

City of Redondo Beach California

Revenue Manual

2010-2011



**CITY OF REDONDO BEACH
CALIFORNIA**

REVENUE MANUAL

Prepared by:
Financial Services Department

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DISCLOSURE

A number of the fund and revenue source definitions on the introductory pages of each section have been taken directly from the City's Comprehensive Annual Financial Report (CAFR), budget and other City internal working documents. The wordings of some of these definitions are substantially similar to the language in the Government Finance Officers Association (GFOA) publications and other accounting texts as well as the language in the California Constitution and Codes and the League of California Cities' "California Municipal Revenue Sources Handbook". Footnotes and direct attributions have not been included herein, since the specific source often cannot be identified.

INTRODUCTION

The City of Redondo Beach (hereinafter referred to as the "City") provides a full range of municipal services to the community. The ability to provide these services is made possible through the raising of revenue. Under State of California (hereinafter referred to as the "State") law, cities raise revenue by:

- ⊕ levying taxes;
- ⊕ imposing fees, service charges and assessments;
- ⊕ receiving funding from other governmental agencies;
- ⊕ issuing bonds; and
- ⊕ engaging in other revenue producing activities.

PURPOSE

This revenue manual is intended to:

- ⊕ present a detailed overview of the revenue sources that fund the operations and services of the City;
- ⊕ aid City staff in revenue forecasting and analysis; and
- ⊕ provide a consistent source of information on taxes and charges and fees currently assessed by the City.

SCOPE

This revenue manual defines, charts and forecasts the majority of revenues impacting the City. However, certain revenue sources are not addressed in detail because:

- ⊕ the revenue source is no longer part of the City's revenue stream (e.g., cigarette tax),
- ⊕ the revenue source is internal in nature or does not represent external funding to the City (e.g., internal service fund revenue),
- ⊕ the revenue was a "one-time" transaction which the City no longer collects (e.g., bond revenue) or
- ⊕ the original revenue source is accounted for elsewhere (e.g., a portion of capital projects revenue).

Revenues contained herein are classified by fund type, and a description of the use(s) of each revenue source is provided. Additional data and analysis regarding significant revenue of the City include:

- ⊕ Charted 10-year history and subsequent year adopted budget of each revenue source,
- ⊕ Explanation of significant revenue variances over the 10-year period,
- ⊕ Reference to legislation or other official action authorizing revenue collection,
- ⊕ Explanation of how revenue is collected and handled,
- ⊕ Methods of forecasting and analysis of revenue, and
- ⊕ Restrictions on use(s) of revenue.

CLASSIFICATIONS OF FUNDS/GLOSSARY OF TERMS

The revenue accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording resources, together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City currently uses the following funds:

- ⊕ GENERAL FUND
- ⊕ SPECIAL REVENUE FUNDS
 - ⊕ Traffic Congestion Relief Fund
 - ⊕ State Gas Tax Fund
 - ⊕ Storm Drain Improvement Fund
 - ⊕ Street Landscaping and Lighting District Fund
 - ⊕ Local Transportation Tax Fund
 - ⊕ Proposition A (Prop A) Fund
 - ⊕ Proposition C (Prop C) Fund
 - ⊕ Measure R Fund
 - ⊕ Transit Fund
 - ⊕ Air Quality Improvement Fund
 - ⊕ Intergovernmental Grants Fund
 - ⊕ Community Development Block Grant (CDBG) Fund
 - ⊕ Housing Authority Fund
 - ⊕ Parks and Recreation Facilities Fund
 - ⊕ Narcotic Seizure/Forfeiture Fund
 - ⊕ Subdivision Park Trust Fund
 - ⊕ Disaster Recovery Fund
 - ⊕ South Bay Youth Project (SBYP) Fund – Historical Data Only
 - ⊕ Workforce Investment Act (WIA) Fund – Historical Data Only
- ⊕ ENTERPRISE FUNDS
 - ⊕ Harbor Tidelands Fund
 - ⊕ Harbor Uplands Fund
 - ⊕ Solid Waste Fund
 - ⊕ Wastewater Fund
- ⊕ REDEVELOPMENT AGENCY FUNDS
 - ⊕ Redevelopment Agency

The City's funds and the revenue that each contains are discussed in detail in this manual.

I. GENERAL FUND

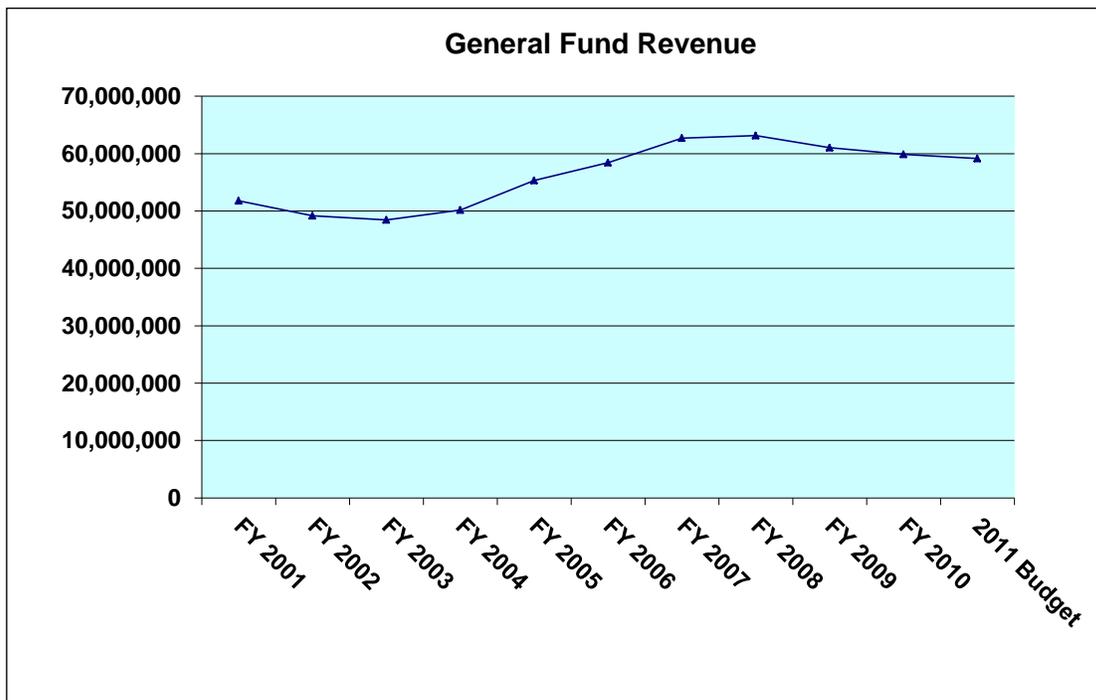
The General Fund is used to account for all revenues and expenditures that are not required to be accounted for in a separate fund; it is the fund that supports most City operations. In general, revenues which are deposited into the General Fund include most taxes, licenses and permits, fines and forfeitures, earnings from the use of money and property, intergovernmental grants and shared revenue, and service charges.

REVENUE HISTORY

The following table shows the 10-year history of all General Fund revenue as well as FY 2010-11 budgeted revenue. Overhead, which began in FY 2005-06, is considered a General Fund revenue derived from sources internal to the City. Therefore, these amounts have been excluded from the totals below.

General Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	51,771,645	-
2002	49,154,371	-5.06%
2003	48,466,116	-1.40%
2004	50,188,076	3.55%
2005	55,306,877	10.20%
2006	58,412,326	5.61%
2007	62,691,311	7.33%
2008	63,152,058	0.73%
2009	61,055,729	-3.32%
2010	59,874,400	-1.93%
2011 Budget	59,164,935	-1.18%



FORECAST

The projected FY 2010-11 budget reflects an expected continued decline in the strength of the real estate market and the economy in general. General Fund revenue from outside sources for FY 2010-11 is estimated at \$59,164,935 which represents a decrease of \$709,465 thousand, or 1.18%, from the FY 2009-10 actual amounts. Taxes are projected to decrease by \$262 thousand (0.54%). This decrease is driven by a decrease in property tax of \$559 thousand, or 2.96%, a property transfer tax decrease of \$385, or 23.62%, and transient occupancy tax decrease of \$104,045, or 3.25%. An increase in utility users' tax of \$257 thousand (3.19%) is expected as energy costs increase. Sales and use tax is expected to increase by \$323 thousand as consumer confidence rises. There will also be a rise in franchise fees of \$251 thousand. Licenses and permits are projected to remain flat except for declining construction-related fees. Investment revenue is projected to decrease \$676 thousand (43.85%) due to decreasing yields; charges for services are projected to decrease by 3.27% largely due to a decrease in the building and engineering fees.

VARIANCE ANALYSIS

In FY 2001-02, a large decrease of \$2.6 million (51.04%) was experienced in franchise fees due to the reduced price of natural gas. Substantial decreases in sales and use tax (\$720 thousand) and transient occupancy tax (\$413 thousand) were experienced due to the decline in consumer confidence after September 11, 2001.

General Fund revenue decreased slightly in FY 2002-03, with the City still feeling the effects of the economic downturn from September 11, 2001. The major revenue decreases were franchise fees which dropped \$1.1 million, or 46.39%, and investment earnings which decreased \$1.3 million (39.64%). In addition, there were smaller decreases in utility users' tax and S.B. 90 reimbursements which were partially offset by increases in property tax, sales and use tax, motor vehicle in-lieu fees and charges for services.

In FY 2003-04, General Fund revenue increased by \$1.7 million, or 3.55%, over the previous year. Substantial increases were realized in property tax and property transfer tax reflecting the strong real estate market in the South Bay. Sales and use tax, building services and planning services charges for services also increased from the prior year with the strengthening economy. These increases, however, were offset by several decreases. Parking citation revenue decreased by approximately \$500 thousand due to an accounting change. While previously accounted for fully in the General Fund, a portion (that which is related to street sweeping) of this revenue was transferred to the Solid Waste Fund. The largest decrease (\$1.5 million) was in investment earnings with a

substantial decrease in the fair market value of the City's investment portfolio. Additionally, motor vehicle in-lieu tax was down because a large portion of the State backfill scheduled to be received in FY 2003-04 was deferred until FY 2005-06.

In FY 2004-05, General Fund revenue increased by \$5.1 million, or 10.20%. Most of this increase, \$3.6 million, was due to the property tax in lieu of VLF (See Section 5 – Property Tax in Lieu of VLF). Motor vehicle in-lieu tax decreased by \$1.1 million as each city's percentage of the vehicle license fees decreased from 2% to .65% following the passage of Revenue and Taxation Code Section 97.70(c)(1)(A). Property tax revenue was up \$1.0 million as a result of increasing housing values, which also accounted for a rise in property transfer tax. There was a substantial increase in investment earnings tied to rising interest rates. These were offset by a new State take-away, revenue shifted to the State from cities and counties to provide budget relief in FY 2004-05 and FY 2005-06. The amount of the shift in FY 2004-05 was \$917,492 and was accounted for as a negative General Fund revenue.

In FY 2005-06, General Fund revenue was up \$3.1 million, or 5.61%, mostly in tax revenue. Property tax revenue increased by \$1.6 million in reaction to a continuing strong housing market and sales and use tax increased \$728 thousand, reflecting the generally strong economy. As travel and tourism remained robust, transient occupancy tax revenue increased by \$706 thousand. Property tax in lieu of VLF increased by \$839 thousand, offset by a decrease in motor vehicle in lieu tax of \$1.4 million due to a deferral of the backfill by the State (as occurred in FY 2003-04).

General Fund revenue grew by \$4.3 million, or 7.33%, in FY 2006-07. Together with a \$1.1 million increase in property tax and no State take-aways (See discussion for FY 2004-05), investment earnings increased by \$1.5 million due to favorable interest rates. In a continuing strong economy, sales and use tax revenue grew by \$549 thousand. However, construction activity and the City's related revenue sources declined due to the subprime mortgage crisis which first became apparent in 2007.

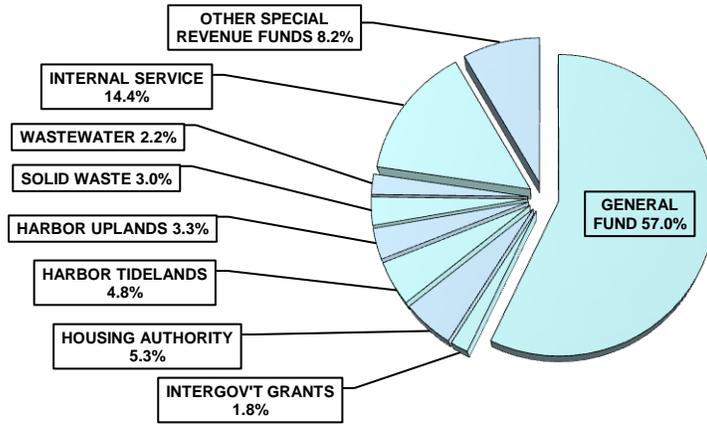
In FY 2007-08, revenue remained relatively flat, increasing by a modest \$461 thousand. Historically, impacts to the City's property tax revenue has lagged behind the economic trends. Therefore, although the strength of the local real estate moderated, property tax revenue increased by \$1.1 million and property tax in lieu of VLF increased by \$330 thousand. However, this increase was somewhat offset by a reduction in property transfer tax with fewer homes being sold. Parking citations increased by \$830 thousand due to the removal of the allocation to the Solid Waste Fund and more rigorous enforcement. In FY 2007-08, the City Council approved fee increases for nearly all services provided by the

City. However, a continued decline in construction activity more than offset the rate increases for building permits, building service fees, and planning fees.

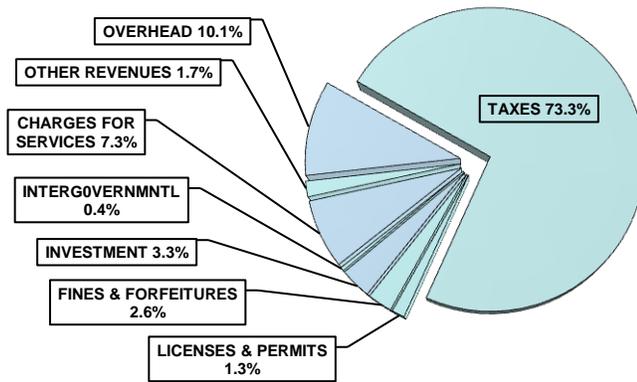
The national economy and the State financial situation drove revenue down in FY 2008-09. The General Fund revenue during this period dropped \$2.1 million, or 3.32%, led by a \$1.3 million (13.18%) decrease in sales and use tax. Property tax increased by \$897 thousand (4.95%), even with a declining house market, but property transfer tax decreased \$495 thousand (27.73%) as fewer properties were sold. Transient occupancy tax decreased \$448 thousand (11.38%) responding to less travel following a depressed economy and less discretionary income. Building permits were down \$300 thousand, or 27.63%, building services and engineering fees were down \$224 thousand and planning fees were down \$46 thousand as building and construction decreased. Intergovernmental revenue was down \$237 thousand, or 46.00%, with decreases in State library allocation of \$35 thousand, motor vehicle in lieu down \$88 thousand, S.B. 90 State mandates down \$57 thousand and grants accounting for the remainder, as the State of California dealt with its own budget crisis and economic concerns.

The economy showed little improvement in FY 2009-10 as housing, employment, and consumer confidence remained low. General Fund revenue from outside sources decreased by \$1.2 million, or 1.93%. Most of the drop can be attributed to taxes, which dropped \$1.1 million, or 2.22%, led by a drop in sales and use tax of \$929 thousand as consumer confidence remained low. A decrease in transient occupancy tax (\$281 thousand) reflected sluggish business travel and lower franchise fees (\$297 thousand) was offset by a \$340 thousand increase in property transfer tax showing property was still moving even with the current housing slump.

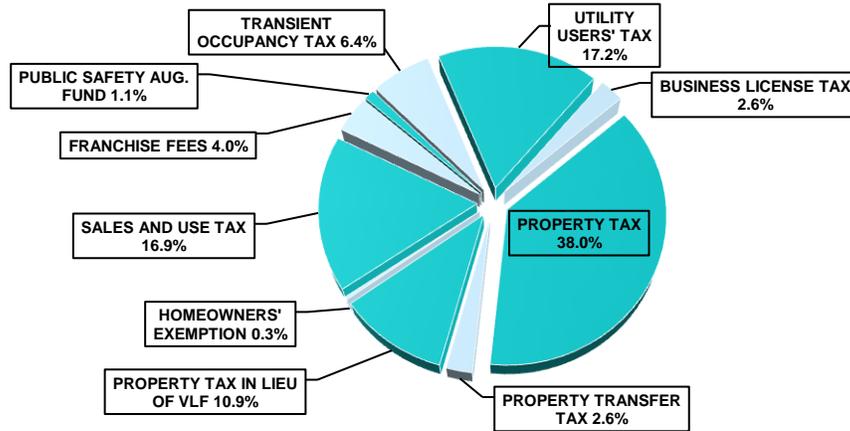
Budget FY 2010-11 – Total City Revenue
All Funds \$115,472,084



Budget FY 2010-11 - General Fund Revenue
Revenue Sources \$65,838,202



Budget FY 2010-11 – General Fund Taxes
\$48,280,300



Note: The **Total City Revenue** graph (top) does not include revenue from the Redevelopment Agency, Debt Service Funds and Operating Transfers. **Other Special Revenue Funds** include Traffic Congestion Relief, State Gas Tax, Storm Drain Improvement, Street Landscaping and Lighting, Local Transportation Tax, Prop A, Prop C, Transit, Air Quality Improvement, Intergovernmental Grants, CDGB, Housing Authority, Parks and Recreation Facilities, Narcotic Seizure/Forfeiture, Subdivision Park Trust and Disaster Recovery Funds.

The following table details the top 20 General Fund revenue sources budgeted for FY 2010-11.

TOP SOURCES OF GENERAL FUND REVENUE

Description	FY10-11 Budget
Property Tax	18,340,000
Utility Users' Tax	8,300,000
Sales and Use Tax	8,162,000
Property Tax In Lieu of VLF	5,260,000
Transient Occupancy Tax	3,100,000
Franchise Fees	1,925,000
Recreation Users Pay	1,357,654
Rents and Percentages	1,277,660
Business License Tax	1,250,000
Property Transfer Tax	1,245,000
Parking Meter Fees	1,214,700
Parking Citations	1,168,000
Investment Earnings	866,000
Construction/Excavation Permits	660,000
Building and Engineering Fees	659,000
Police Service Fees	563,400
Public Safety Augmentation Fund	542,000
Vehicle Code Fines	300,000
Motor Vehicle/In-Lieu	211,000
Fire Services	178,000

A. TAXES

Taxes are compulsory charges upon persons or property for the support of government. Generally, local taxing power finds its origin in Article XIII, Section 24 of the State Constitution, which provides in part that:

“The Legislature may not impose taxes for local purposes but may authorize local governments to impose them.”

This has been interpreted to mean that general law cities may not impose a tax unless specifically authorized to do so by the State Legislature. Historically, the State Legislature has authorized cities to impose a number of taxes such as property tax, sales and use tax, business license tax, transient occupancy (lodging) tax, and property transfer tax.

Charter cities may levy taxes without specific legislative authorization as an exercise of the municipal affairs power of Article XI, Section 5 of the State Constitution. However, even a charter city may not levy a tax when the courts have determined that the subject of the tax is a matter of “statewide concern” rather than a “municipal affair”. For example, the State levies a tax on cigarettes in lieu of local taxes, and cities may not impose an additional local cigarette tax. When taxes are levied as a matter of “statewide concern”, the revenue from these taxes is often shared with the cities as subventions. The power of a charter city to levy taxes may also be limited by a city’s own charter.

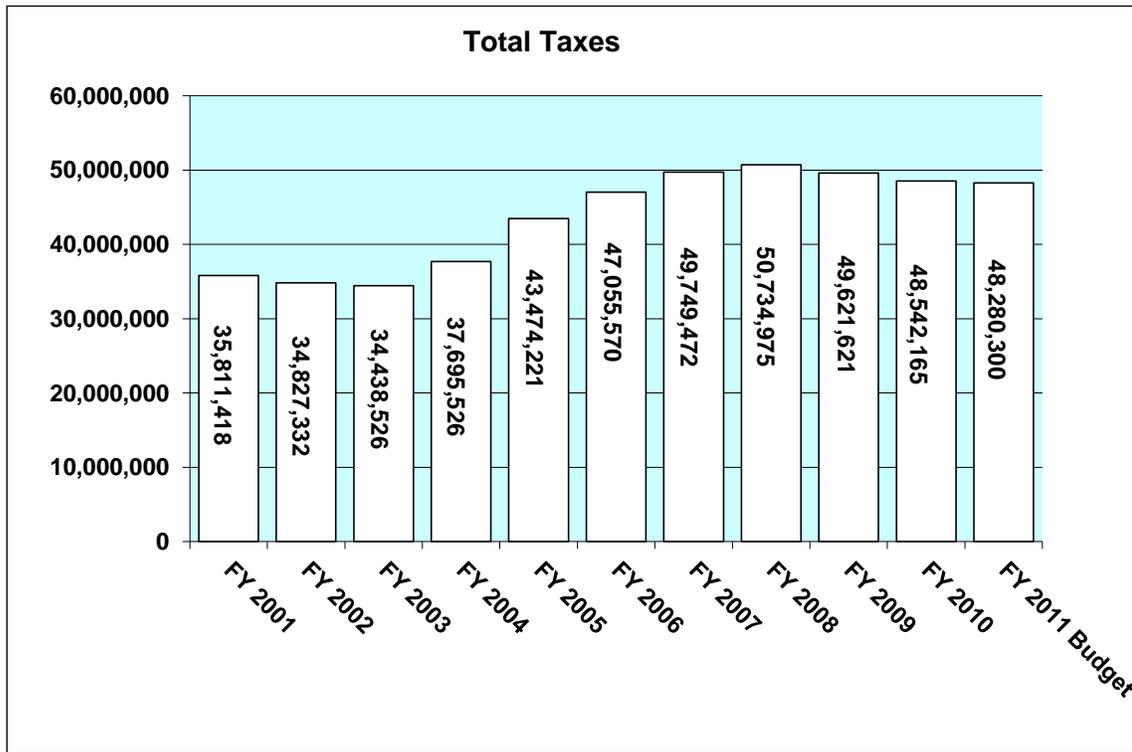
Major taxing milestones include the following.

Proposition 13, passed by the State electorate in June 1978, added Article XIII A to the State Constitution. Section 4 of such Article provides that cities may impose “special taxes” if approved by a two-thirds majority of a city’s electorate voting in an election.

Proposition 62, passed by the State electorate in 1986, prohibits a local agency from imposing or increasing (1) a tax for specific purposes (special tax) unless it is approved by two-thirds of the voters or (2) a tax for general purposes (general tax) unless it is approved by a majority of the voters. In September 1995, the California Supreme Court upheld the voter approval requirement for local taxes. General taxes (such as utility, business and hotel taxes) imposed after the passage of Proposition 62 which did not have voter approval (due to a ruling by an Appeals Court which held these provisions unconstitutional) may be subject to repeal and/or refund, and there is also a question as to whether these taxes may be maintained. The language of Proposition 62, additionally, seemed to exempt charter cities from its voter approval requirements.

Proposition 172, effective in 1994, imposes a one-half cent sales tax for public safety services, called the Public Safety Augmentation Fund. Revenue received by the State is distributed to counties based on their proportionate share of statewide taxable sales. The City’s share of this tax is calculated in the same levy and included in the City’s property tax remittance from the County.

