	40140	143,432	-	-	-
Bike Paths Improvement	40150	-	-	66	66
Pavement Management Study	40170	105,065	-	851	851
Residential Street Rehabilitation	40190	1,013,363	188,978	614,923	803,901
Catalina/PCH Intersection Improvement	40220	47,330	8,991	22,950	31,941
Torrance Blvd/PCH Left Turn Signal	40320	9,900	-	-	-
Esplanade Streetscape Improvements	40380	2,770,755	43,611	-	43,611
Citywide Curb Ramp Improvements	40399	160,000	-	6,035	6,035
Torrance Blvd Streetscape Master Plan	40410	6,544	-	-	-
190th St. Resurf-Cluster to Hawthorne	40430	-	-	2	2
Catalina Corridor Beautification	40450	6,123	-	-	-
Target Community Improvements	40460	91,090	-	-	-
Traffic Calming Project	40470	60,290	-	18,888	18,888
School Safety Zone Program	40480	215,519	29,146	121,656	150,802
Bicycle Trans Plan Implementation	40510	77,708	-	-	-
Aviation Blvd Resurf-Carnegie/Harpr	40580	609,868	547,224	-	547,224
PV Blvd Resurf-Ave F/E City Limit	40590	475,449	475,449	-	475,449
Catalina/Harbor Advd Traf Sig Mgmt	40600	699,940	109,550	137,461	247,011
No Redondo Bikeway Light & Amenities	40610	206,651	-	171,095	171,095
RB Ave - Marine Ave to MBB	40620	794,376	-	488,447	488,447
Torrance Blvd Streetscape Improv	40630	9,944	8,384	-	8,384
Riviera Village Improvements	40640	167,088	2,097	-	2,097
Inglewood Ave Resurf/Artesia-MBB	40660	1,058,000	-	1,392,193	1,392,193
Prospect Ave Resurf / PV Blvd - Anita	40670	920,000	-	23,634	23,634
Bus Bench Replacement	40700	118,000	-	9,507	9,507
Grant/Artesia Countdown Ped Signal	40710	33,000	-	-	-
Harbor Drive Resurf - Beryl to Herondo	40720	675,000	-	-	-
LED Streetlight Replacement Project	40730	618,000	-	-	-
		<u>\$ 11,788,644</u>	<u>\$ 1,413,430</u>	<u>\$ 3,017,149</u>	<u>\$ 4,430,579</u>

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