Proposition 218, “The Right to Vote on Taxes Act” passed by the State electorate in November 1996, requires all local governments to gain majority voter approval for any new or increased general taxes. By amending the State Constitution, rather than a statute, Proposition 218 extends the general tax vote requirement to charter cities. Proposition 218 repeated the Proposition 62 requirement that special taxes receive a two-thirds voter approval. Proposition 218 also addresses the requirements regarding property-related fees and charges and assessments.



1. PROPERTY TAX

BACKGROUND

Authority: Article XIII and XIII A of the California Constitution; Revenue and Taxation Code Sections 95, 97

Administering Agency: County Assessor (assessment of property); County Tax Collector (tax collection); County Auditor (tax distribution); State Board of Equalization (assessment procedures and assessment of the State roll); State Controller (apportionment procedures)

Municipal Code: Title 8, Chapter 3

Description: An ad valorem tax imposed on real property (land and permanently attached improvements) and tangible personal property (movable property). The property tax is guaranteed by placing a lien on the real property. The property is differentiated as secured and unsecured, defined as follows:

- ⊕ *Secured Property* – real property and that personal property located on the real property of the same owner. Personal property not located on the real property is considered secured if it is located in the same county and the taxpayer certifies the real property owned is sufficient to secure the payment of the tax.
- ⊕ *Unsecured Property* – property in which the value of the lien is not sufficient to assure payment of the tax. Unsecured property is taxed at the rate which applied to secured property in the previous year.

The passage of Proposition 13 (Article XIII A of the State Constitution) in 1978 limited the property tax rate to one percent (1%) of the FY 1975-76 assessed value of taxable property. Property within the City is re-assessed by the Los Angeles County Assessor at the time of transfer of ownership at full cash value. New construction is assessed at the full market value by the Los Angeles County Assessor. Property that declines in value may also be re-assessed. If there is no change in ownership or new construction, the assessed valuation of real property may increase by smaller of the rise in the Consumer Price Index (CPI) or 2% annually.

Additional property tax may be imposed by a city if authorized by the electorate (at least two-thirds voting yes) for the purpose of paying interest and principal of general obligation bond indebtedness. Since the City of Redondo Beach has no general obligation bond indebtedness, imposition of additional property tax is not available to it.

Under Proposition 8 (1979), county assessors must temporally lower the assessed value of a property if the market value of the property falls below its factored base year value (the FY 1975-76 assessed value per Proposition 13 plus an annual increase based on the smaller of the rise in the CPI or 2%).

Property tax is collected by Los Angeles County and allocated by State law to the cities, the county, special districts, redevelopment agencies and school districts in the County. Proposition 13 set the countywide rate at 1%. Each county initially allocates revenues to local agencies based on the three years preceding FY 1978-79 (when Proposition 13 was adopted). Each year thereafter allocation is based upon the revenue allocation in the previous year plus a proportionate share of the growth in the revenue resulting from increases in assessed value in the district. Revenue from the 1% property tax is shared among the County, the City, the local school district, and special districts. Currently, the City's share of the 1% property tax is \$0.166 for every \$1.00 of property tax collected.

Property taxes are levied as of June 30 of each year, and on March 1, a tax lien is created on the property in the amount of the property taxes due.

Secured roll taxes are due in two installments on November 1 and February 1 and are delinquent if not received by December 10 and April 10. Unsecured roll taxes are due on August 31.

Object Code(s): 400000, 400010, 400020, 400030
Character Code: 40 (Taxes)

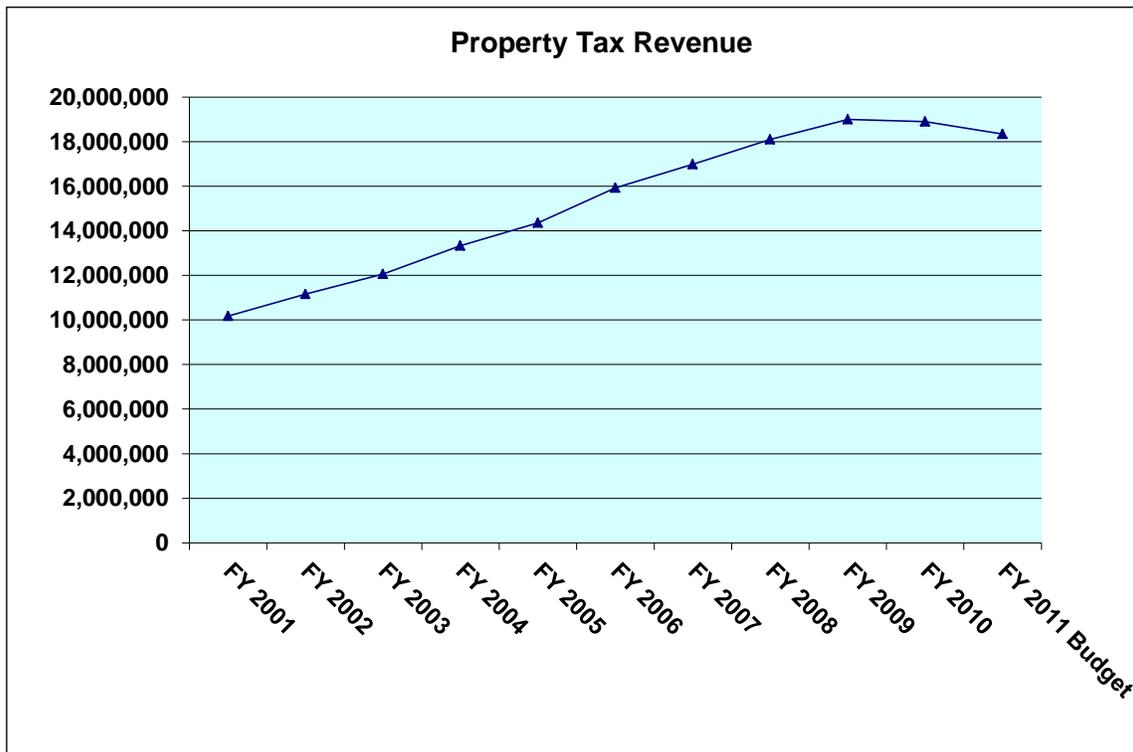
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of property tax revenue and the FY 2010-11 budgeted revenue.

Property Tax Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	10,182,418	-
2002	11,162,457	9.62%
2003	12,067,465	8.11%
2004	13,335,063	10.50%
2005	14,368,476	7.75%
2006	15,925,452	10.84%
2007	16,982,581	6.64%
2008	18,105,965	6.61%
2009	19,002,928	4.95%
2010	18,899,214	-0.55%
2011 Budget	18,340,000	-2.96%



VARIANCE ANALYSIS

In September 1999, the State Board of Equalization (SBE) adopted property tax Rule 905. This rule transferred responsibility from the SBE to County assessors for both property tax assessment and distribution of tax proceeds from deregulated electric generation facilities across the State. Assessed valuations increased steadily over the 10 year period. The housing market has taken a significant downturn, the beginnings of which were seen in FY 2008-09, and is expected to continue for several years. The desirable location and the buffer of Proposition 13 may forestall and/or lessen the negative impact of the housing market on the City.

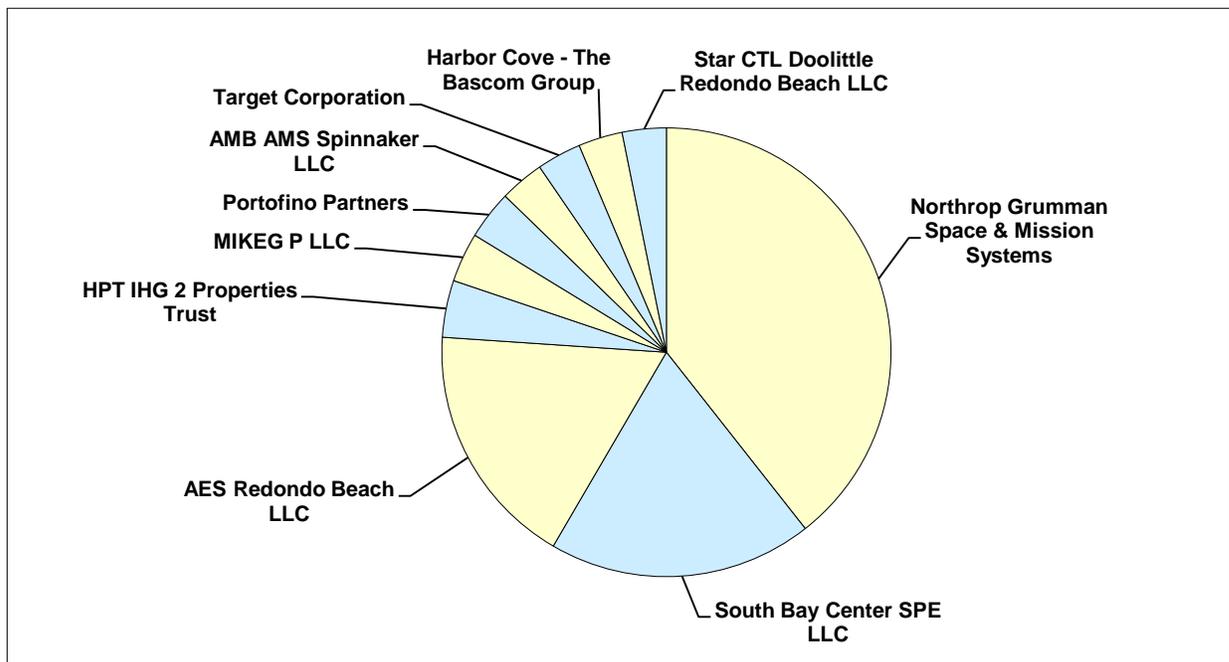
FORECAST

FY 2010-11 property tax revenue will decrease by \$559 thousand or 2.96%. This decrease is better than the housing market in general due to the combination of the location and desirability of the community and Proposition 13 valuation growth.

METHODOLOGY OF FORECASTING

Factors to be considered in analyzing property tax revenue include real estate trends over previous years, interest rates, and the overall health of the economy.

As additional information, the top ten property taxpayers as of June 30, 2010, are as follows:



2. SALES AND USE TAX

BACKGROUND

Authority: Article XIII, Section 25.5(a)(2), and Section 29 of the California Constitution; Section 7200 et seq. of the Revenue and Taxation Code

Administering Agency: State Board of Equalization

Municipal Code: Title 8, Chapter 4

Description: In California, sales and use tax is imposed on the retail price of any tangible personal property and the use or storage of such property when sales tax is not paid. It is imposed on retailers for the privilege of selling tangible personal property and on the purchaser of a product from out-of-State and delivered for storage, use or consumption in California. Excluded from this tax are resale and wholesale sales, as well as the cost of professional services and food for home consumption. Sales and use tax is collected by the SBE and distributed to cities and counties based on "point-of-sale". The use tax is charged to a purchaser, at the same rate as the sales tax, where sales taxes were not collected (such as out-of-State or out-of-Country purchases) and the items were purchased to be used in California.

The sales and use tax rate in Los Angeles County, and therefore the City, is currently 9.75% of the sale price of taxable goods and services sold. The components are as follows:

State (General Fund)	5.00%
State (Local Revenue Fund)	0.50%
State (Local Public Safety Fund)	0.50%
State (Fiscal Recovery Fund)	0.25%
State (Budget Balancing)	1.00%
Local (County/City)	1.00%
Local (County – Proposition A)	0.50%
Local (County – Proposition C)	0.50%
Local (Local Transportation Measure R)	0.50%
Total Sales and Use Tax	9.75%

State law allocates 1% of taxable sales for City general purposes. A city may levy the full one percent, which is credited against the county tax. Such is the case in the City of Redondo Beach.

One-half of one percent of the State sales and use tax rate is allocated to counties for use by the county and distribution to counties and cities for public

safety under Proposition 172.

The sales and use tax is remitted to the City as follows:

1. Each quarter, the SBE uses as its calculation base, the sales and use tax remitted to the City in such previous year's quarter with non recurring transactions eliminated;
2. To this base, a State growth factor is applied and then 10% of the resultant amount is withheld as a reserve against unexpected occurrences;
3. This 90% advancement amount is remitted to the City in three monthly installments;
4. The first and second monthly installments each represent 30% of the 90% advancement amount, and the third one represents 40% of the advancement amount;
5. A "clean-up", or reconciliation, amount is included every quarter. The prior quarter's three advance payments are reconciled to the actual collections for that period and the difference is remitted with or withheld from the third monthly installment of the advancement amount. (in essence, full remittance is always one quarter behind).

In March, 2004, voters approved Proposition 57, the California Economic Recovery Bond Act, which allowed the State to purchase bonds to reduce the State budget deficit. The legislature enacted provisions that changed how sales and use taxes and other revenues are distributed to schools and local governments on and after July 1, 2004. These changes will remain in effect until the State Director of Finance notifies the Board of Equalization that the State's bond obligations have been satisfied.

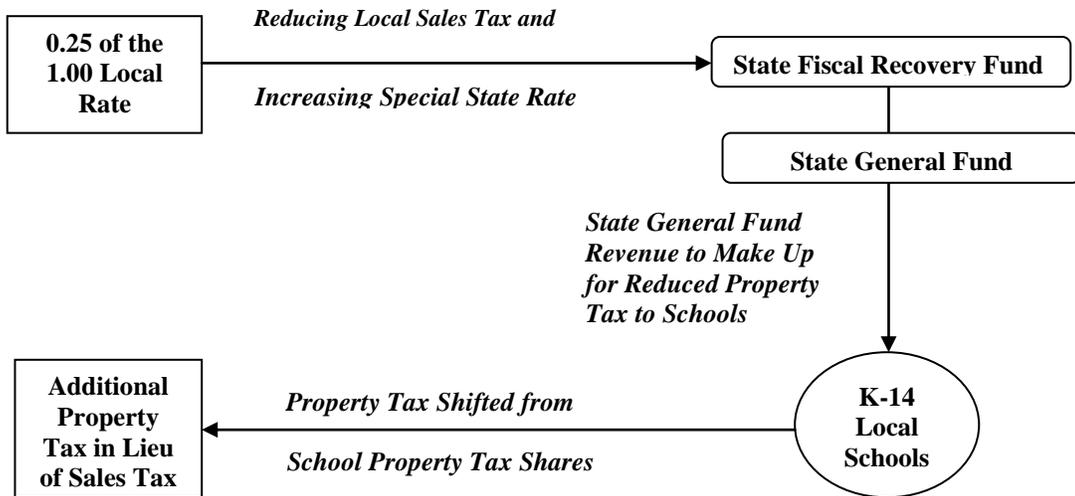
Under the changed sales and use tax distribution procedures — commonly referred to as the "Triple Flip" — the following changes occur:

The statewide base sales and use tax rate remains at 7.25%. However, the local government portion of the statewide rate decreases by 0.25%, and the State portion increases by 0.25%.

The County Auditor in each county will use property tax revenues to reimburse the county and cities within the county. They will set aside some funds from the County Educational Revenue Augmentation Fund (ERAF) and place them in a Sales and Use Tax Compensation Fund (Compensation Fund). In January and

May of each year, the State Director of Finance instructs County Auditors to allocate revenues from the Compensation Fund to the county and to the cities within the county.

Since a portion of the County ERAF are set aside to offset sales and use tax losses, schools receive less revenue from county property taxes and are supplemented with State General Fund revenues.



Object Code(s): 400070, 400160
 Character Code: 40 (Taxes)

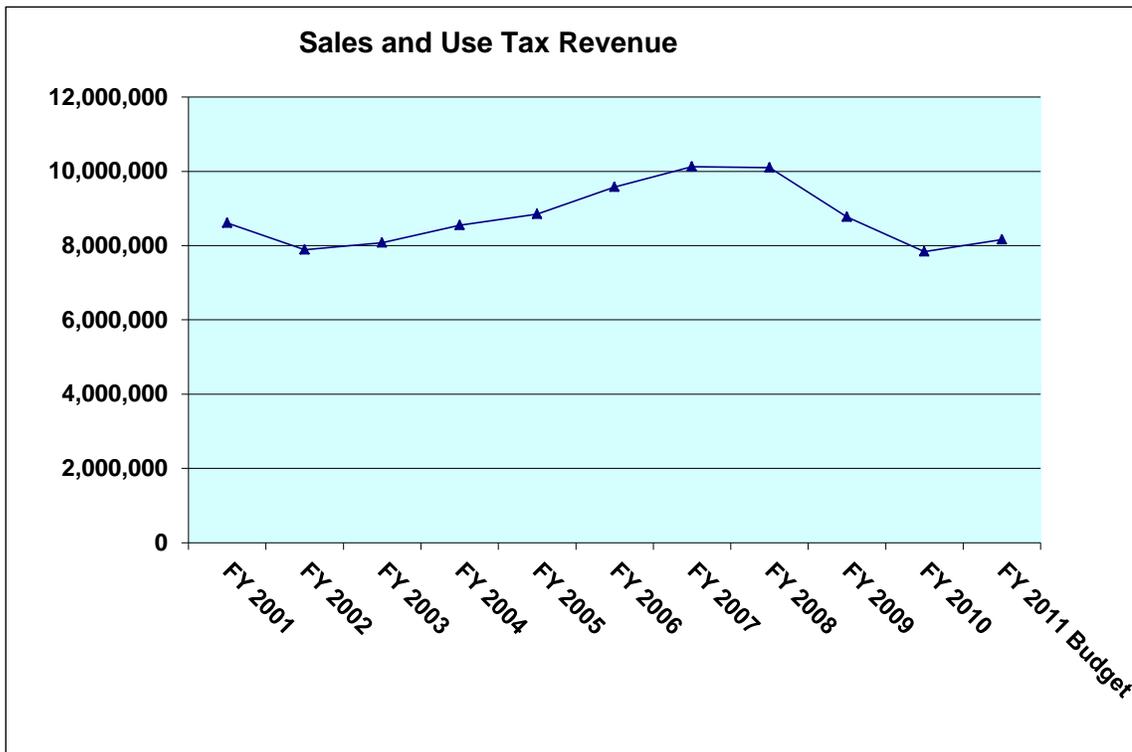
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of sales and use tax revenue and the FY 2010-11 budgeted revenue.

Sales and Use Tax Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	8,605,279	-
2002	7,885,151	-8.37%
2003	8,073,176	2.38%
2004	8,544,764	5.84%
2005	8,850,167	3.57%
2006	9,578,526	8.23%
2007	10,127,274	5.73%
2008	10,098,778	-0.28%
2009	8,768,252	-13.18%
2010	7,839,179	-10.60%
2011 Budget	8,162,000	4.12%



VARIANCE ANALYSIS

In FY 2001-02, the decline in this revenue source was due to the ramifications of the terrorist attacks of September 11, 2001. Even with the lingering impact of 9/11, sales and use tax revenue continued to grow until FY 2007-08, when the declining housing market, higher energy costs, a weakening economy and an erosion in customer confidence led to sizable decreases that are not predicted to be recovered by the current budget year (FY 2010-11).

FORECAST

Sales and use tax revenue is expected to increase 4.12%, or \$323 thousand, from the prior year actuals, reflecting a slight increase in customer confidence. The closing of Mervyn's and the subsequent sales tax loss should be replaced by the opening of Kohl's, also a large retail store. The FY 2010-11 estimate of sales and use tax revenue is comprised of the City's 75% apportionment of \$6,121,500 and the State "Triple Flip" sales tax in lieu (See "Background" in this section for additional information on "Triple Flip") 25% apportionment of \$2,040,500. Revenue of \$542,000 is also provided from the Public Safety Augmentation Fund but discussed separately in this manual.

METHODOLOGY OF FORECASTING

Factors considered in analyzing sales and use tax revenue include: trend over previous years; inflation; changes to the retail base (i.e. - new shopping center, closed stores, etc.); consumer confidence with respect to discretionary expenditures; real personal income growth; current and estimated unemployment rate and population growth.

As additional information, the top 25 sales tax producers (in alphabetical order) for FY 2009-10 were as follows:

Abercrombie & Fitch
Albertson's
Aramark Services
Arco Marine
Cellular Accessories For Less
Cheesecake Factory
Chevron
Del Amo Motorsports
Ferguson Enterprises Inc.
Hennessey's Tavern
In N Out Burgers
Kohls
Land Rover South Bay
Macy's
Nordstrom Inc.
Petco
Platinum Auto Haus
Ralphs
Rite Aid
South Bay Shell
Target Store
TJ Maxx
United Oil Co.
Victoria's Secret
Vons

3. FRANCHISE FEES

BACKGROUND

Authority: *Cable and Video Franchises* - Public Utilities Code Cable Section 440 et seq. and Section 5800 et seq., "The Digital Infrastructure and Video Competition Act of 2006" (AB 2987 Nunez); *Solid Waste Franchises* – California Constitution Article XI Section 7, Public Resources Code Section 49300; *Electric, Gas, Water and Oil Franchises* - California Constitution Article XI Section 7; California Constitution Article XI Section 5

Administrating Agency: *Cable and Video Franchises* – California Public Utilities Commission (Statewide franchise licenses), City (encroachment permits; public access, educational and governmental "PEG" provisions; Customer standards); *Solid Waste Franchises* – City; *Electric, Gas, Water and Oil Franchises* - City

Municipal Code: Title 11, Chapter 1, 3 and 4

Description: These fees are imposed on utility companies for the privilege of using City streets and rights-of-way. The major portion of this revenue source is generated through charges to Southern California Edison Co. (SCE) and Southern California Gas (SCG). SCE pays a fee of 1/2 of 1% of its gross annual receipts arising from the use, operation and possession of the franchise. SCG pays 1.1% per variance section of its gross annual receipts derived from sales and in-lieu transporting of gas within the City limits. Other franchise fees revenues are received from Time Warner and Verizon. The SCE franchise fee is paid annually; the SCG, Time Warner, and Verizon franchise fees are remitted quarterly. The City does not charge a franchise fee to telephone companies as the State collects this fee. In addition, any State franchise holder operating within the City shall pay to the City a Public Educational and Governmental (PEG) fee (fees that are paid to support the costs of PEG channel facilities) equal to at least one percent (1%) of the State franchise holder's or affiliate's gross revenues subject to the PEG use fee under California Public Utilities Code.

Object Code(s): 400130

Character Code: 40 (Taxes)

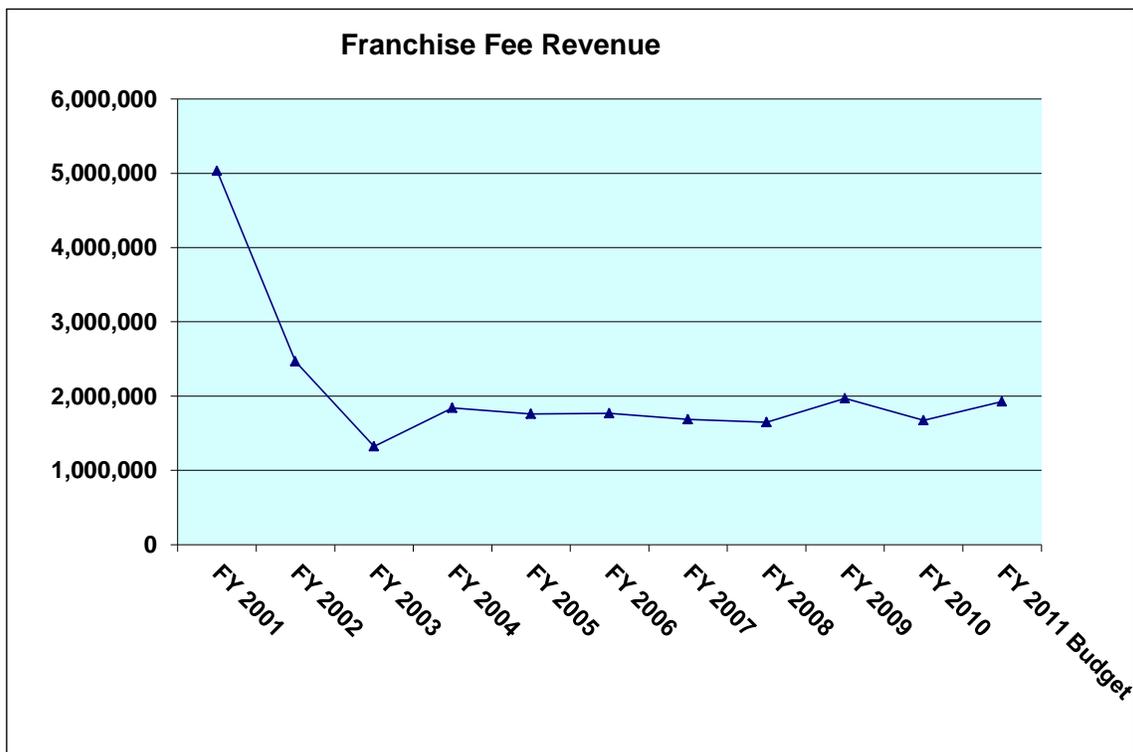
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of the revenue from franchise fees and the FY 2010-11 budgeted revenue.

Franchise Fee Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	5,033,812	-
2002	2,464,778	-51.04%
2003	1,321,287	-46.39%
2004	1,842,050	39.41%
2005	1,759,941	-4.46%
2006	1,767,452	0.43%
2007	1,685,711	-4.62%
2008	1,648,295	-2.22%
2009	1,970,548	19.55%
2010	1,673,632	-15.07%
2011 Budget	1,925,000	15.02%



VARIANCE ANALYSIS

The spike in franchise fees in FY 2000-01 was due to the energy crisis and specifically, the increased levels of transported gas at the AES power plant. As the energy crisis subsided in the following year, franchise fees declined and have since leveled out. The increase in FY 2003-04 was due to a higher level of gas being transported. The amount of gas transported fluctuates from year to year and is difficult to forecast. The fee for the taxi franchise due in FY 2007-08 (\$70,000) was not billed until FY 2008-09 accounting for the large increase between those two years.

FORECAST

Projected FY 2010-11 franchise fees revenue sources total \$1,925,000, reflecting an increase of \$251 thousand, or 15.02%, above the prior year level. Franchise fees are derived from operations of Time Warner, Verizon, SCE, taxicab operators, and SCG.

METHODOLOGY OF FORECASTING

Revenues are projected based on the expected level of gross revenue generated by the franchisees and through discussions with the franchisees and consideration of known unusual events.

4. PROPERTY TRANSFER TAX

BACKGROUND

Authority: Article XI Section 5 of the California Constitution, Section 11911 - Section 11929 of the Revenue and Taxation Code

Administrating Agency: Los Angeles County (County Registrar-Recorder collects on behalf of the City)

Municipal Code: Title 8, Chapter 7

Description: Property transfer taxes are imposed on all recipients of transferred real property. A property transfer tax is imposed when a change in the deed of real property is filed with the County Registrar-Recorder. Property transfer taxes within the Redondo Beach City limits are imposed simultaneously by Los Angeles County and the City. The County is entitled to \$0.55 per \$500 of value of property transferred, while the City is entitled to \$1.10 per \$500 of value of property transferred. Both entitlements are exclusive of any lien or encumbrance remaining at the time of sale. The County remits property transfer tax revenue to the City on a monthly basis.

Object Code: 400050

Character Code: 40 (Taxes)

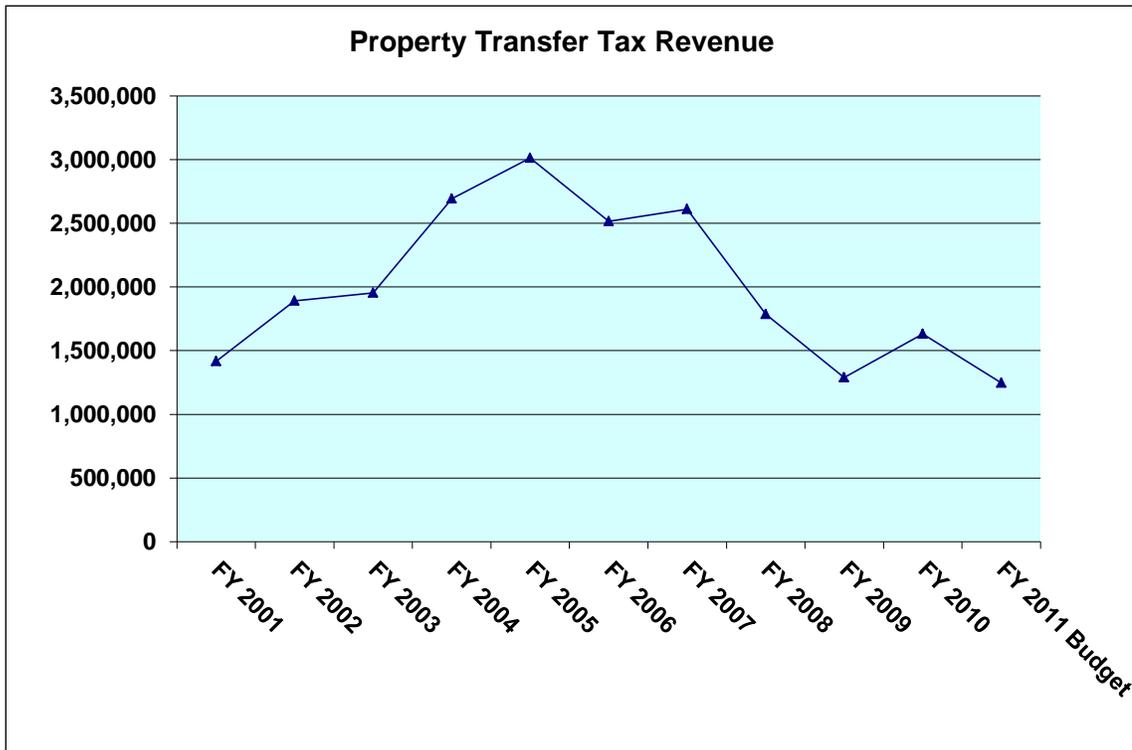
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of property transfer tax revenue and the FY 2010-11 estimated revenue.

Property Transfer Tax Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	1,415,254	-
2002	1,891,536	33.65%
2003	1,952,672	3.23%
2004	2,694,183	37.97%
2005`	3,012,123	11.80%
2006	2,516,607	-16.45%
2007	2,609,868	3.71%
2008	1,784,872	-31.61%
2009	1,289,860	-27.73%
2010	1,630,015	26.37%
2011 Budget	1,245,000	-23.62%



VARIANCE ANALYSIS

In FY 2001-02, revenue increased by 33.65% as a result of an adjustment the City received on the October 2000 sale of the Galleria at South Bay Shopping Center by Public Employees' Retirement System (PERS), which was holding ownership as an investment. The tax was originally disbursed by the County incorrectly to another city and the subsequent correction resulted in a significant revenue boost in FY 2001-02.

In FY 2003-04, revenue increased by 37.97%, reflecting a very robust real estate market. The City also received a one-time property transfer tax settlement from Southern California Edison (SCE) of \$348 thousand, which contributed to the large FY 2003-04 increase in revenue and subsequent decrease in FY 2005-06.

In FY 2007-08 the market weakened and this softening along with a worsening economy was reflected in a loss of property transfer tax revenue. These conditions are mirrored in the FY 2010-11 forecast.

FORECAST

FY 2010-11 projections reflect a decrease in property transfer tax revenue by \$385 thousand to \$1,245,000. This reflects the continuing instability of the housing market and the current weak housing sales.

METHODOLOGY OF FORECASTING

This revenue source is forecasted by considering a combination of the level of turnover activity and the value at which real property is selling and being transferred. Elements which impact the amount of property transfer tax revenue include mortgage interest rates and sales activity in the local real estate market.

5. PROPERTY TAX IN LIEU OF VLF

BACKGROUND

Authority: Section 97.70 of the Revenue and Taxation Code

Administrating Agencies: Department of Motor Vehicles, Franchise Tax Board and the Office of the State Controller

Municipal Code: Not Applicable

Description: In FY 2004-05, cities and counties began receiving additional property tax to replace vehicle license fee (VLF) revenue that was cut when the State replaced the State General Fund backfill for the reductions in VLF. This property tax in lieu of VLF grows with the change in gross assessed valuation of taxable property in the jurisdiction from the prior year. Property tax in lieu of VLF allocations are in addition to other property tax apportionments.

Object Code: 400170

Character Code: 40 (Taxes)

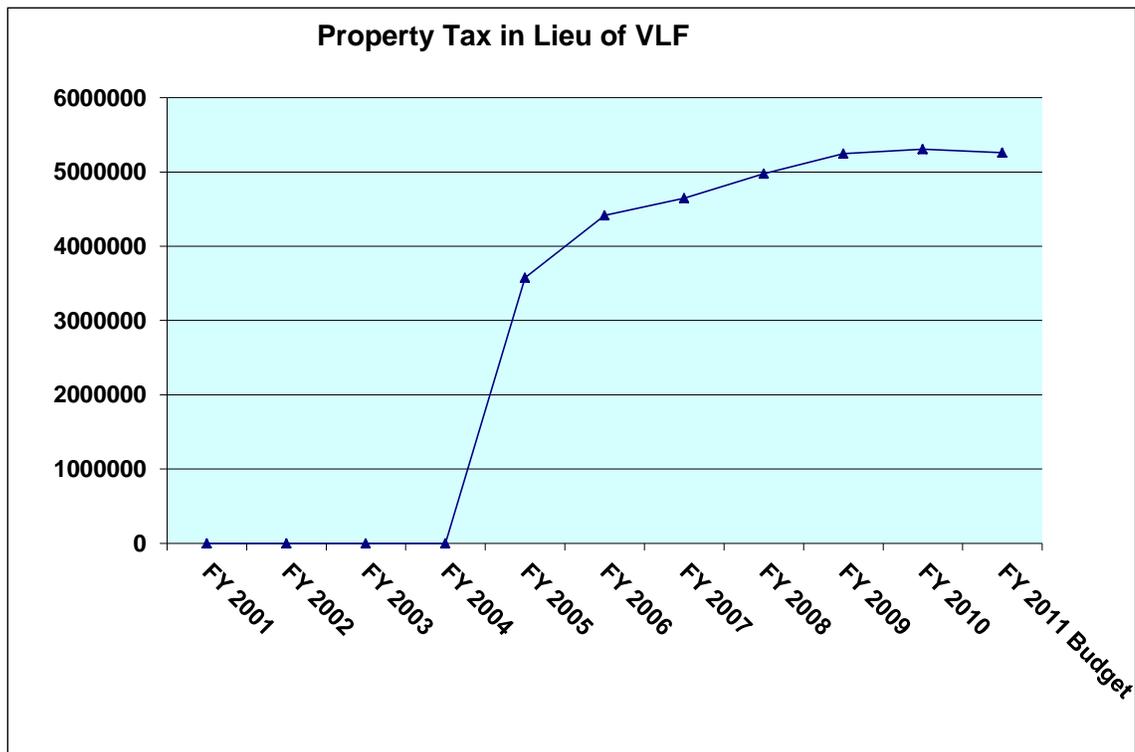
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of property tax in lieu of VLF revenue and the FY 2010-11 estimated revenue.

Property Tax in Lieu of VLF
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	-	-
2002	-	-
2003	-	-
2004	-	-
2005	3,574,910	-
2006	4,413,623	23.46%
2007	4,646,310	5.27%
2008	4,976,283	7.10%
2009	5,246,175	5.42%
2010	5,306,121	1.14%
2011 Budget	5,260,000	-0.87%



VARIANCE ANALYSIS

As property tax revenue levels off due to a combination of less new construction, decreasing levels of real estate sales and some home value deterioration, property tax in lieu of VLF also flattens. However, the location and desirability of the community and Proposition 13 valuation growth will support local property values in Redondo Beach.

FORECAST

FY 2010-11 projections reflect a slight decrease of \$46 thousand, or .87%, to \$5,260,000. The projections reflect fiscal uncertainties at the State level. Growth in the property tax in lieu of VLF parallels growth in City property tax revenue. The projection of revenue for FY 2010-11 is derived from various sources including the State Department of Finance and HdL Coren and Cone.

METHODOLOGY OF FORECASTING

Property tax in lieu of VLF fluctuates with property tax. Factors to be considered in analyzing property tax revenue include real estate trends over previous years, interest rates, as well as the overall health of the economy.

6. HOMEOWNERS' EXEMPTION

BACKGROUND

Authority: Article XIII, Sections 3(K) of the California Constitution; Government Code Sections 16120-16123 and Section 29100.6; Section 218 of the Revenue and Taxation Code

Administering Agency: State Controller (through the County)

Municipal Code: Not Applicable

Description: The California Constitution (Article XIII, Section 3(K)) exempts the first \$7,000 of the full value of a dwelling occupied as the owner's principal residence on the January 1 lien date from property taxation. The State then reimburses the cities for their property tax loss under this exemption. Remittance is made by the State through the County to the City in November (15%), December (35%), April (35%) and May (15%) with property tax remittances.

Object Code: 400040

Character Code: 40 (Taxes)

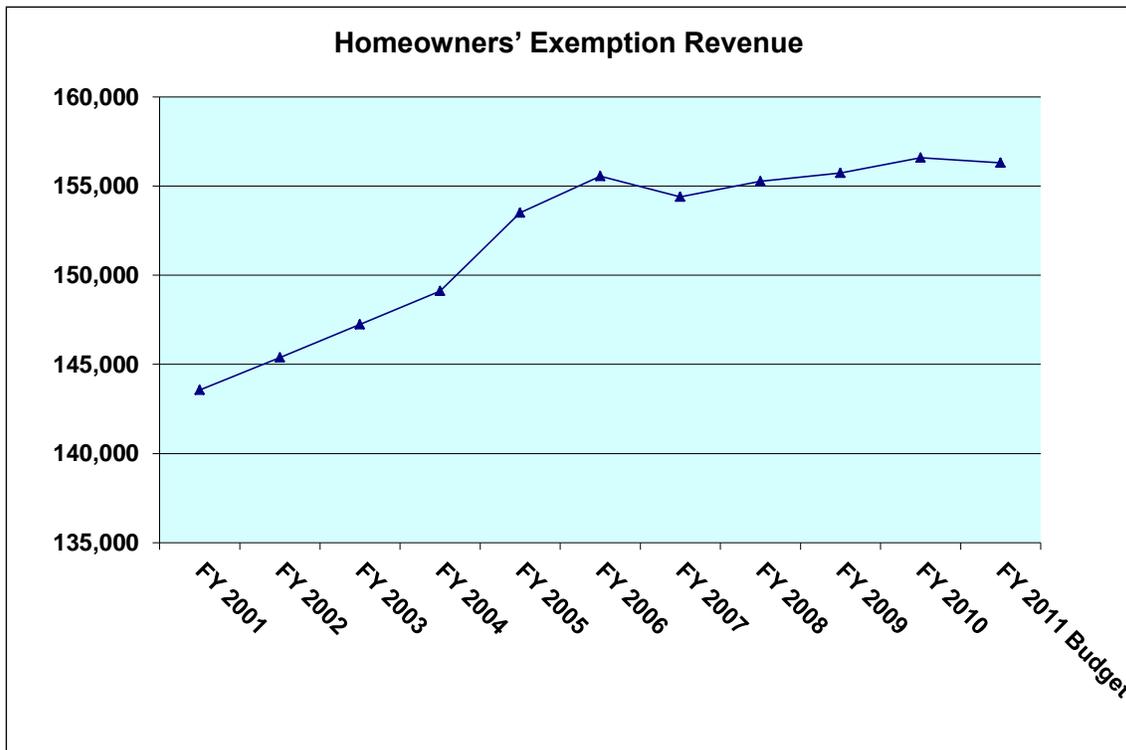
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of homeowners' exemption revenue and the FY 2010-11 budgeted revenue.

Homeowners' Exemption Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	143,564	-
2002	145,380	1.26%
2003	147,246	1.28%
2004	149,118	1.27%
2005	153,512	2.95%
2006	155,558	1.33%
2007	154,393	-0.75%
2008	155,278	0.57%
2009	155,736	0.29%
2010	156,595	0.55%
2011 Budget	156,300	-0.19%



VARIANCE ANALYSIS

This revenue source has very gradually increased over the years with only a few minor exceptions. Redondo Beach property continues to be desirable, even while the economy is depressed, so properties sell quickly. This is expected to stabilize.

FORECAST

Homeowners' exemption revenue will slightly increase, mirroring property tax. The location and desirability of the community offset by the combination of less new construction and decreasing levels of real estate sales should moderate this revenue source.

METHODOLOGY OF FORECASTING

For forecasting purposes, revenue projections are based on previous years' trends and averages.

7. TRANSIENT OCCUPANCY TAX (LODGING TAX)

BACKGROUND

Authority: Sections 7280 and 7281 of the Revenue and Taxation Code

Administering Agency: Collected by the operators of hotels/motels or their agents and remitted to the City

Municipal Code: Title 8, Chapter 2

Description: The transient occupancy tax (TOT) is levied on hotel, motel and other lodging rentals where occupancy is less than 30 days. The tax is imposed on the guest and is included on the customer’s lodging bill by the lodging enterprise. Remittance is made by lodging establishments to the City on a monthly basis. Effective July 2005, the current voter approved TOT rate is twelve percent (12%). Ten percent of the City’s total annual TOT revenue is dedicated towards funding the tourism, promotional and service activities of the Visitors and Information Bureau of the Redondo Beach Chamber of Commerce.

The following chart illustrates the TOT rate history since inception of the tax.

Transient Occupancy Tax
Rate History

Fiscal Years (ended 6/30)	Tax Rate
1964-1967	4.00%
1968-1983	5.00%
1984-1989	7.00%
1990	9.00%
1991-2005	10.00%
2006-present	12.00%

Object Code: 400120

Character Code: 40 (Taxes)

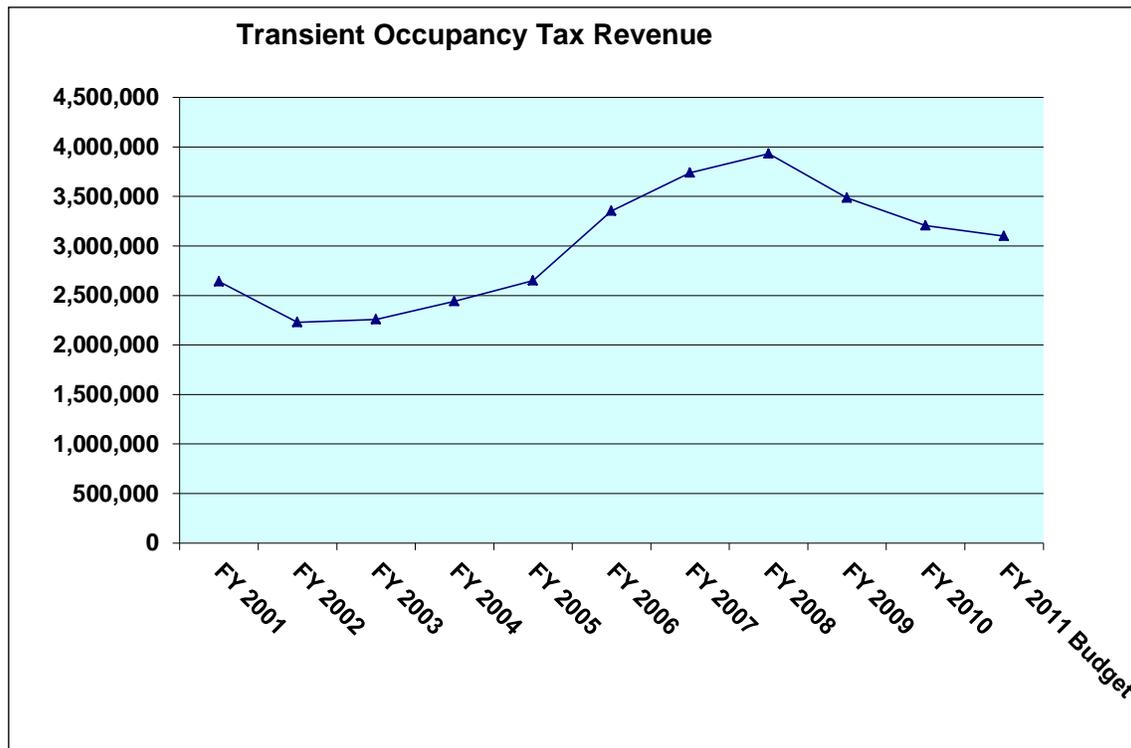
Use(s) of Revenue: Unrestricted. However, 10% of the City’s transient occupancy tax revenue is dedicated towards funding the tourism, promotional and service activities of the Visitors and Information Bureau of the Redondo Beach Chamber of Commerce.

REVENUE HISTORY

The following table shows the 10-year history of TOT revenue and the FY 2010-11 budgeted revenue.

Transient Occupancy Tax Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	Transferred to Visitor and Info. Bureau	\$ Net Revenue (Tot-Trans)	% Annual Change
2001	2,640,988	264,099	2,376,889	-
2002	2,227,543	222,754	2,004,789	-15.65%
2003	2,257,526	225,753	2,031,773	1.35%
2004	2,439,439	243,944	2,195,495	8.06%
2005	2,648,323	264,832	2,383,491	8.56%
2006	3,354,138	335,414	3,018,724	26.65%
2007	3,738,839	373,884	3,364,955	11.47%
2008	3,933,009	393,301	3,539,708	5.19%
2009	3,485,290	348,529	3,136,761	-11.38%
2010	3,204,045	320,405	2,883,640	-8.07%
2011 Budget	3,100,000	310,000	2,790,000	-3.25%



VARIANCE ANALYSIS

In FY 2001-02, hotel occupancies decreased significantly as a result of the terrorist attacks on September 11th. In the next four years, tourism related revenue has staged a slow yet consistent recovery, as both occupancy rates and revenue generation have improved. The economic slump starting in FY 2007-08 has had the effect of lessening travel and is reflected in the FY 2008-09 dip.

FORECAST

FY 2010-11 TOT revenue is projected to decrease by 3.25% to \$3,100,000. Although leisure travel is expected to increase responding to a resurgence in travel related consumer confidence, business travel is expected to decline.

METHODOLOGY OF FORECASTING

Staff forecasts this revenue source by analyzing trends in rental rates, occupancy rates, inflation, and new construction of lodging facilities; projecting gross lodging revenue; and applying the current rate to such projections.

There are 13 transient lodging facilities in the City. The top five (in alphabetical order) transient occupancy taxpayers for FY 2009-10 are as follows:

Best Western Redondo Beach Inn
Crowne Plaza
Palos Verdes Inn
Portofino Inn
Sunrise Hotel

8. BUSINESS LICENSE TAX

BACKGROUND

Authority: California Constitution Article XI Section 5

Administering Agency: City

Municipal Code: Title 6

Description: Persons engaged in any business, trade profession or occupation in the City are required to obtain and maintain a City business license. The City annually taxes businesses on a flat rate system, with rates being defined for various categories of businesses. Additionally, each business is taxed on a per employee basis. The current per employee rate is \$18.00. The following is a historical listing of the basic rate, per employee fee, rental property rate, and the home occupation rate.

Business License Tax
Rate and Fee History
FY 1968-2011

Fiscal Year (ended 6/30)	Basic Rate	Per Employee Fee	Rental First Unit	Rental Add'l Units	Home Occupation
1968	\$ 30.00	\$ 5.00	-	-	-
1969-75	\$ 45.00	\$ 8.00	-	-	-
1976-77	\$ 50.00	\$ 9.00	-	-	-
1978-82	\$ 57.00	\$ 10.00	-	-	\$ 29.00
1983	\$ 71.50	\$ 12.50	-	-	\$ 36.50
1984-87	\$ 73.50	\$ 13.00	\$ 14.50	\$ 5.25	\$ 37.50
1988-89	\$ 81.00	\$ 14.50	\$ 16.00	\$ 6.00	\$ 41.25
1990	\$ 89.25	\$ 16.00	\$ 17.75	\$ 6.25	\$ 45.50
1991	\$ 94.75	\$ 17.00	\$ 19.00	\$ 7.25	\$ 48.25
1992-current	\$ 99.00	\$ 18.00	\$ 20.00	\$ 8.00	\$ 50.00

Object Code: 400140

Character Code: 40 (Taxes)

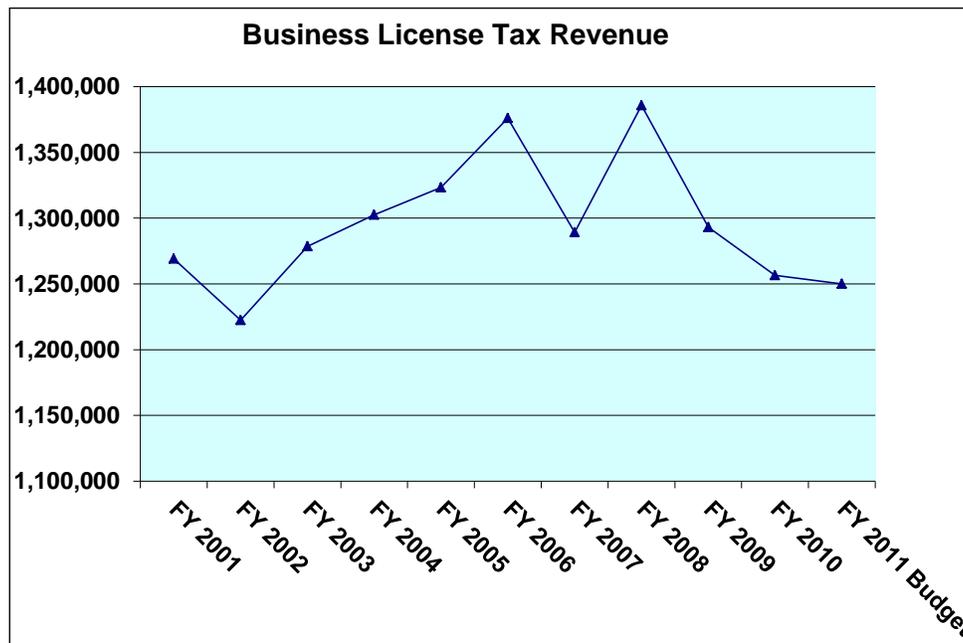
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of business license tax revenue and the FY 2010-11 budgeted revenue.

Business License Tax Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	1,269,009	-
2002	1,222,471	-3.67%
2003	1,278,607	4.59%
2004	1,302,614	1.88%
2005	1,323,345	1.59%
2006	1,376,009	3.98%
2007	1,289,223	-6.31%
2008	1,385,726	7.49%
2009	1,293,056	-6.69%
2010	1,256,462	-2.83%
2011 Budget	1,250,000	-0.51%



VARIANCE ANALYSIS

Business license tax generally has climbed steadily with only approximately \$100 thousand swings.

FORECAST

FY 2010-11 projections are flat (down only .51%) due to a leveling off of business activity balanced by better collection methods, a slightly improving economy, and locating businesses that do not have licenses.

METHODOLOGY OF FORECASTING

Factors to be considered in analyzing business license tax revenue include trend analysis over previous years, unemployment rates, changes to the City Municipal Code and the overall economic climate.

The City licenses approximately 9,000 businesses per year. The top ten business license taxpayers (in alphabetical order) in the City for FY 2009-10 are as follows:

Cheesecake Factory
City of Redondo Beach
Crowne Plaza-Redondo Beach
D.H.L. Global Forwarding
Macy's
Nordstrom, Inc.
Northrop Grumman Aerospace
Redondo Beach Unified School District
U.S. Post Office
Vons

9. UTILITY USERS' TAX

BACKGROUND

Authority: California Constitution, Article XI, Section 5

Administering Agency: Levied by the City and collected by the utility as part of its regular billing procedure and then remitted to the City

Municipal Code: Title 8, Chapter 9

Description: The utility users' tax (UUT) is imposed on consumers of electric, gas, water, telecommunication, and cable services. This tax is based on a percentage of the amount billed to each consumer for such services. The tax rate is set by the City Council. The California Supreme Court has upheld the authority of charter cities to levy this tax. Exempt from this tax are City, State, and Federal governmental agencies; late payment charges; and service users meeting certain age and income determinations. The UUT is collected by each utility company as a part of its regular billing and remitted to the City on a monthly basis. According to a survey conducted in 2000, the average rate of other comparable cities is 5.31%, although rates range between 1% and 11%. Following is the UUT rate history for the City of Redondo Beach.

Utility Users' Tax
Rate History
FY 1969-2010

Fiscal Years (ended 6/30)	Tax Rate
1969-1982	5.00%
1983-1984	5.25%
1985-1986	5.00%
1987-Present	4.75%

Object Code: 400110

Character Code: 40 (Taxes)

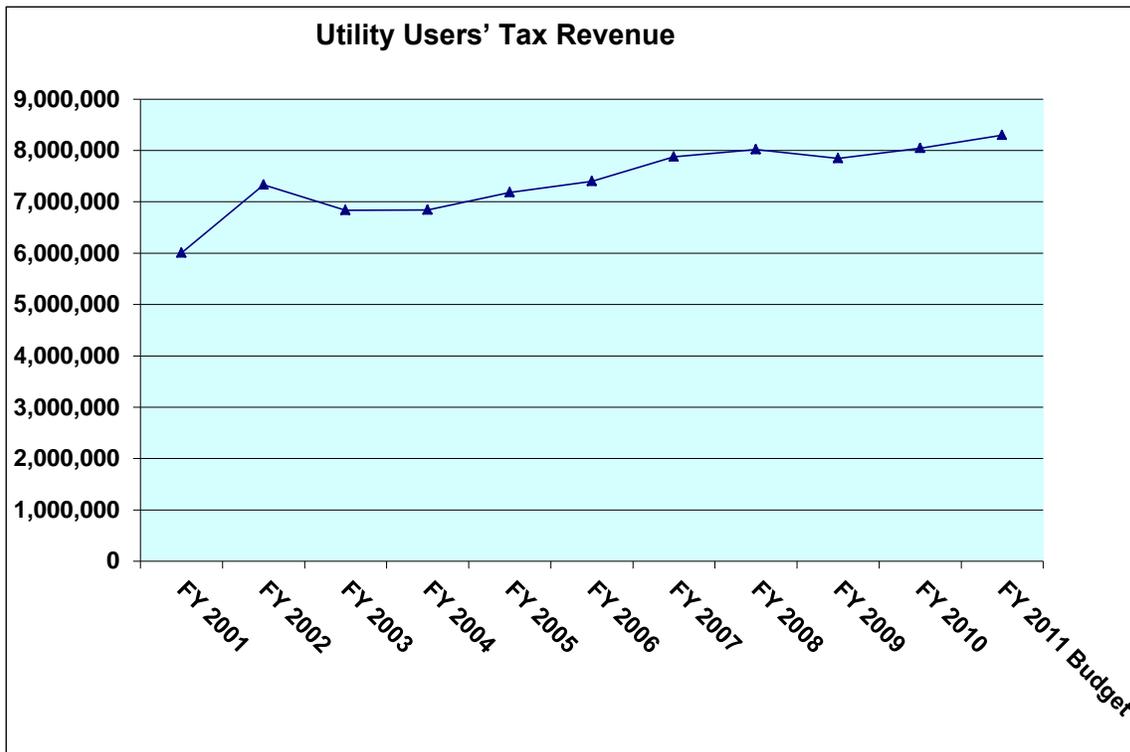
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of UUT revenue and the FY 2010-11 budgeted revenue.

Utility Users' Tax Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	6,003,183	-
2002	7,333,860	22.17%
2003	6,835,864	-6.79%
2004	6,841,854	0.09%
2005	7,184,530	5.01%
2006	7,398,984	2.98%
2007	7,878,429	6.48%
2008	8,018,564	1.78%
2009	7,848,157	-2.13%
2010	8,043,207	2.49%
2011 Budget	8,300,000	3.19%



VARIANCE ANALYSIS

In FY 2001-02, UUT was up \$1.3 million, or 22.17%, due to increased energy prices as a result of an energy shortage. The decrease in FY 2002-03 was a result of the stabilization of the energy market following the shortage in the previous year.

FORECAST

Approximately 38% of this revenue source is from tax on telecommunications services and 35% from tax on electricity usage. Overall utility use is expected to increase 3.19%, or \$257 thousand, for FY 2010-11, with an increase in electricity and telecommunications costs despite poor economic conditions. Changes in technology, litigation, and legislation relating to the evolving telecommunications industry challenge the future viability of UUT resources.

METHODOLOGY OF FORECASTING

Staff forecasts this revenue source by analyzing factors such as current legislation consumer growth, consumption of service, and rate changes by each utility company. Revenue from each utility company is then projected based on past year trends and the above factors.

10. PUBLIC SAFETY AUGMENTATION FUND

BACKGROUND

Authority: Subdivisions. (a)(3), (d)(2) of the California Constitution; Section 6000 et seq. and Section 7200 et seq. of the Revenue and Taxation Code; Sections 30051-30056 of the Government Code

Administrating Agency: State Board of Equalization

Municipal Code: Title 8, Chapter 4

Description: SB 509 implemented Proposition 172, which was approved by the voters in November 1993. The tax is imposed by the State and distributed to cities and counties. The revenue is allocated based on their proportionate loss from the property tax transfer enacted with the FY 1993-94 State budget. Basically, 1/2 of 1% of the State's portion of the sales and use tax was reallocated to local government to augment public safety costs.

Object Code: 400100

Character Code: 40 (Taxes)

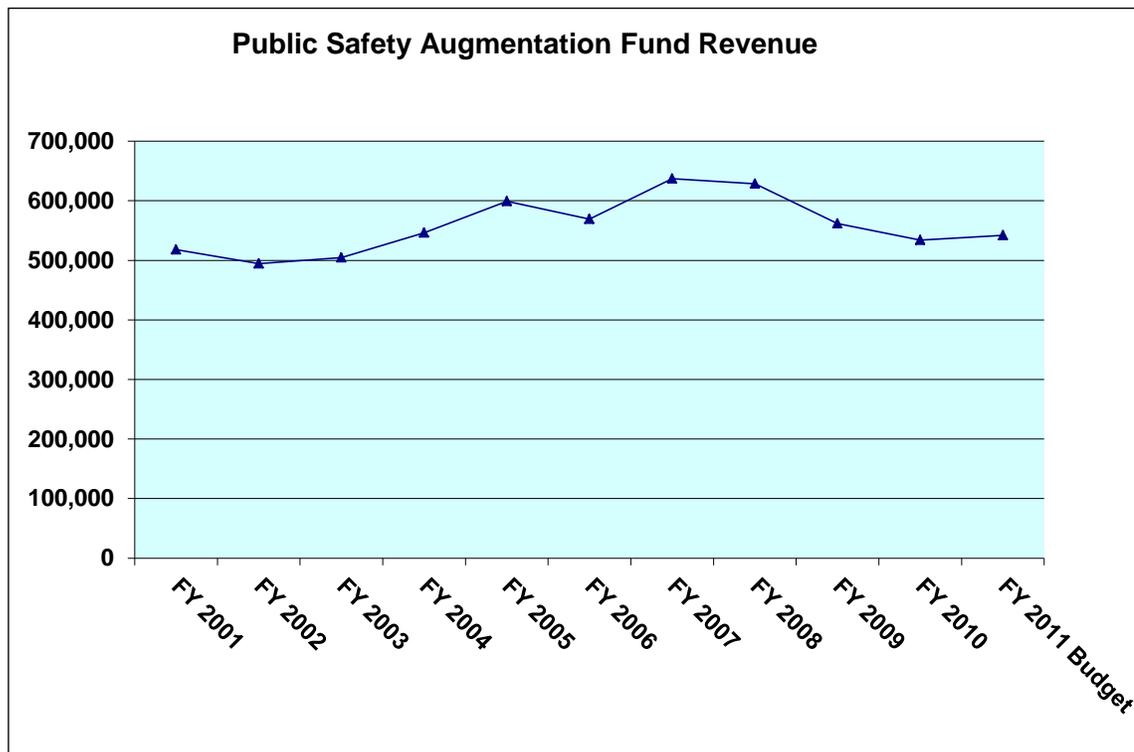
Use(s) of Revenue: This tax is restricted for public safety expenditures. In addition, the City is required to maintain a maintenance of effort (MOE), adjusted annually by a cost-of-living factor, which means public safety expenditures cannot go below the base year of FY 1993-94.

REVENUE HISTORY

The following table shows the 10-year history of Public Safety Augmentation Fund (PSAF) revenue and the FY 2010-11 budgeted revenue.

Public Safety Augmentation Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	517,911	-
2002	494,156	-4.59%
2003	504,683	2.13%
2004	546,441	8.27%
2005	598,894	9.60%
2006	569,221	-4.95%
2007	636,844	11.88%
2008	628,205	-1.36%
2009	561,620	-10.60%
2010	533,696	-4.97%
2011 Budget	542,000	1.56%



VARIANCE ANALYSIS

This revenue source fluctuates similarly to sales and use tax. In FY 2001-02, the decline in this revenue source was due to the terrorist attacks of September 11, 2001, which resulted in a strong downturn in the economy. Revenue has grown slowly until FY 2008-09, when a slowing economy depressed retail spending. A slight turnaround is projected for FY 2010-11.

FORECAST

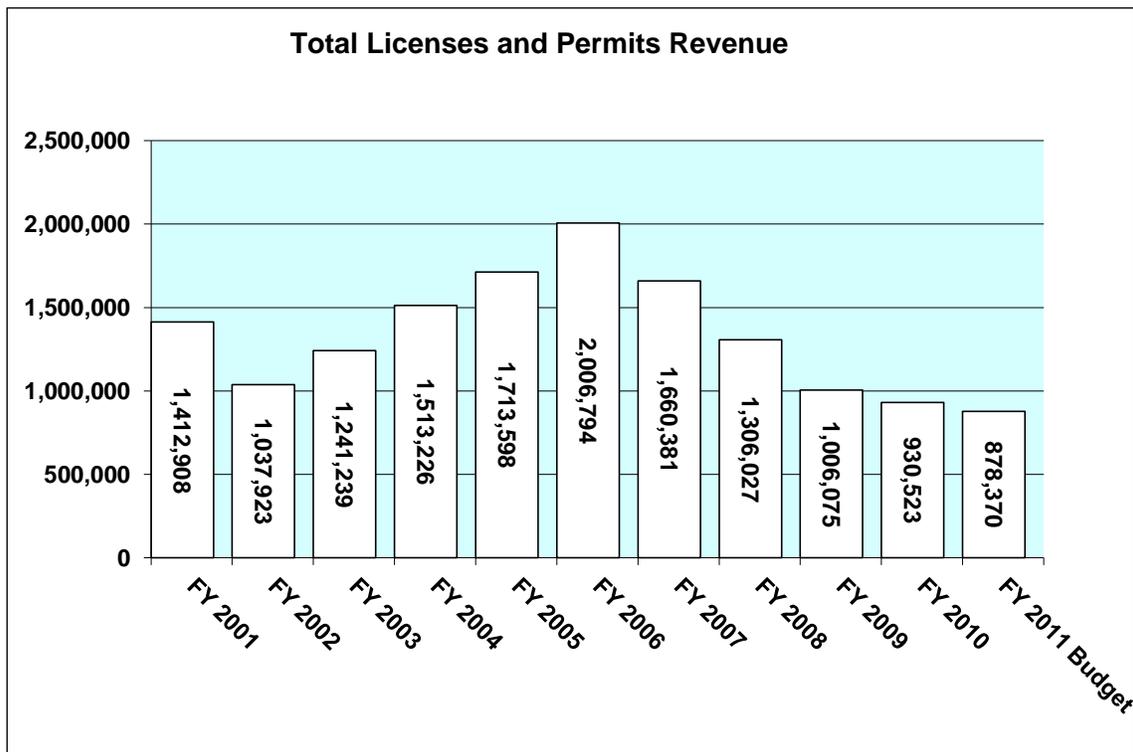
The annual local value of the sales and use tax re-allocation to support police and fire services is projected at \$542 thousand for FY 2010-11. Sales and use tax revenue is somewhat cyclical in nature, responding to local and State economic trends. Efforts to nurture local economic development have aided growth in this revenue source. Rising local incomes, jobs creation, population growth, and auditing efforts have also contributed to the gradual overall enhancement in this key general fund resource over the past few years.

METHODOLOGY OF FORECASTING

Forecasting generally assumes prior years' averages and trends, as well as the overall condition of the economy. In published budget documents, PSAF revenue is included in sales and use tax revenue.

B. LICENSES AND PERMITS

The State Constitution, through police powers (Article XI, Section 7), Section 50076 and Section 66016 and seq. of the Government Code, as well as various other statutes, gives a City the authority to engage in certain regulatory activities in the interest of the overall community. A city may charge license and permit fees as a means of recovering the cost of such regulation. For each activity, the fee charged may not exceed the actual cost of such activity and, often, does not fully recover such cost.



1. ANIMAL LICENSES

BACKGROUND

Authority: Article XI, Section 7, of the California Constitution; Section 50076, Section 66016 and seq., Section 38792 of the Government Code

Administrating Agency: City

Municipal Code: Title 5, Chapter 1

Description: The City imposes a dog license fee and an exotic and non-domestic animal license fee in order to provide related services.

Object Code(s): 402040, 402060

Character Code: 41 (Licenses and Permits)

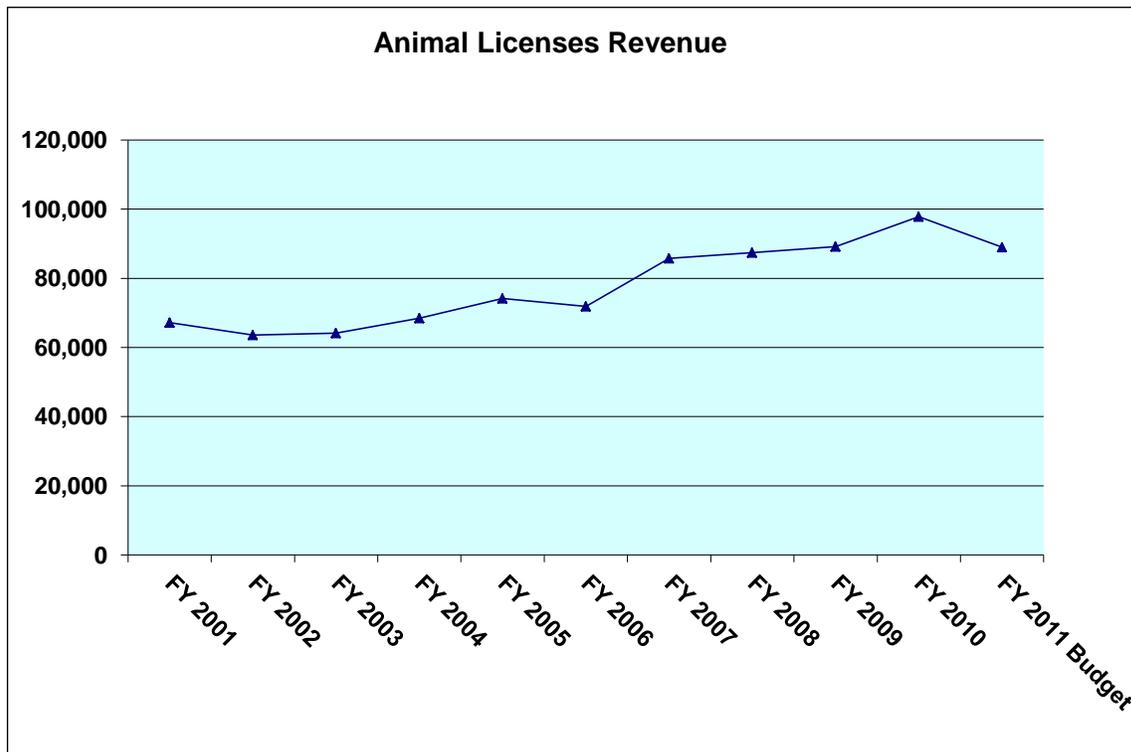
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from animal licenses and the FY 2010-11 budgeted animal licenses revenue.

Animal Licenses Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	67,198	-
2002	63,621	-5.32%
2003	64,144	0.82%
2004	68,449	6.71%
2005	74,181	8.37%
2006	71,852	-3.14%
2007	85,741	19.33%
2008	87,456	2.00%
2009	89,205	2.00%
2010	97,806	9.64%
2011 Budget	89,000	-9.00%



VARIANCE ANALYSIS

This revenue is dependent upon the license fee rates and the number of animals being licensed. The City increased the fees from \$20 to \$40 (for non-neutered animals) and \$10 to \$20 (for neutered animals) beginning in FY 1996-97. Staff had originally recommended to contract animal control services with the Society for the Prevention of Cruelty to Animals (SPCA) to save costs. However, the community wanted to maintain these services within the City and, therefore, to continue providing this service using in-house staff, the City Council approved a fee increase. Animal license revenue has been increasing steadily as the animal population grows. In FY 2009-10, a concerted effort between animal control and licensing to target offenders accounts for the 9.84% increase.

FORECAST

The FY 2010-11 revenue for animal licenses is conservatively projected at \$89,000.

METHODOLOGY OF FORECASTING

Revenue estimates are based upon past years' averages and trends as well as changes in manpower, fee rates, and enforcement practices.

2. BUILDING PERMITS

BACKGROUND

Authority: Article XI, Section 7, of the California Constitution; Section 50076 and Section 66016 and seq. of the Government Code, Section 17951, Section 19130 and Section 19132.3 of the Health and Safety Code

Administrating Agency: City

Municipal Code: Title 9

Description: Most structural changes and new construction require that a building permit be obtained from the City. Such permits and related charges are authorized by City ordinance. The City of Redondo Beach ordinance reflects the rate tables that are published in the Uniform Building Code (UBC). Revised UBC editions are adopted every 3-4 years. The most recent update to the code can be found under City Ordinance 2007-3009.

Object Code(s): 402000 – 402004

Character Code: 41 (Licenses and Permits)

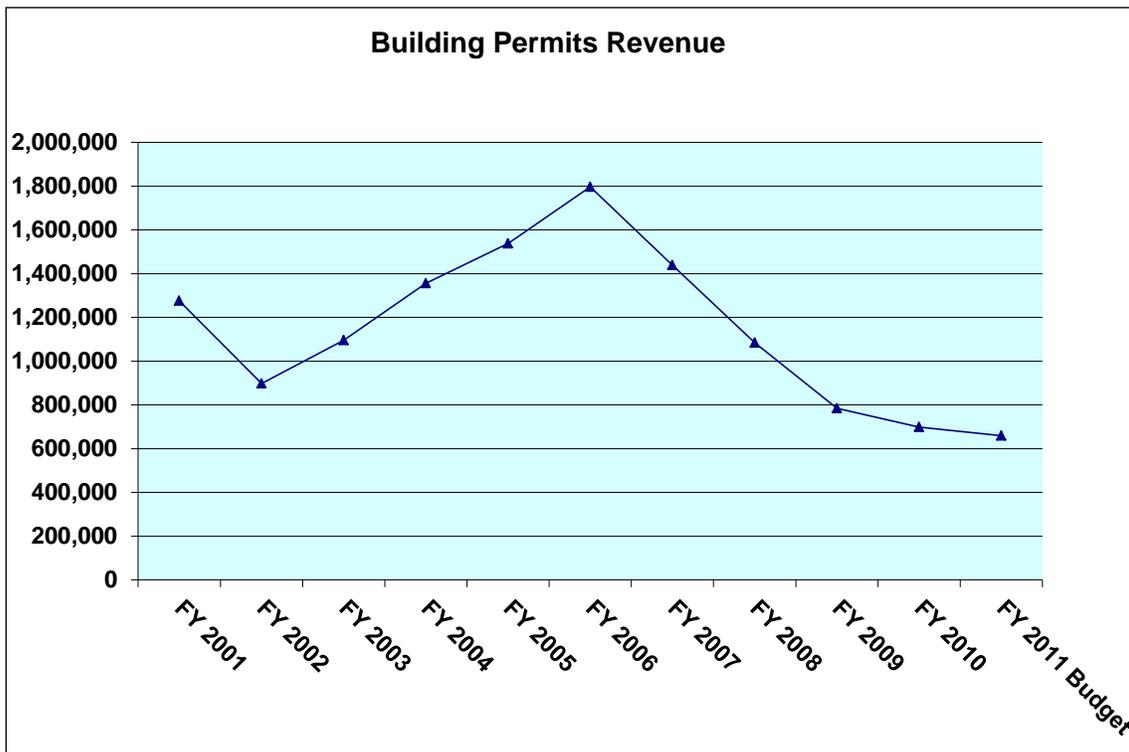
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of the revenue from building permits and the FY 2010-11 budgeted building permits revenue.

Building Permits Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	1,276,583	-
2002	897,874	-29.67%
2003	1,096,198	22.09%
2004	1,356,968	23.79%
2005	1,537,758	13.32%
2006	1,797,179	16.87%
2007	1,438,994	-19.93%
2008	1,084,770	-24.62%
2009	785,247	-27.61%
2010	699,090	-10.97%
2011 Budget	660,000	-5.59%



VARIANCE ANALYSIS

Trends in this revenue reflect the trends in the general economy of Los Angeles County. The downturn, beginning in FY 2000-01, reflects the slowdown in building activities around the City which came as a result of the terrorist attacks on September 11. In FY 2002-03 and FY 2003-04 revenue increased 22% and 24%, respectively, reflecting a significant increase in building activity and the overall strengthening of the economy. From FY 2005-06 to FY 2010-11 the revenue from building permits declined due to deterioration in the housing market. In FY 2006-07, there was an increase in the amount of the cost for building permits that softened the impact of the decline, but in 2008 a no-growth initiative was passed that required some building activity to be voted upon before construction can begin and is expected to depress building activity even further.

FORECAST

For FY 2010-11, revenue from building permits is expected to decrease \$39 thousand, or 5.59%, to \$660,000. This follows a trend of less construction in the City starting in FY 2005-06.

METHODOLOGY OF FORECASTING

The analysis which produced these forecasts considers prior years' trends, the current level of construction activity, and overall condition of the economy.

3. PARKING PERMITS

BACKGROUND

Authority: Article XI, Section 7, of the California Constitution, Section 50076 and Section 66016 and seq. of the Government Code

Administrating Agency: City

Municipal Code: Title 3, Chapter 7

Description: This revenue is generated from the issuance of permits for parking by residents in specific preferential parking zones (usually located near their residences).

Object Code(s): 402020, 402030

Character Code: 41 (Licenses and Permits)

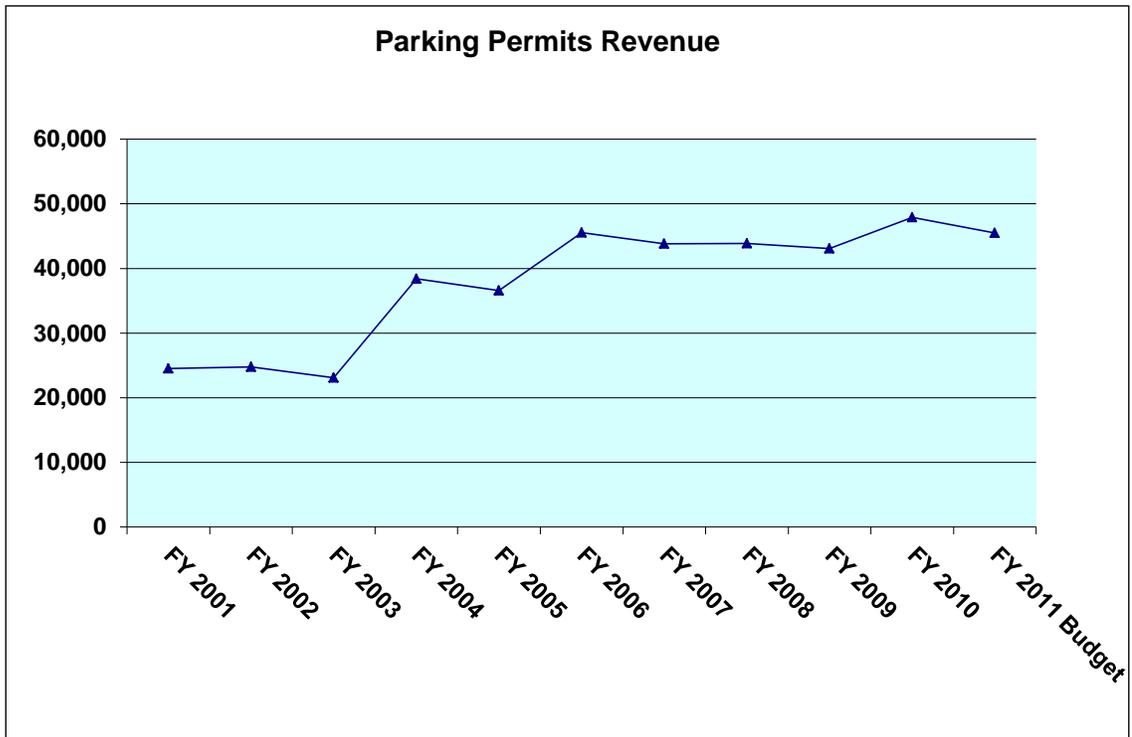
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of the revenue from parking permits and the FY 2010-11 budgeted revenue.

Parking Permits Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	24,503	-
2002	24,745	0.99%
2003	23,090	-6.69%
2004	38,405	66.33%
2005	36,585	-4.74%
2006	45,560	24.53%
2007	43,820	-3.82%
2008	43,884	0.15%
2009	43,097	-1.79%
2010	47,889	11.12%
2011 Budget	45,500	-4.99%



VARIANCE ANALYSIS

This revenue source has remained relatively stable throughout the periods analyzed, only reacting to fee increases. This revenue source has been relatively unaffected by changes in the economy. The large increase in FY 2006-07 was due to \$29 thousand from FY 2005-06 being received in the following year and additional California Library Service funds.

FORECAST

The projected revenue from parking permits is \$45,500, almost flat from FY 2009-10. To be conservative, the budget does not include a fee increase that was passed after the budget for FY 2009-10 was adopted and the impact could not be accurately predicted.

METHODOLOGY OF FORECASTING

Revenue estimates are based on past years' averages and trends. Other factors considered include fee increases, changes in manpower and enforcement practices as well as changes in permitted areas.

4. STREET AND CURB PERMITS

BACKGROUND

Authority: Article XI, Section 7, of the California Constitution, Section 50076 and Section 66016 and seq. of the Government Code

Administrating Agency: City

Municipal Code: Title 7, Chapter 1

Description: A permit is required to perform any work within the right-of-way of any City street, including constructing, repairing, or breaking any sidewalk, driveway approach, curb or gutter.

Object Code: 402010

Character Code: 41 (Licenses and Permits)

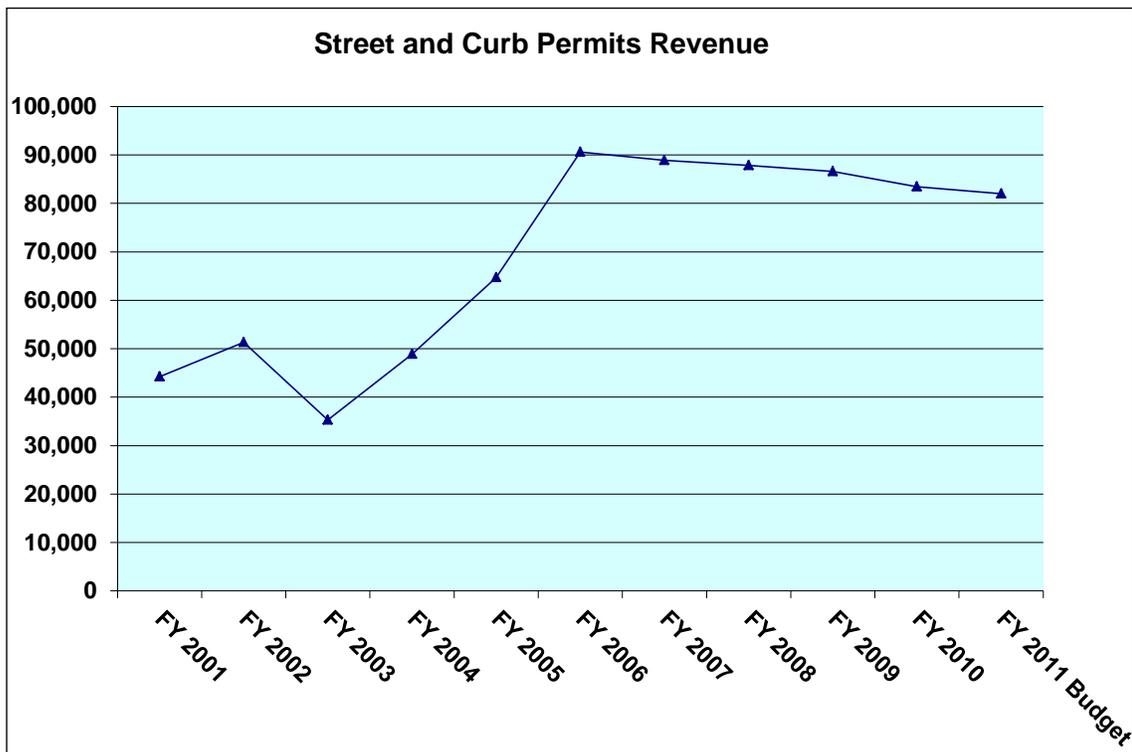
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from street and curb permits and the FY 2010-11 budgeted revenue.

Street and Curb Permits Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	44,246	-
2002	51,353	16.06%
2003	35,309	-31.24%
2004	48,889	38.46%
2005	64,697	32.33%
2006	90,577	40.00%
2007	88,859	-1.90%
2008	87,838	-1.15%
2009	86,586	-1.43%
2010	83,420	-3.66%
2011 Budget	82,000	-1.70%



VARIANCE ANALYSIS

In FY 2002-03, the large decrease is attributed to the nature of construction in Redondo Beach. More existing buildings were replaced with same but larger units, hence, there was no need to change the driveway approach, or cut into the sidewalk or curb. The City began extensive street maintenance and repairs on Artesia and Aviation Boulevard during FY 2003-04. Before this project commenced, there was increased activity by the utility companies requiring street and curb permits because they would not have access to these two major streets while the City was performing its work. This had a positive impact on revenue in FY 2003-04. With the housing market strengthening during the years from FY 2004-05 to FY 2008-09, there was more than normal new growth. However, due the economic conditions and legal and physical limitations on building, this revenue is tapering off.

FORECAST

The projected revenue from street and curb permits is \$82,000, down \$1 thousand, or 1.70%, from FY 2009-10.

METHODOLOGY OF FORECASTING

Forecasts are based on prior years' averages and trends in street and curb permits. As reflected in the chart above, this revenue is difficult to forecast, as they vary widely from year to year.

5. OTHER LICENSES AND PERMITS

BACKGROUND

Authority: Article XI, Section 7, of the California Constitution, Section 50076 and Section 66016 and seq. of the Government Code

Administrating Agency: City

Municipal Code: Title 3, Chapters 1 and 7; Title 4, Chapter 17

Description: Fees are in support of the various programs and are charged in relation to the cost of such programs. Fees include bicycle license, franchise application and other miscellaneous licenses and permits.

Object Code(s): 402050 and 402070

Character Code: 41 (Licenses and Permits)

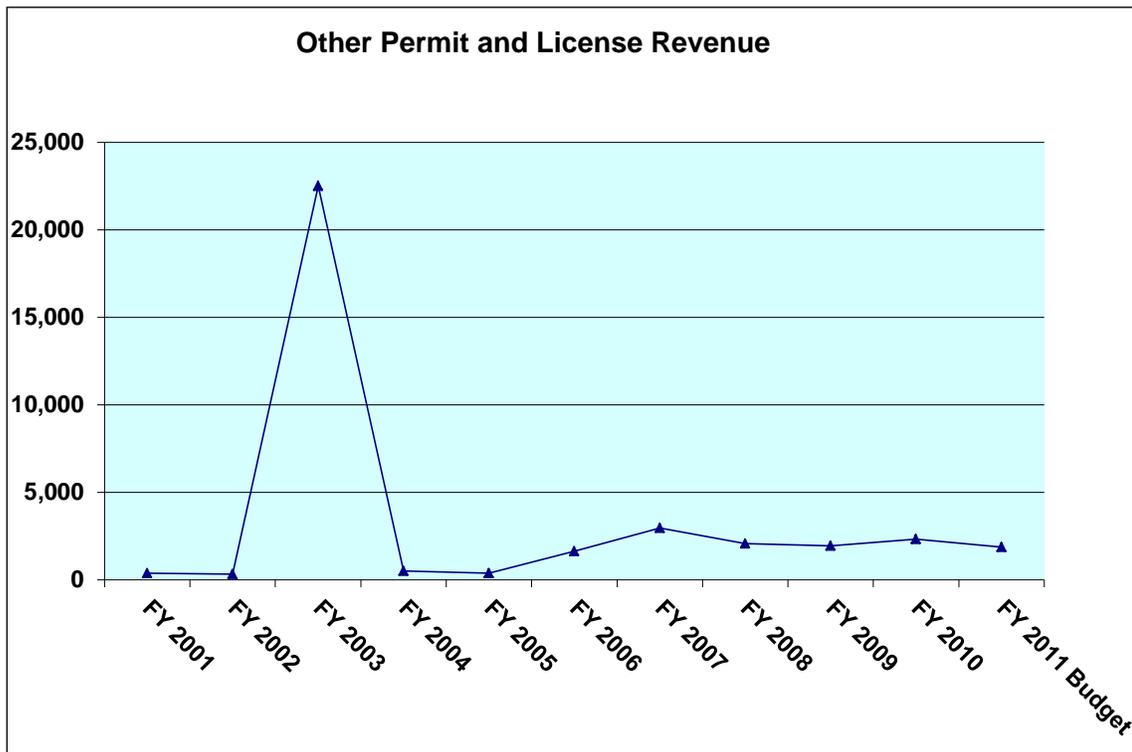
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of the revenue from other licenses and permits and the FY 2010-11 budgeted revenue.

Other Permit and License Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	378	-
2002	330	-12.70%
2003	22,498	6717.58%
2004	515	-97.71%
2005	377	-26.80%
2006	1,626	331.30%
2007	2,967	82.47%
2008	2,079	-29.93%
2009	1,940	-6.69%
2010	2,319	19.54%
2011 Budget	1,870	-19.36%



VARIANCE ANALYSIS

This revenue source consists of bicycle licenses and miscellaneous licenses and permits. The spike in FY 2002-03 is due to a one-time franchise application fee from Tycom US, Inc., a telecommunications company.

FORECAST

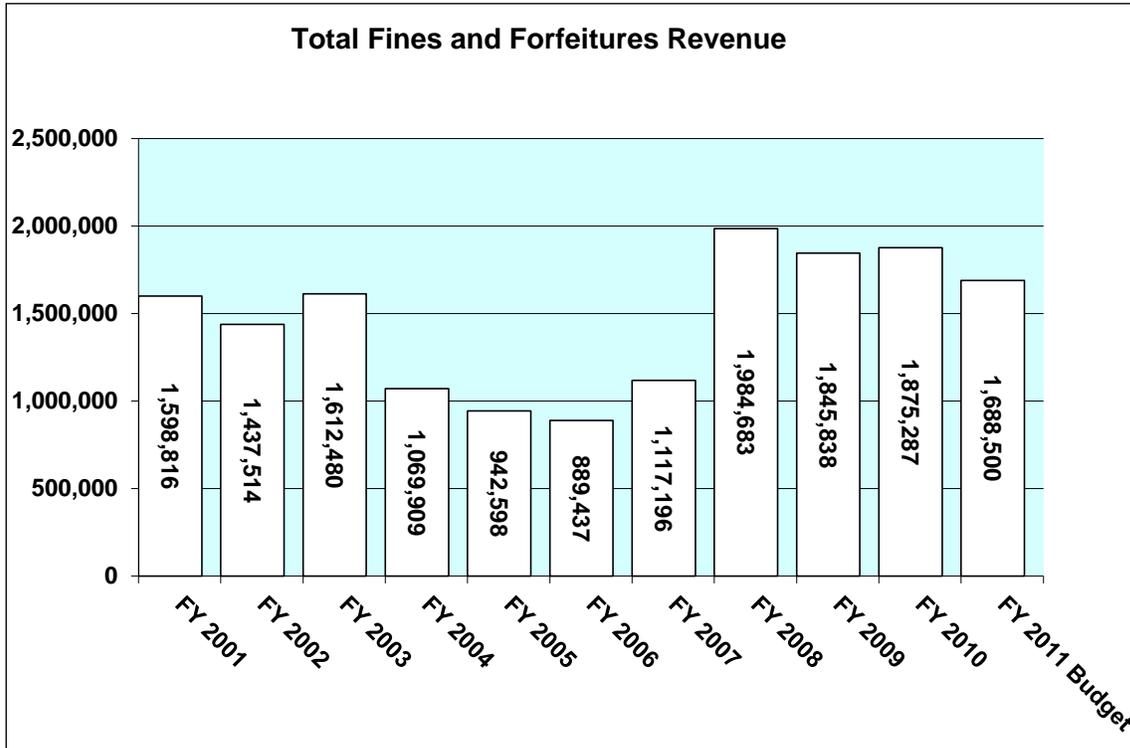
For FY 2010-11, other licenses and permits revenue is estimated at \$1,870. The only item budgeted is bicycle license permits, as this is the only revenue source within this category that can be estimated with any accuracy.

METHODOLOGY OF FORECASTING

Forecasting generally assumes prior years' averages and trends of bicycle license permits as well as any known applicable fees.

C. FINES AND FORFEITURES

Fines and forfeitures are collected by the City from the issuance of misdemeanor and infraction citations which are the result of vehicle code traffic violations, municipal code parking violations, and other penalties imposed by the courts for criminal and civil violations pursuant to Penal Code Section 1463 (distribution of revenues); Government Code Section 36900 (civil penalties for local ordinances).



1. PARKING CITATIONS

BACKGROUND

Authority: Section 40200, et seq., Article 3, Chapter 1, Division 7 of the Vehicle Code (parking penalties); Section 1275 (late fee schedule) and Section 1463 (distribution of revenues) of the Penal Code

Administrating Agency: City

Municipal Code: Title 3, Chapter 7

Description: Parking citations are issued to violators of the California Vehicle Code and Redondo Beach Municipal Code Parking Regulations. Examples of vehicle code violations are parking in a handicap zone and vehicle registration violations; examples of municipal code violations are expired meter and parking violations. For violations not paid when due, a late fee schedule increases the amount of the citation. The citation fee and late fee schedules are set by City resolution. The City outsources collection of all parking citations, including participation in the Franchise Tax Board intercept program. Legislative changes, e.g., noticing requirements, influence to some extent, this revenue source. The City also currently remits \$9.50 to the County for every ticket collected to fund the courthouse and the jail.

Object Code: 403040

Character Code: 45 (Fines and Forfeiture)

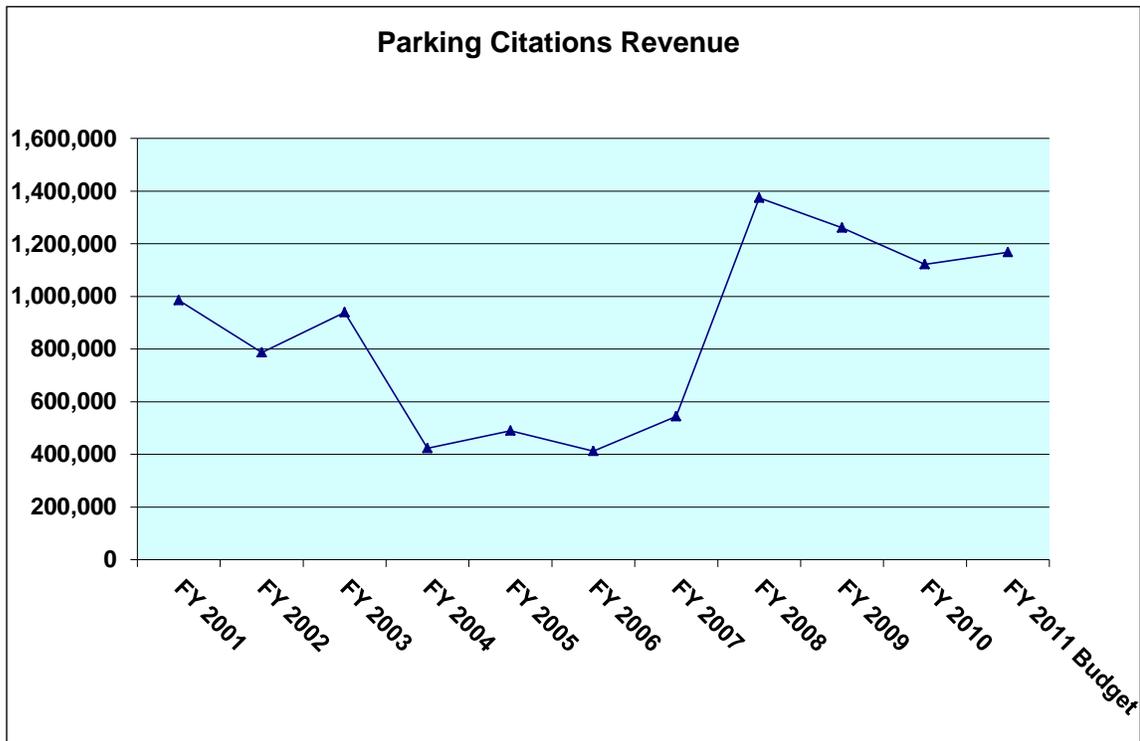
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from parking citations and the FY 2010-11 budgeted revenue.

Parking Citations Revenue
General Fund/Solid Waste Fund
FY 2001-11

Fiscal Year (Ended 6/30)	General Fund	Solid Waste Fund	Total Parking Citations Revenue	% Annual Change
2001	984,930	-	984,930	-
2002	786,354	-	786,354	-20.16%
2003	938,764	-	938,764	19.38%
2004	423,129	641,262	1,064,391	13.38%
2005	489,154	666,448	1,155,602	8.57%
2006	412,769	682,533	1,095,302	-5.22%
2007	544,271	709,069	1,253,340	14.43%
2008	1,374,760	-	1,374,760	9.69%
2009	1,260,752	-	1,260,752	-8.29%
2010	1,121,735	-	1,121,735	-11.03%
2011 Budget	1,168,000	-	1,168,000	4.12%



VARIANCE ANALYSIS

Parking enforcement departmental vacancies negatively impacted revenue in FY 2001-02, with revenue down 20.16% from the prior year. In FY 2002-03, the citation amount increased by \$5.00, or 20%, per citation effective mid-way through the year, explaining the 19.38% increase over the prior year. The large decrease in the General Fund in FY 2003-04 reflects the allocation of parking citations revenue related to street sweeping to the Solid Waste Fund. The upturn in FY 2007-08 reflects the removal of the allocation to the Solid Waste fund, more rigorous enforcement and a slight fee increase.

FORECAST

Revenue for FY 2010-11 from parking citations is estimated at \$1,168,000, down \$54 thousand from FY 2009-10 actuals, with the expectation of less traffic due to economic downturn.

METHODOLOGY OF FORECASTING

Forecasting generally assumes prior years' averages and trends. Other factors considered include fee increases, and changes in manpower and enforcement practices.

2. VEHICLE CODE FINES

BACKGROUND

Authority: Section 1463 of the Penal Code (as to distribution of revenue); various sections of the Vehicle Code, primarily Division 17, Sections 40000.1 – 41610; Judicial Council Bail and Penalty Schedules as adopted by the Judicial Council (infractions) or county judges (misdemeanors and felonies)

Administrating Agency: County court system (authority); Auditor-Controller's office (remittance)

Municipal Code: Title 3, Chapter 7

Description: Revenue from vehicle code fines is derived from the issuance of vehicle code citations. The City currently receives 50% of base fines from tickets issued in its jurisdiction and a share of fines from tickets written to drivers who attend traffic schools. No significant increases to the County bail and penalty assessment fine schedule have occurred in the last five years. The bail and penalty assessment fine schedule is set at the County court level.

Object Code: 403000

Character Code: 45 (Fines and Forfeiture)

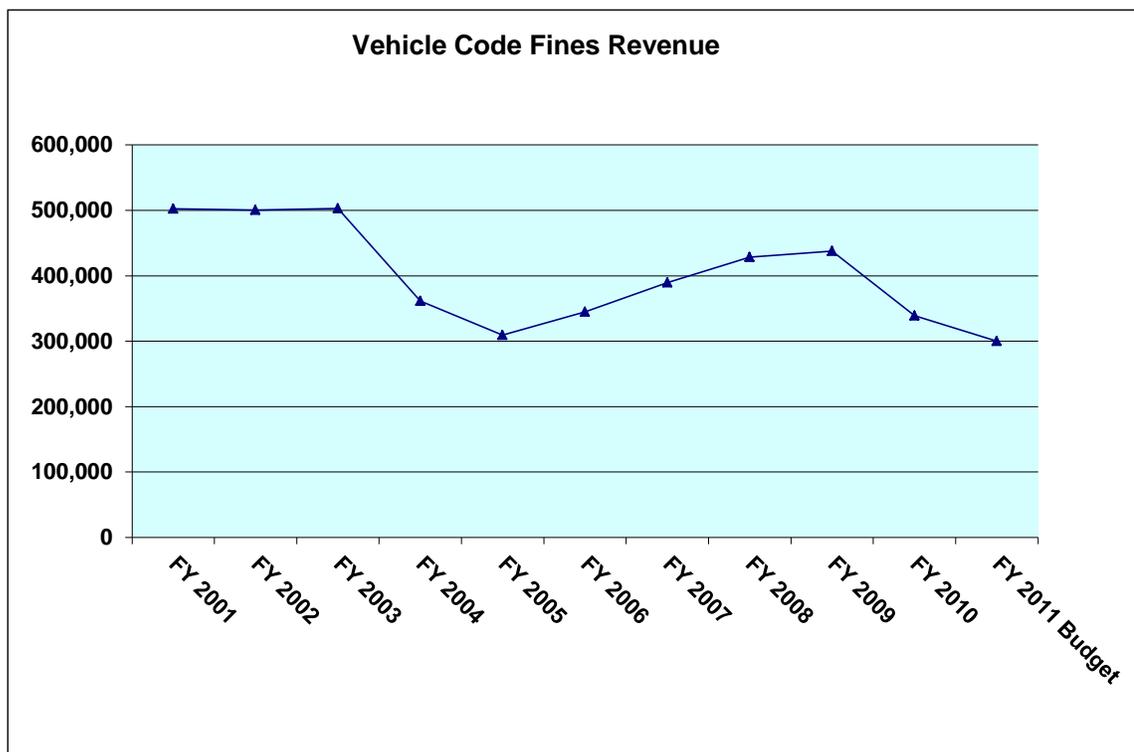
Use(s) of Revenue: Unrestricted, except per Section 42200 of the Vehicle Code as to fines and forfeitures resulting from Vehicle Code violations which must be used for (a) the purchase and maintenance of traffic control devices, (b) the maintenance of equipment and supplies for traffic law enforcement and accident prevention, (c) the maintenance, improvement or construction of public streets, bridges or culverts, and (d) the compensation of school crossing guards who are not police.

REVENUE HISTORY

The following table shows the 10-year history of revenue from vehicle code fines and the FY 2010-11 budgeted revenue.

Vehicle Code Fines Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	502,393	-
2002	500,496	-0.38%
2003	503,097	0.52%
2004	361,162	-28.21%
2005	309,264	-14.37%
2006	344,704	11.46%
2007	389,539	13.01%
2008	428,614	10.03%
2009	437,768	2.14%
2010	338,883	-22.59%
2011 Budget	300,000	-11.47%



VARIANCE ANALYSIS

Beginning in FY 1998-99, the State legislature agreed to return to cities most of the revenue for traffic fines (for moving violations) that were taken in the early 1990's. In addition, the cities were allowed to share, for the first time, revenue from traffic school fines. Revenue was down 28.2% in FY 2003-04 due to departmental vacancies. Traffic fine revenue is down in current years due to less vehicle activity in a sluggish economy with higher energy prices.

FORECAST

Due to the difficulty of forecasting the number of violations, FY 2010-11 revenue from vehicle code fines is conservatively estimated at \$300,000, down \$39 thousand from FY 2009-10 actuals.

METHODOLOGY OF FORECASTING

Forecasting generally assumes prior years' averages and trends. Other factors considered include changes in manpower levels; fine increases by the courts; violators' decisions to pay monetary or non-monetary (traffic school) fines; and aggressiveness of delinquency collections by the County.

3. OTHER FINES AND FORFEITURES

BACKGROUND

Authority: Section 1463 of the Penal Code (distribution of revenue); various other sections of the Penal Code (court authority); Judicial Council Bail and Penalty Schedules as adopted by the Judicial Council (infractions) or county judges (misdemeanors and felonies)

Administrating Agency: County court system (authority) - Auditor-Controller's office (remittance)

Municipal Code: Title 1, Chapter 2

Description: Various fines and restitution for criminal and civil matters.

Object Code(s): 403010 – 403030 & 403050 - 403090

Character Code: 45 (Fines and Forfeiture)

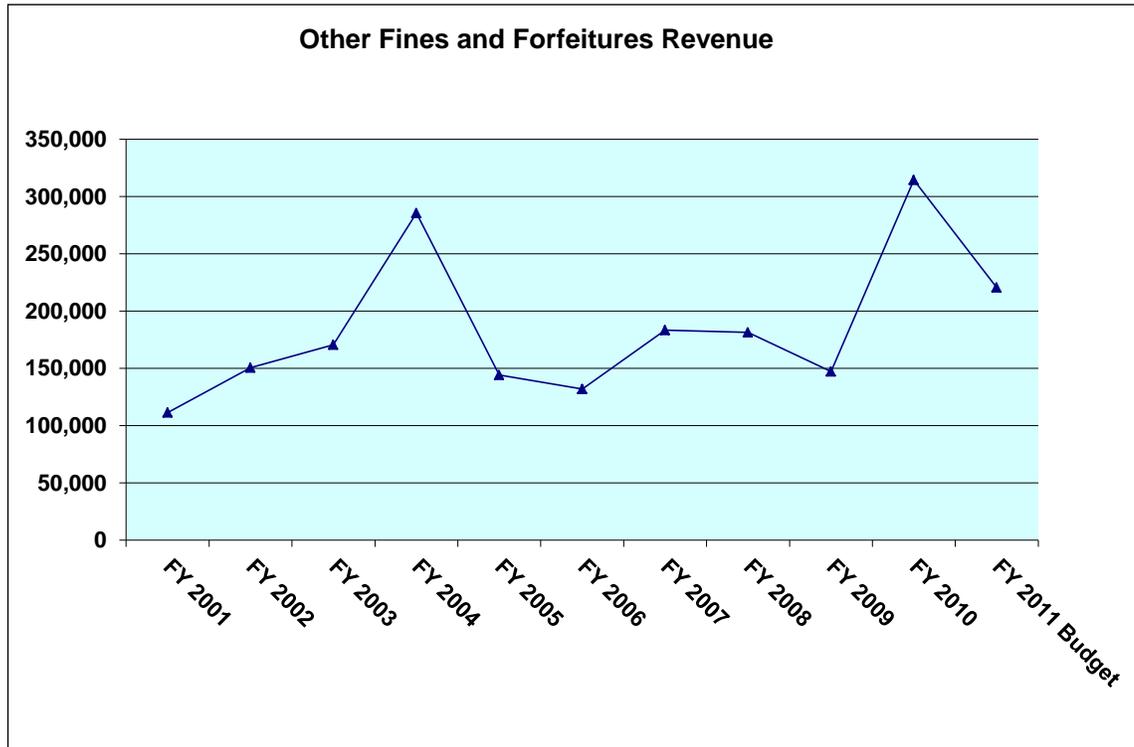
Use(s) of Revenue: Unrestricted. However, revenue generated from the Serious Crime Reduction Fund have been dedicated by the City Council towards the serious crime reduction program administered by the City Prosecutor's Office and the Police Department.

REVENUE HISTORY

The following table shows the 10-year history of revenue from other fines and forfeitures and the FY 2010-11 budgeted revenue.

Other Fines and Forfeitures Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	111,493	-
2002	150,664	35.13%
2003	170,619	13.24%
2004	285,618	67.40%
2005	144,180	-49.52%
2006	131,964	-8.47%
2007	183,386	38.97%
2008	181,309	-1.13%
2009	147,317	-18.75%
2010	314,575	113.54%
2011 Budget	220,500	-29.91%



VARIANCE ANALYSIS

The largest item in this group is restitution revenue derived from serious crime offenders and is difficult to predict.

FORECAST

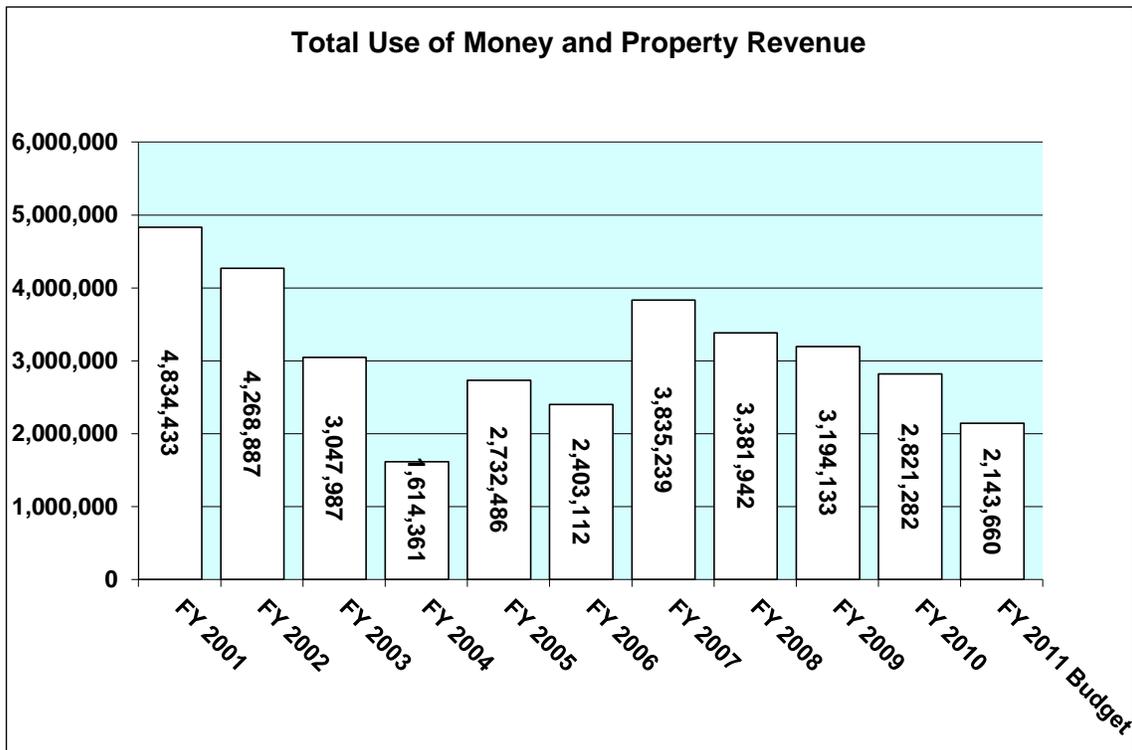
FY 2010-11 other fines and forfeitures revenue is budgeted at \$220,500, down \$94 thousand, or 29.91%, from prior year actuals.

METHODOLOGY OF FORECASTING

This revenue source fluctuates from year to year and is always budgeted conservatively.

D. USE OF MONEY AND PROPERTY

The City derives revenue from the use of money; i.e., interest earned on the prudent investment of City’s idle funds, and rental income. Revenue is also derived from the use of City properties by imposing fees on the users of such property. An example of such use is rental income.



1. INVESTMENT EARNINGS

BACKGROUND

Authority: Article XI Section 5 of the California Constitution; City Charter Section 11.1

Administrating Agency: City
Municipal Code: Not Applicable

Description: Investment earnings are derived from interest from the investment of idle funds. The Government Code limits the type of investments that can be made to protect the taxpayers' money. Funds may be invested in certain governmental bonds, bills and notes, or deposited in banks. The City Treasurer (an elected position) is responsible for the investment of these funds. These investments are governed by an investment policy which is annually reviewed and adopted by the City Council. Beginning in FY 1997-98, GASB Statement 31 requires fair market value reporting of all investments. Fair market value is the amount at which a financial instrument could be exchanged in a current transaction.

Object Code(s): 404000, 404010, 404020, 404030
Character Code: 44 (Use of Money and Property)

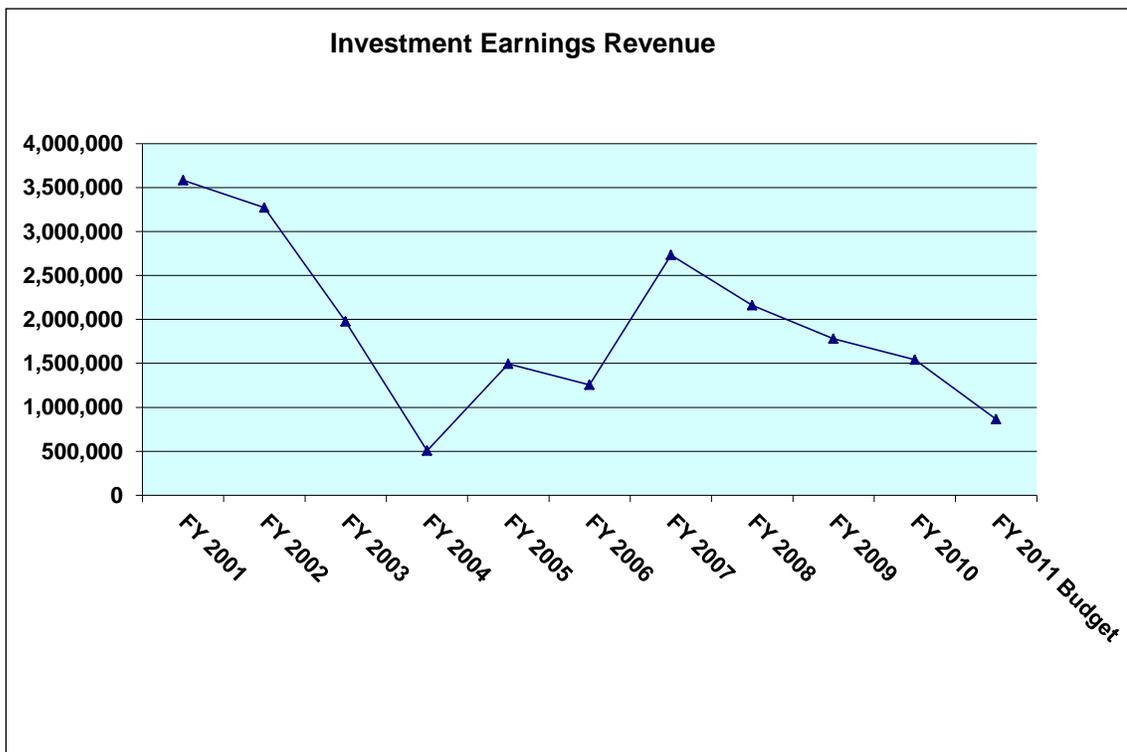
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from investment earnings and the FY 2010-11 budgeted revenue.

Investment Earnings Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	3,582,014	-
2002	3,271,947	-8.66%
2003	1,975,097	-39.64%
2004	506,233	-74.37%
2005	1,493,183	194.96%
2006	1,256,879	-15.83%
2007	2,731,299	117.31%
2008	2,160,899	-20.88%
2009	1,781,175	-17.57%
2010	1,542,262	-13.41%
2011 Budget	866,000	-43.85%



VARIANCE ANALYSIS

Beginning in FY 1997-98, the implementation of GASB 31 required the City to record investments at fair market value. Investment earnings substantially increased in FY 2000-01 and the beginning of FY 2001-02, reflecting the strong economy. In the latter part of FY 2001-02 following the terrorist attacks on September 11, investment earnings suffered a severe decline, reflecting the overall decline of the economy. FY 2003-04 actuals reflect a decrease of 39.64% from the prior year. This is a result of the GASB 31 requirement to record investments at fair market value. This "paper" loss would not be realized, or become an actual loss, until the market instrument(s) was/were sold. Investments showed better returns in FY 2004-05 through FY 2007-08 as the economy improved, with a corresponding downturn as the economy soured in FY 2008-09.

FORECAST

Revenue estimates for FY 2010-11 are expected to decline significantly (43.85%) from FY 2009-10 actuals. This decline is attributable to lower interest rates available in the investment marketplace resulting from a slowing economy.

METHODOLOGY OF FORECASTING

Investment earnings revenue is dependent upon the amount of cash available for investments, the interest rates available and the length of investment maturities. The general state of the economy must also be considered when estimating this revenue source.

2. RENTS AND PERCENTAGES

BACKGROUND

Authority: Art XI, Section 7 of the California Constitution (reasonable exercise of police power); Article XI, Section 9 (authority to provide for certain public works including transportation, light, water, heat and power); Authority for various other types of leases is provided in various specific statutes

Administrating Agency: City

Municipal Code: Not Applicable

Description: This revenue is generated from the rental or use of City property and resources.

Object Code(s): 405010

Character Code: 44 (Use of Money and Property)

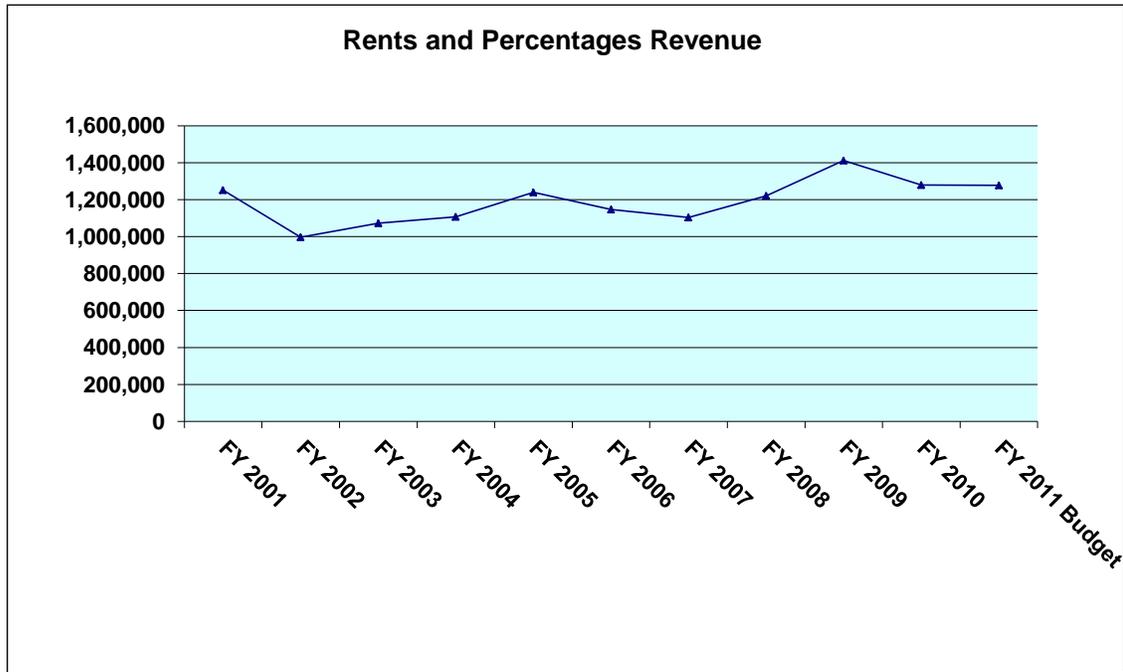
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from rents and percentages and the FY 2010-11 budgeted revenue.

Rents and Percentages Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	1,252,419	-
2002	996,940	-20.40%
2003	1,072,890	7.62%
2004	1,108,128	3.28%
2005	1,239,303	11.84%
2006	1,146,233	-7.51%
2007	1,103,940	-3.69%
2008	1,221,043	10.61%
2009	1,412,958	15.72%
2010	1,279,020	-9.48%
2011 Budget	1,277,660	-0.11%



VARIANCE ANALYSIS

Total rental revenue has risen over time with the increasing number, type of rented facilities, and the ability of the City's rental property to hold its value. In FY 2001-02, some of the City facilities were not available for use due to renovations or remodeling. For instance, The Redondo Beach Performing Arts Center was renovated during this period.

FORECAST

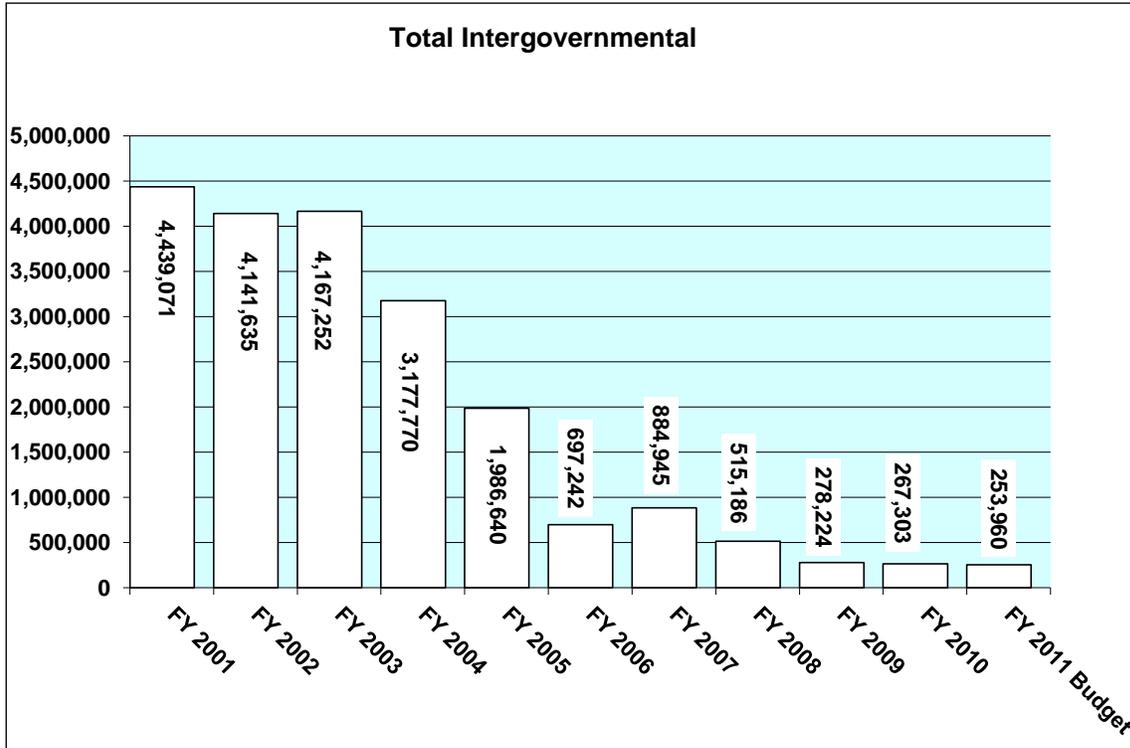
For FY 2010-2011, revenue from rents and percentages are estimated at \$1,277,660, down only \$1 thousand from FY 2009-10. This is based on projections that the economy will have minimal affect on rentals of the City's properties.

METHODOLOGY OF FORECASTING

Revenue is projected based on negotiated contract amounts and fair market rents for City facilities. Local market values as well as historical vacancy rates must also be considered.

E. INTERGOVERNMENTAL

The City receives revenue from a variety of Federal, State and local grants and revenue sharing programs. Most of these monies are used for specific programs and functions.



1. MOTOR VEHICLE IN-LIEU TAX

BACKGROUND

Authority: Article XI, Section 15 of the California Constitution; Sections 10751 and 11005 of the Revenue and Taxation Code

Administering Agency: State Department of Motor Vehicles (collections); State Controller (disbursements)

Municipal Code: Not Applicable

Description: The motor vehicle in-lieu (MVIL) tax is imposed on ownership of a registered vehicle for the privilege of operating the vehicle on the public highways. A portion of this tax is disbursed to the cities and is distributed based on the proportion that the population of each city bears to the total population of all cities (a per capita formula). Remittance is made monthly. MVIL fees are allocated to counties and cities according to statute. The license fee paid by vehicle owners is .65% of the market value of the motor vehicle. The City's MVIL revenue is 2% of the market value of the motor vehicle, with the State backfilling the additional 1.35% out of the General Fund. For each year the vehicle is owned, the assessed fee declines in accordance with a depreciation schedule to reflect the decreased value of the vehicle.

Object Code(s): 401000, 401010

Character Code: 42 (Intergovernmental)

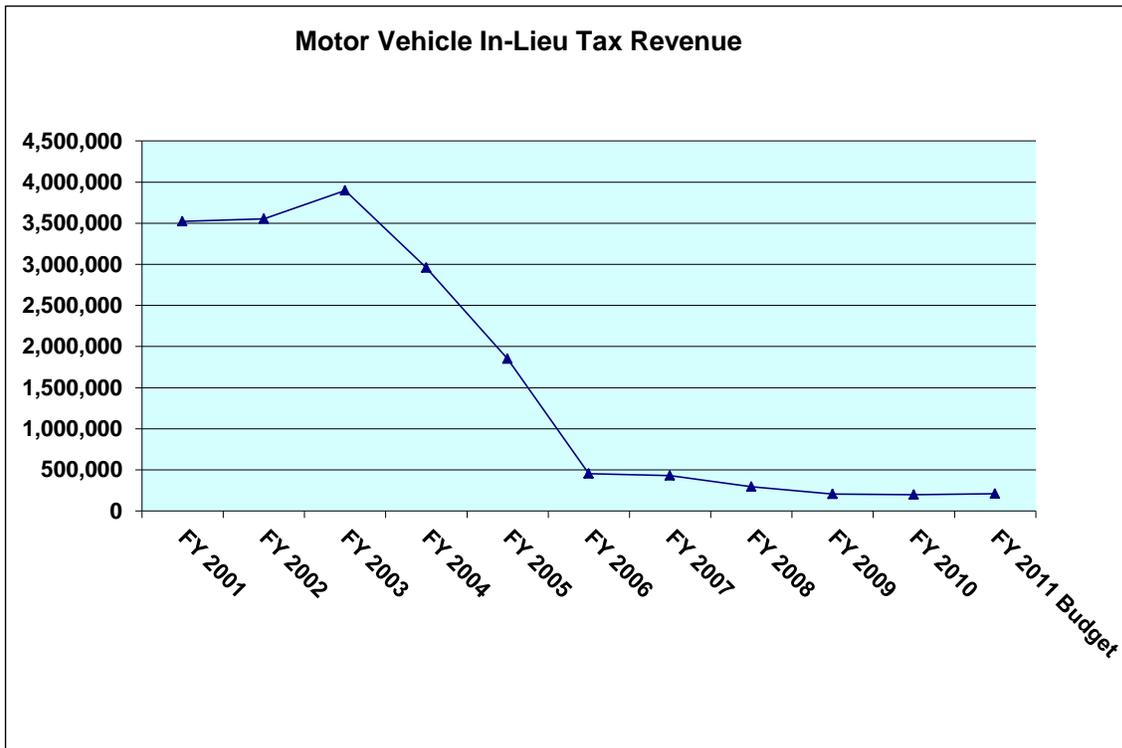
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of MVIL tax revenue and the FY 2010-11 budgeted revenue.

Motor Vehicle In-Lieu Tax Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	3,520,980	-
2002	3,555,654	0.98%
2003	3,896,474	9.59%
2004	2,959,364	-24.05%
2005	1,852,066	-37.42%
2006	453,645	-75.51%
2007	429,612	-5.30%
2008	293,685	-31.64%
2009	205,403	-30.06%
2010	198,745	-3.24%
2011 Budget	211,000	6.17%



VARIANCE ANALYSIS

The large decrease in FY 2003-04 was a result of the City not receiving part of the backfill due to the State's financial problems. The backfill that the City was due to receive in FY 2003-04 was deferred until August, 2006 (the backfill gap). As the financial conditions in the State worsened and larger apportionment of the City's funds from this source were used to cover various State administrative costs, the revenue has not recovered and continues downward.

FORECAST

For FY 2010-11, MVIL revenue is estimated at \$211,000. This is up from FY 2009-10 by \$12 thousand, or 6.17%, in anticipation of more cars being purchased but offset by the State withholding a larger apportionment of the City's funds from this source to cover various State administrative costs.

METHODOLOGY OF FORECASTING

Revenue is based on past years' and current legislative trends. Because this revenue source has been a recent object of interest of the State, legislative developments are closely monitored.

2. SB 90 REIMBURSEMENT

BACKGROUND

Authority: Article XIII B, Section 6 of the California Constitution, Sections 2201 et seq. of the Revenue and Taxation Code

Administering Agency: State Controller; Commission on State Mandates

Municipal Code: Not Applicable

Description: The California Constitution requires the State to reimburse local agencies for the cost of mandated programs. SB 90 is a tool for local government to request that the State appropriate funds for legislation that contains mandated costs. If the State Legislature does pass a mandate containing an appropriation, the State Controller is required to process and pay local agencies' reimbursement claims. In the event a mandate is passed with no appropriation, local agencies may pursue their reimbursement rights through the Commission on State Mandates.

Object Code: 401040

Character Code: 42 (Intergovernmental)

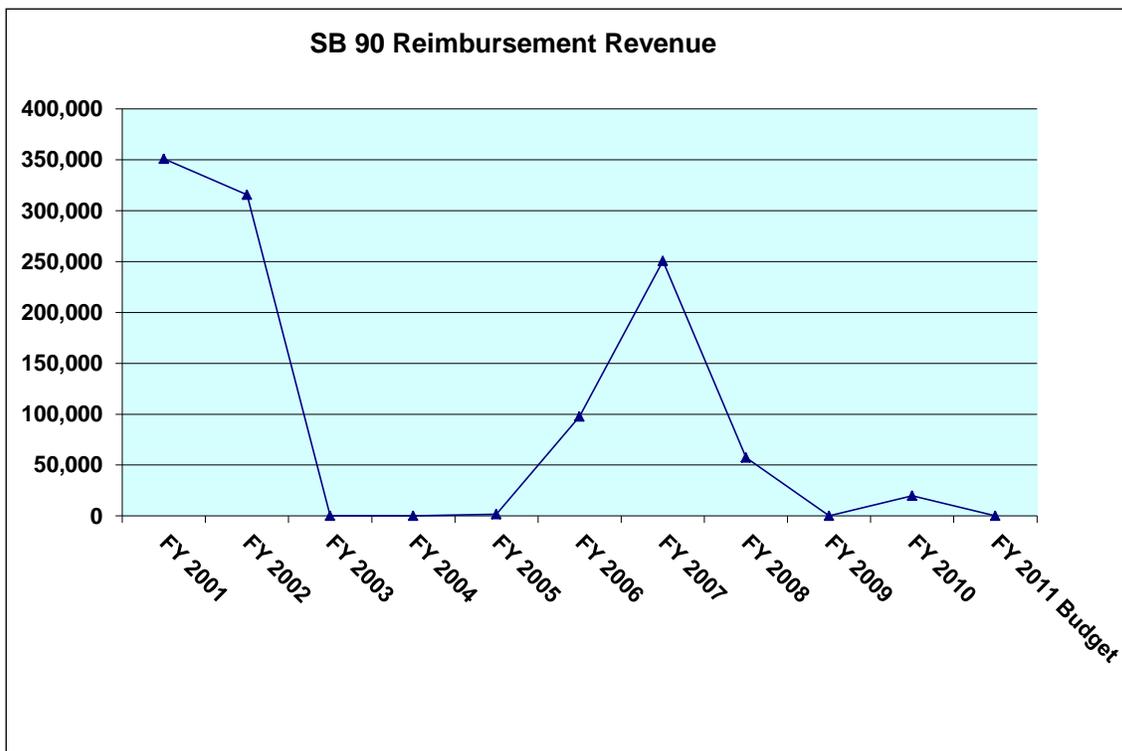
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of SB 90 reimbursement revenue and the FY 2010-11 budgeted revenue.

SB 90 Reimbursement Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	351,094	-
2002	315,608	-10.11%
2003	-	-100.00%
2004	-	-
2005	1,665	-
2006	97,598	5761.74%
2007	250,667	156.84%
2008	57,380	-77.11%
2009	-	-100.00%
2010	19,805	n/a
2011 Budget	-	-



VARIANCE ANALYSIS

The level of this revenue is dependent upon State appropriation, the level of expenditures from State mandated programs, and changes in programs qualifying for reimbursement.

FORECAST

Due to uncertainty surrounding the State budget in FY 2010-11, this revenue source was forecast at zero.

METHODOLOGY OF FORECASTING

Projections are based on the expected State appropriation for mandated programs.

3. STATE LIBRARY FUNDING

BACKGROUND

Authority: Article XI, Section 5 and Section 11 of the California Constitution; City Charter

Administrating Agency: City

Municipal Code: Not Applicable

Description: This revenue is received from the California Public Library Finance (PLF) and from the State under the California Library Services Act (CLSA). PLF funds are distributed to public libraries based on population and demonstrated maintenance of effort. The population factor used is based on census data compiled annually by the California Department of Finance. Under CLSA, funds are received for direct loans and interlibrary loans.

Object Code(s): 401020, 401030

Character Code: 42 (Intergovernmental)

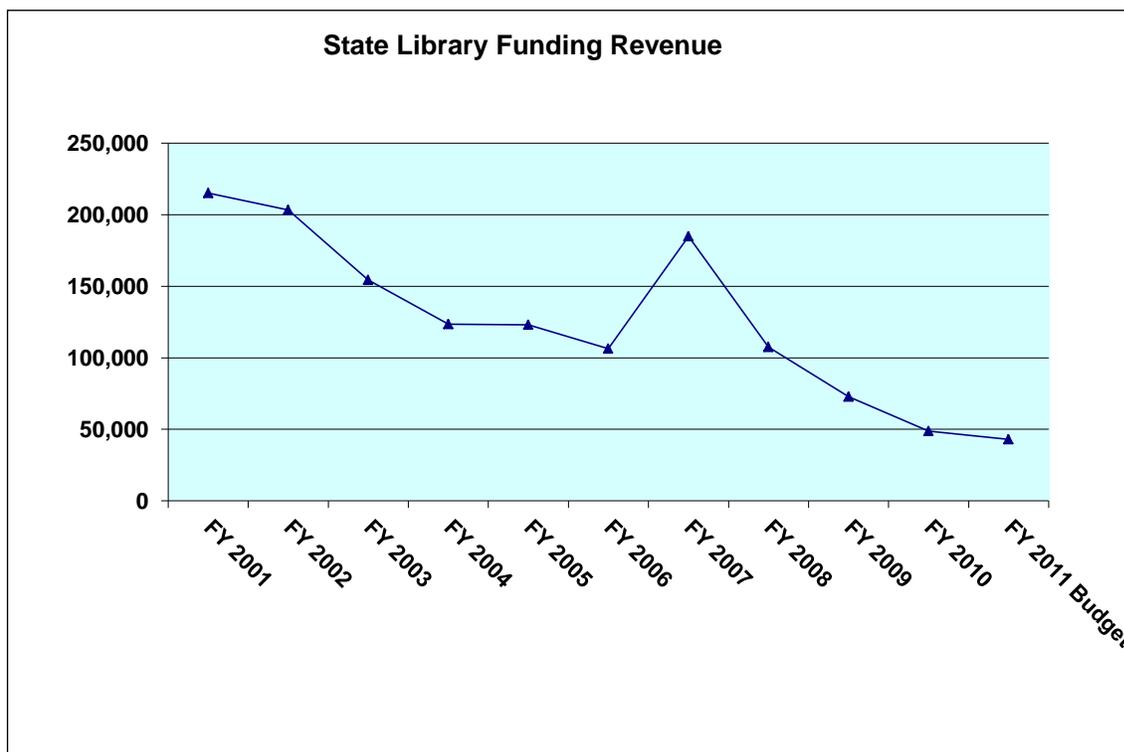
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of State library funding revenue and the FY 2010-11 budgeted revenue.

State Library Funding Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	215,138	-
2002	203,295	-5.50%
2003	154,313	-24.09%
2004	123,454	-20.00%
2005	122,939	-0.42%
2006	106,403	-13.45%
2007	184,868	73.74%
2008	107,382	-41.91%
2009	72,821	-32.19%
2010	48,753	-33.05%
2011 Budget	42,960	-11.88%



VARIANCE ANALYSIS

We have seen a steady decline in this revenue source since FY 2001-02. The bump in FY 2006-07 is attributable to an increase in California Library Services Act funding of \$37 thousand and a prior year catch-up of \$28 thousand. Library funding has been significantly impacted due to economic struggles at the State level.

FORECAST

The FY 2010-11 revenue from State library funding is forecast down by \$6 thousand. However, if the State financial conditions worsen, more money may be withheld.

METHODOLOGY OF FORECASTING

Projections are based on previous years' trends and averages. Also taken into account is the current financial situation at the State level, which directly affects the level of funding allocated.

4. OTHER INTERGOVERNMENTAL

BACKGROUND

Authority: Various

Administrating Agency: Various

Municipal Code: Various

Description: Consists of various grants and monies received by the City from Federal, State and other local agencies.

Object Code(s): 401990, 412000

Character Code: 42 (Intergovernmental)

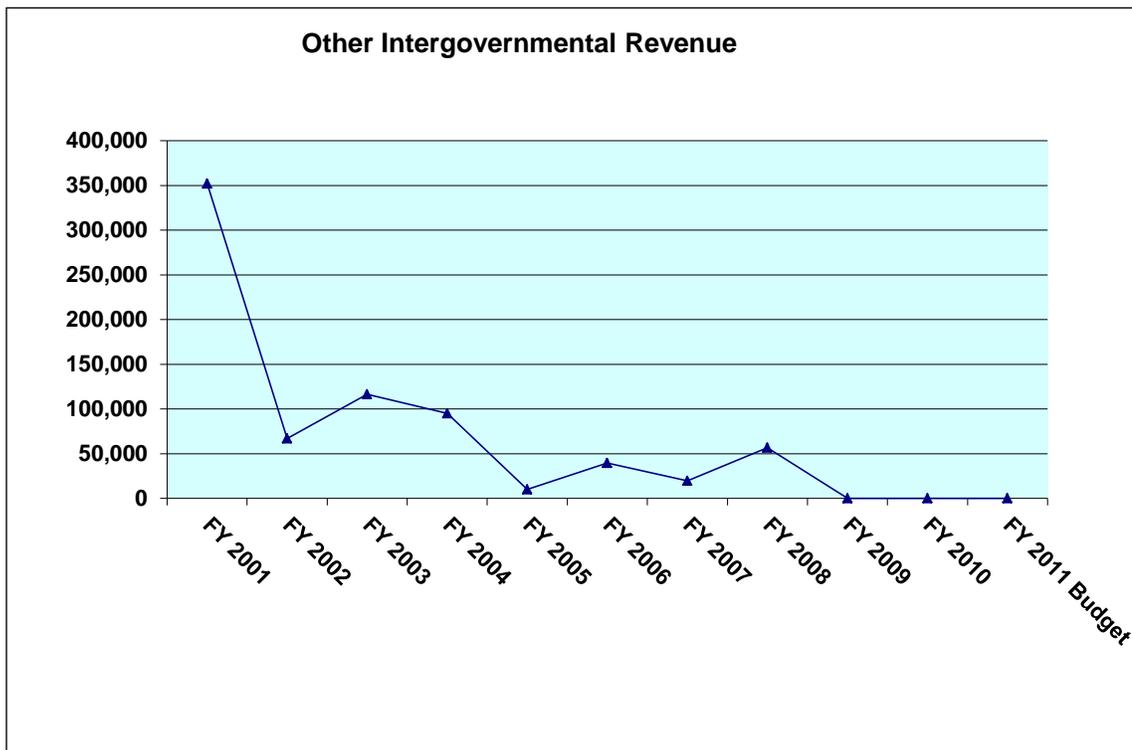
Use(s) of Revenue: Generally restricted to the purpose/program for which the grant was approved.

REVENUE HISTORY

The following table shows the 10-year history of other intergovernmental revenue and the FY 2010-11 budgeted revenue.

Other Intergovernmental Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	351,859	-
2002	67,078	-80.94%
2003	116,465	73.63%
2004	94,952	-18.47%
2005	9,970	-89.50%
2006	39,596	297.15%
2007	19,798	-50.00%
2008	56,739	186.59%
2009	-	-100.00%
2010	-	-
2011 Budget	-	-



VARIANCE ANALYSIS

This revenue consists of a combination of various grants received from Federal, State and local sources. These few have been recorded in the General Fund. However, most grants are recorded in the Intergovernmental Grants Fund.

One-time grants result in fluctuating revenue. For example, in FY 1996-97, the City received a large grant from the Beach Cities Health District. In FY 1997-98, the City received a Los Angeles County Prop "A" grant. In FY 1999-00, the Police Department received a large grant from the California Office of Traffic Safety to implement a Serious Traffic Offender Program (STOP). In FY 2007-08 the Fire Department received \$35,474 for standby services to the neighboring city of Hermosa Beach.

FORECAST

For FY 2010-11, other intergovernmental revenue is estimated at zero. The City is taking a very conservative approach in budgeting revenue based on the State's current financial situation.

METHODOLOGY OF FORECASTING

Revenue projections are based on past trends of monies awarded through grant programs and the current condition of the State and economy.

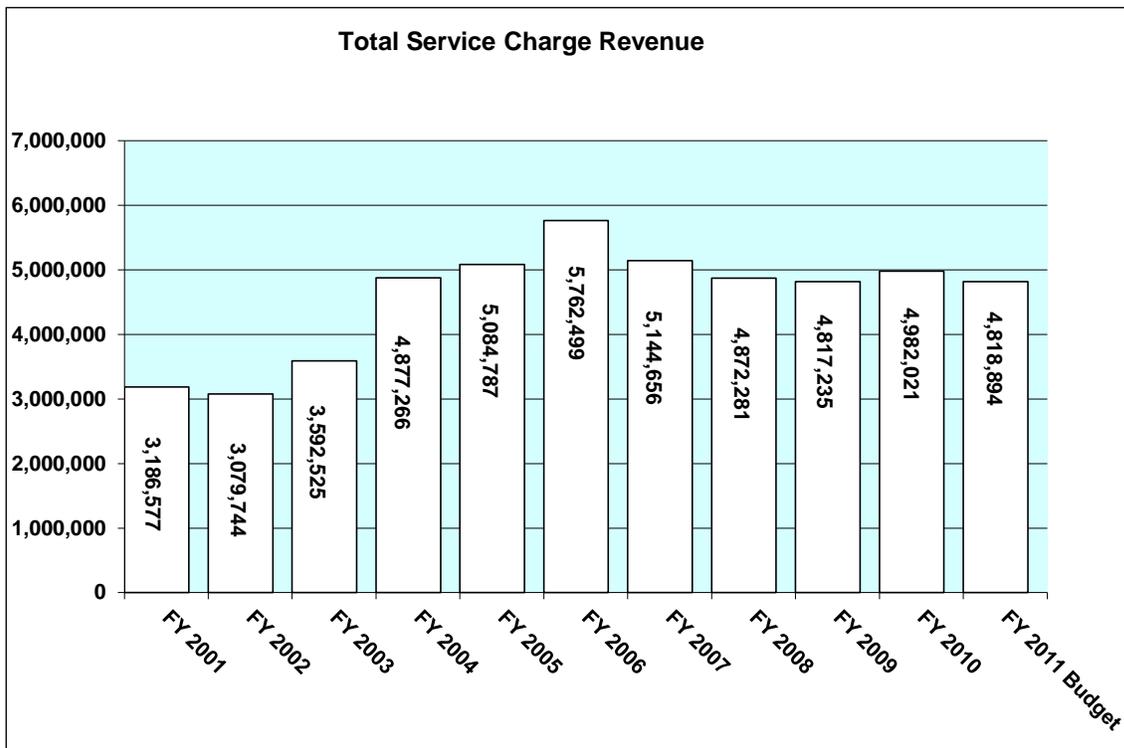
F. CHARGES FOR SERVICES

Charges for services are fees imposed upon the user of a service provided by the City. The rationale behind these charges is that certain services are primarily for the benefit of individuals rather than for the general public and, therefore, the individuals benefiting from the service should pay the cost of that service.

Most derive their authority from one of the following (with only the major source or other sources listed in the section): Article XI, Section 7, and Article XIII B, Section 8, of the California Constitution; Section 66018 et seq. of the Government Code, and specifically, Sections 51287, 56383, 57004, 65104, 65456, 65863.7, 65909.5, 66013, 66014, and 66451.2 of the Government Code, Sections 17951, 19132.3, and 19852 of the Health and Safety Code, Section 41901 of the Public Resources Code, and Section 21671.5 of the Public Utilities Code.

Charges for services differ from fees for licenses and permits in that the latter are designed to reimburse the City for costs related to regulatory activities, while service charges are imposed to support services to individuals. Such amounts are not to exceed the cost of the related service and, often, do not fully pay for such cost.

Charges for services are typically set by resolution via the Master Fee Schedule, which is updated annually. No statutory authority is required for a City to levy service charges.



1. FIRE SERVICES

BACKGROUND

Authority: Article XI, Section 7, and Article XIII B, Section 8 of the California Constitution; Section 66018 et seq. of the Government Code. Specifically, Sections 51287, 56383, 57004, 65104, 65456, 65863.7, 65909.5, 66013, 66014, and 66451.2 of the Government Code, Sections 17951, 19132.3, and 19852 of the Health and Safety Code, Section 41901 of the Public Resources Code, and Section 21671.5 of the Public Utilities Code.

Administrating Agency: City

Municipal Code: Title 2, Chapter 4; Title 3, Chapters 3 and 4

Description: This revenue is collected from fees imposed on service users. The services provided by the Fire Department for which fees are charged include:

- fire code and prevention plan checks,
- fire standby services for special events,
- hazardous material handling programs,
- advanced life support charges, special permits, and
- other miscellaneous special services provided to users.

Object Code(s): 410500 – 410530 and 411100 – 411140 (when used for Department 22)

Character Code: 43 (Charges for Services)

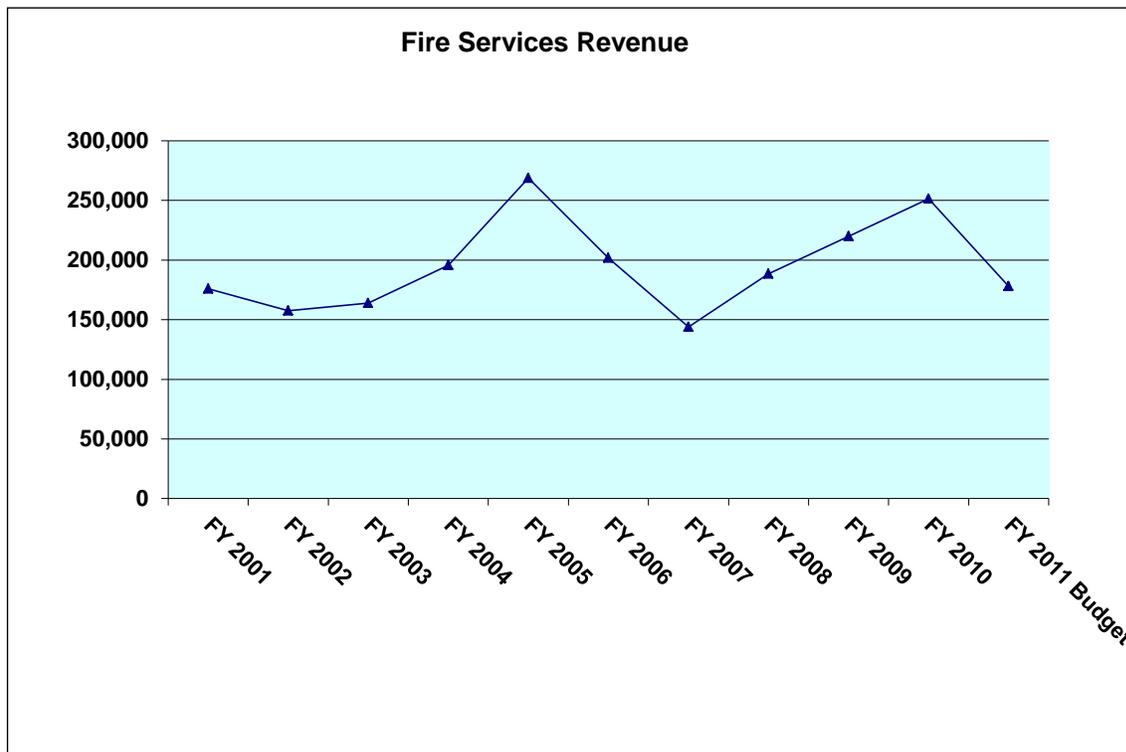
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from fire services and the FY 2010-11 budgeted revenue.

Fire Services Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	176,045	-
2002	157,655	-10.45%
2003	163,823	3.91%
2004	195,630	19.42%
2005	268,698	37.35%
2006	201,813	-24.89%
2007	143,852	-28.72%
2008	188,442	31.00%
2009	220,030	16.76%
2010	251,464	14.29%
2011 Budget	178,000	-29.21%



VARIANCE ANALYSIS

Fire plan check fees, a large portion of fire service fees, were down in FY 2001-02 as a result of lower construction activity following an economic downturn brought on by the September 11 terrorist attack. There was also a leveling off of fire service fees in FY 2006-07, as building activity stabilized, and the housing market softened. These negative factors were offset by a City Council approved increase in the rates.

FORECAST

For FY 2010-11, revenue from fire services is estimated at \$178,000, down 29.21%, from FY 2009-10. This reflects the expectation of less building activity and reductions in staff and staff time.

METHODOLOGY OF FORECASTING

Revenue variations are due to the fluctuations in the use of the related services (e.g., building activities). Revenue projections are based on past years' averages and trends.

2. BUILDING SERVICES

BACKGROUND

Authority: Article XI, Section 7, and Article XIII B, Section 8 of the California Constitution; Section 66018 et seq. of the Government Code. Specifically, Sections 51287, 56383, 57004, 65104, 65456, 65863.7, 65909.5, 66013, 66014, and 66451.2 of the Government Code, Sections 17951, 19132.3, and 19852 of the Health and Safety Code, Section 41901 of the Public Resources Code, and Section 21671.5 of the Public Utilities Code.

Administrating Agency: City

Municipal Code: Title 9

Description: In addition to building permits, the Building Division imposes charges for other services that are intended to recover the full cost of providing such services. These services include plan checking, inspections for construction, real estate reports, handicap plan checking, State energy requirements and other miscellaneous services provided to specific users.

Object Code(s): 410500, 410510 and 410610 – 410630

Character Code: 43 (Charges for Services)

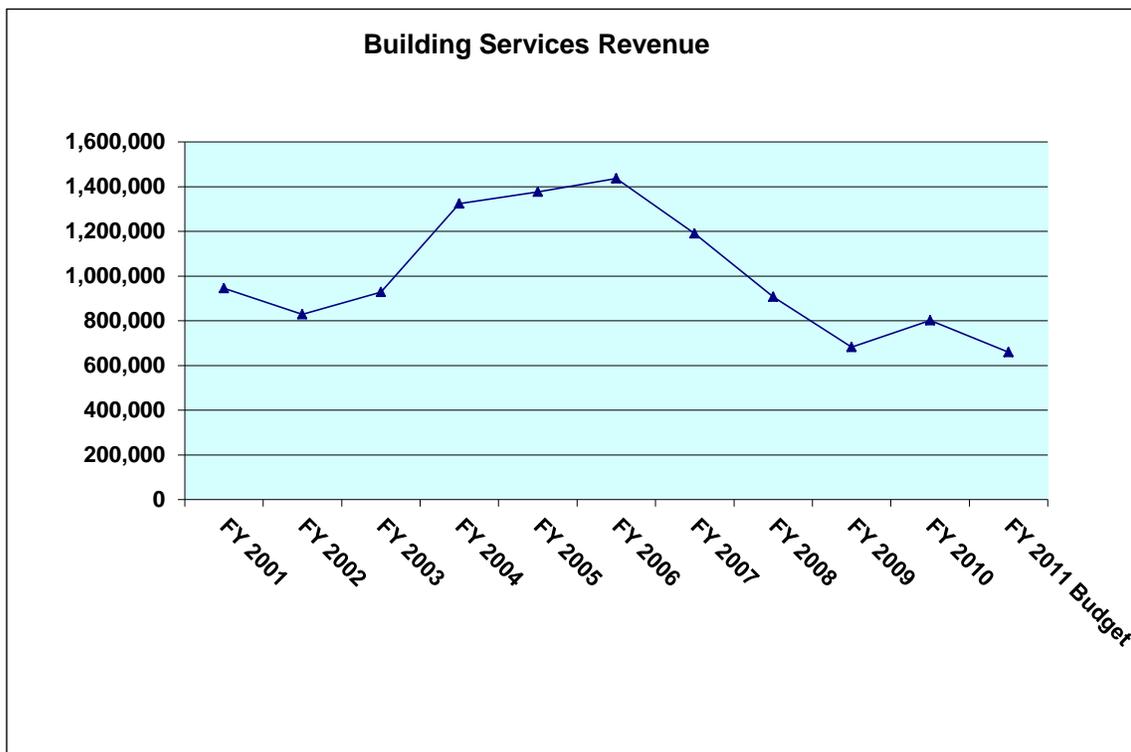
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from building services and the FY 2010-11 budgeted revenue.

Building Services Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	945,214	-
2002	828,166	-12.38%
2003	928,894	12.16%
2004	1,323,596	42.49%
2005	1,376,089	3.97%
2006	1,436,805	4.41%
2007	1,190,866	-17.12%
2008	906,520	-23.88%
2009	682,268	-24.74%
2010	801,897	17.53%
2011 Budget	659,000	-17.82%



VARIANCE ANALYSIS

Like many of the City's revenue sources, building services is directly related to the general state of the economy. Following the September 11 terrorist attacks, there was a marked decrease in building activity. In FY 2002-03, activity began picking up again, but since FY 2006-07 the poor economy has negatively impacted building services revenue.

FORECAST

For FY 2010-11, revenue from building services is estimated at \$659,000. Forecasted revenue is steadily decreasing as the housing market is in a decline. This deterioration is offset by a City Council approved increase in the fee rates.

METHODOLOGY OF FORECASTING

Trends in revenue reflect the general economic conditions of Los Angeles County. The analysis which produces forecasts considers prior years' trends as well as the level of current construction activity and general economic as well as interest rate projections (as indicators of future construction activity).

3. ENGINEERING FEES

BACKGROUND

Authority: Article XI, Section 7, and Article XIIIB, Section 8 of the California Constitution; Section 66018 et seq. of the Government Code

Administrating Agency: City

Municipal Code: Title 9

Description: These fees are charged for the various services rendered to the public by the Engineering and Building Services Department. The fees are determined by the costs of providing such services as parcel and tract map review, as well as curb, gutter and sidewalk inspections.

Object Code: 410720

Character Code: 43 (Charges for Services)

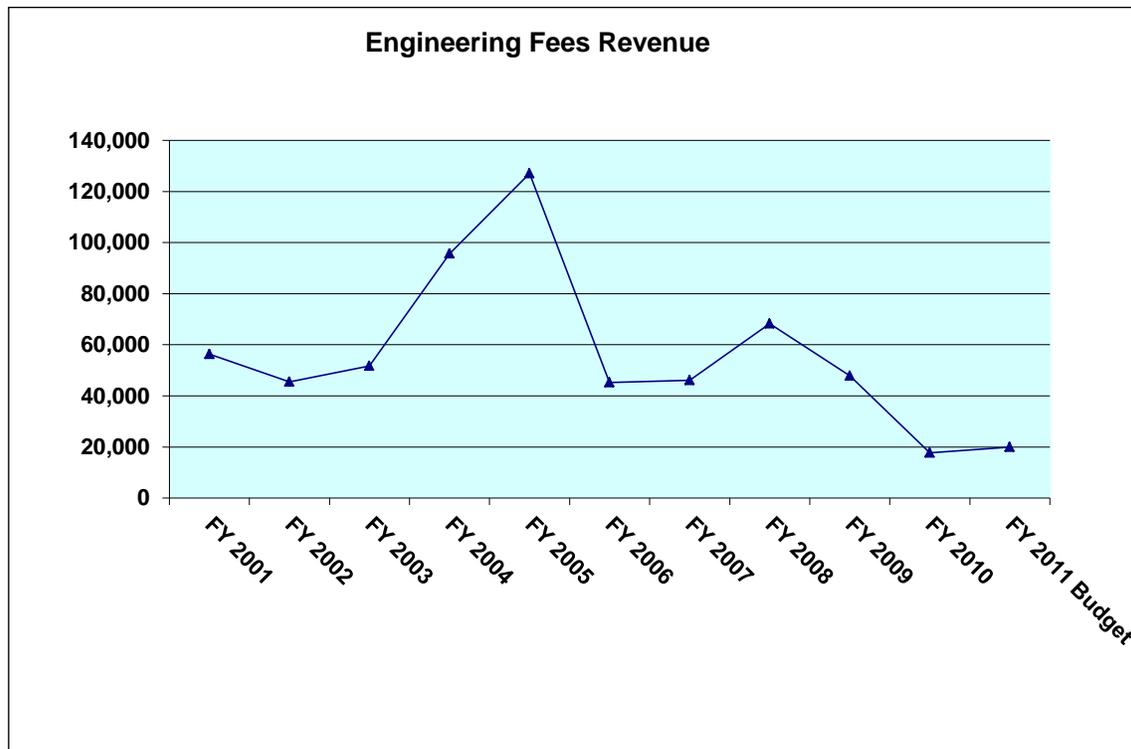
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from engineering fees and the FY 2010-11 budgeted revenue.

Engineering Fees Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	56,365	-
2002	45,460	-19.35%
2003	51,681	13.68%
2004	95,671	85.12%
2005	127,021	32.77%
2006	45,248	-64.38%
2007	46,105	1.89%
2008	68,325	48.19%
2009	47,871	-29.94%
2010	17,747	-62.93%
2011 Budget	20,000	12.70%



VARIANCE ANALYSIS

This revenue is similar to revenue from building services in that it typically trends with the general state of the economy. The early years represented in the graph reflect strong construction activity, followed by a decline after September 11th and a steady recovery over the last few years. FY 2003-04 revenue best reflect this trend of increased building activity with a healthy increase of 85% over FY 2002-03 actuals. The increase in FY 2007-08 reflects an increase in City Council approved fees. In current years engineering fees have decreased as the housing market and the general economy have slumped.

FORECAST

For FY 2010-11, revenue from engineering fees is estimated at \$20,000. This leveling off in revenue reflects stabilization in engineering-related building activity and the economy in general.

METHODOLOGY OF FORECASTING

Estimates are based on prior years' averages and trends as well as new fee adjustments to recover any projected increase in the cost of providing the services.

4. PARKING METER FEES

BACKGROUND

Authority: Article XI, Section 7, and Section 22508 of the Vehicle Code; Section 35108 of the Streets and Highways Code

Administrating Agency: City

Municipal Code: Title 3, Chapter 10

Description: Cities may establish parking meter zones and set rates for such zones. In addition, cities may establish parking districts to provide parking structures and lots, and may charge fees for parking in such facilities.

Object Code: 410900

Character Code: 43 (Charges for Services)

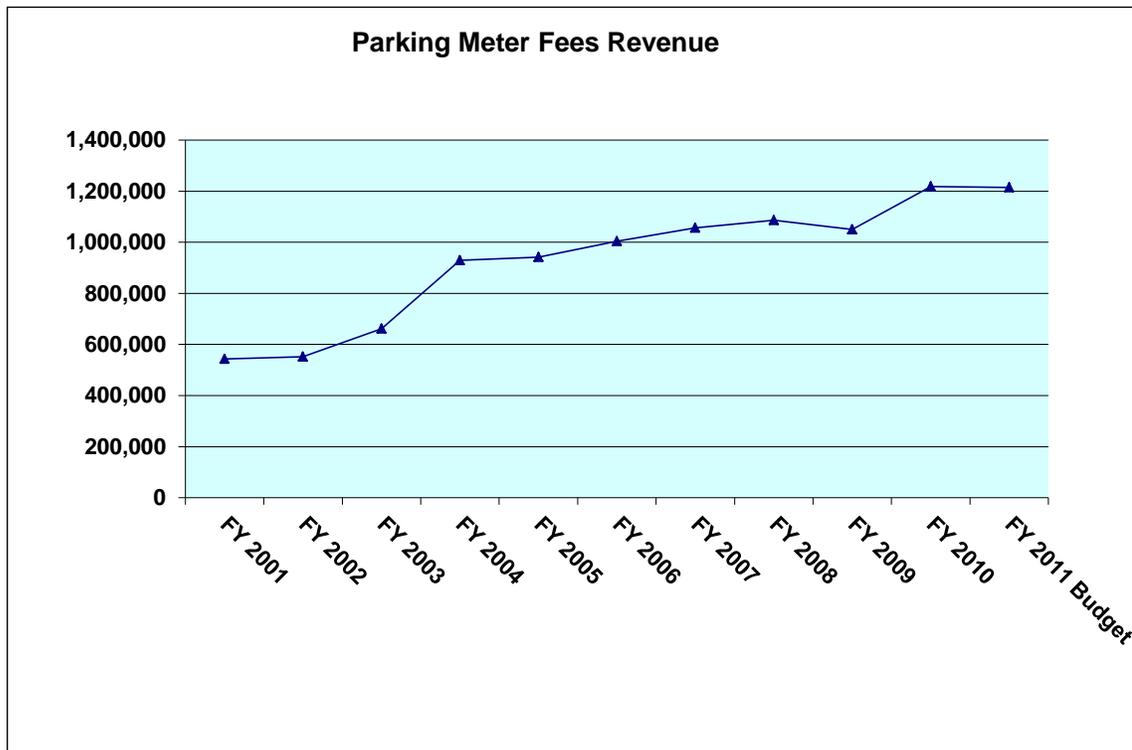
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from parking meter fees and the FY 2010-11 budgeted revenue.

Parking Meter Fees Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	543,521	-
2002	552,328	1.62%
2003	661,983	19.85%
2004	929,664	40.44%
2005	941,624	1.29%
2006	1,004,563	6.68%
2007	1,056,399	5.16%
2008	1,086,153	2.82%
2009	1,049,565	-3.37%
2010	1,218,095	16.06%
2011 Budget	1,214,700	-0.28%



VARIANCE ANALYSIS

Parking meter rates increased in FY 2002-03 and additional parking meters were added in FY 2003-04 in the Riviera Village. The increase in FY 2009-10, was due to substantial increases in parking fees and penalties.

FORECAST

FY 2010-11 revenue from parking meter fees is estimated at \$1,214,700, down slightly by .28%. Parking meter activity is predicted to remain flat even with the poor economy due to the parking demand near the beach.

METHODOLOGY OF FORECASTING

Prior years' averages and trends are used for estimating this revenue source. Other factors considered include fee increases, changes in manpower and enforcement practices, as well as the number of parking meters located throughout the City.

5. LIBRARY BOOK FINES AND FEES

BACKGROUND

Authority: Article XI, Section 7, and Article XIII B, Section 8 of the California Constitution; Section 66018 et seq. of the Government Code; City Charter

Administering Agency: City

Municipal Code: Not Applicable

Description: These are charges for late return or loss of library material or library facility reservations.

Object Code(s): 405020, 411200 - 411220

Character Code: 43 (Charges for Services)

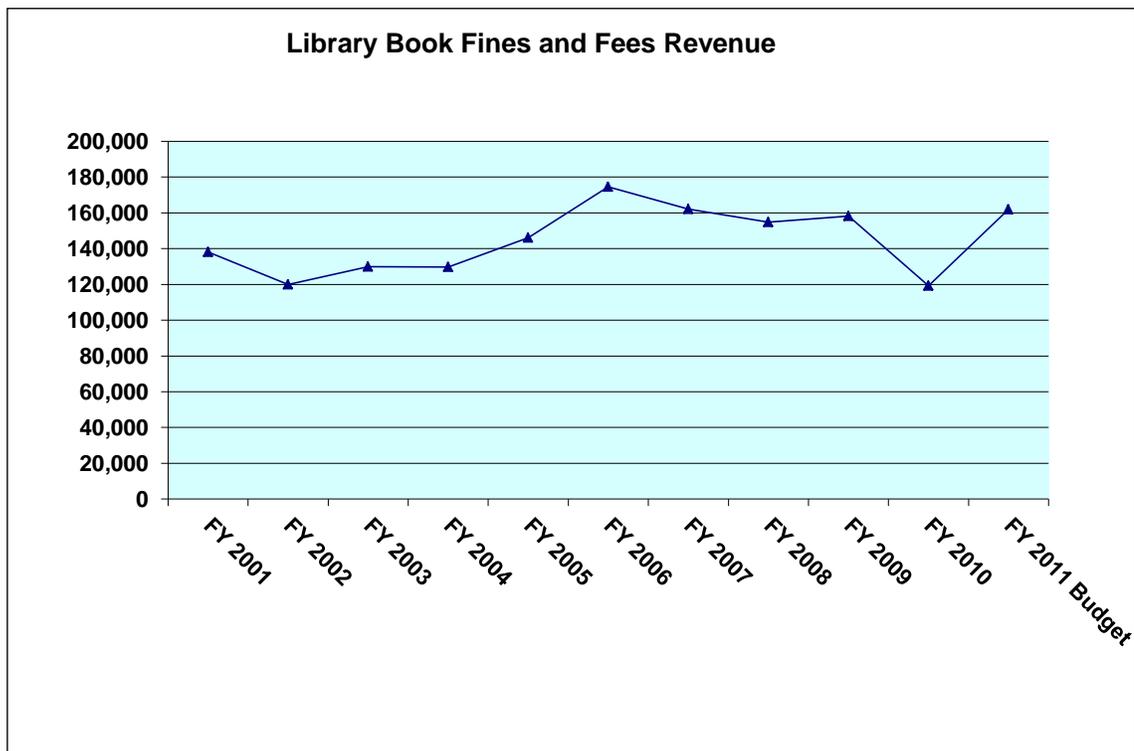
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from library book fines and fees and the FY 2010-11 budgeted revenue.

Library Book Fines and Fees Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	138,034	-
2002	119,957	-13.10%
2003	129,869	8.26%
2004	129,782	-0.07%
2005	146,024	12.51%
2006	174,497	19.50%
2007	162,148	-7.08%
2008	154,743	-4.57%
2009	158,239	2.26%
2010	119,274	-24.62%
2011 Budget	161,950	35.78%



VARIANCE ANALYSIS

In FY 2000-01, the City leveled out the fees that were charged to non-residents to bring them in line with resident fees, which reduced revenue slightly. In FY 2001-02, the City eliminated all computer usage fees, which resulted in a 13.1% decrease in revenue that year. In FY 2005-06, the increase is due to increased patronage of the library services.

FORECAST

For FY 2010-11, revenue from library book fines and fees is estimated at \$161,950, up 35.78%, or \$43 thousand. This revenue improvement is tied to library usage increasing with the new branch library opening offset by the results of poor economic conditions.

METHODOLOGY OF FORECASTING

Revenue estimates are based on prior years' history. Also considered are changes to the fee structure.

6. POLICE SERVICES

BACKGROUND

Authority: Article XI, Section 7, and Article XIII B, Section 8 of the California Constitution; Section 66018 et seq. of the Government Code; Section 12071 of the Penal Code; Section 14602 of the Vehicle Code

Administrating Agency: City

Municipal Code: Title 1, Chapter 5; Title 3, Chapters 11 and 13; Title 4, Chapter 32

Description: Revenue related to police services includes fees and charges for bookings, disturbance responses, certain permits, property impounds, misdemeanor citations, providing reports, false alarm responses, property storage for arrestees, prisoner medical expenses and driving under the influence (DUI) arrest related costs.

Object Code(s): 410910 – 410940, 411000, 411010, 411030, 411110

Character Code: 43 (Charges for Services)

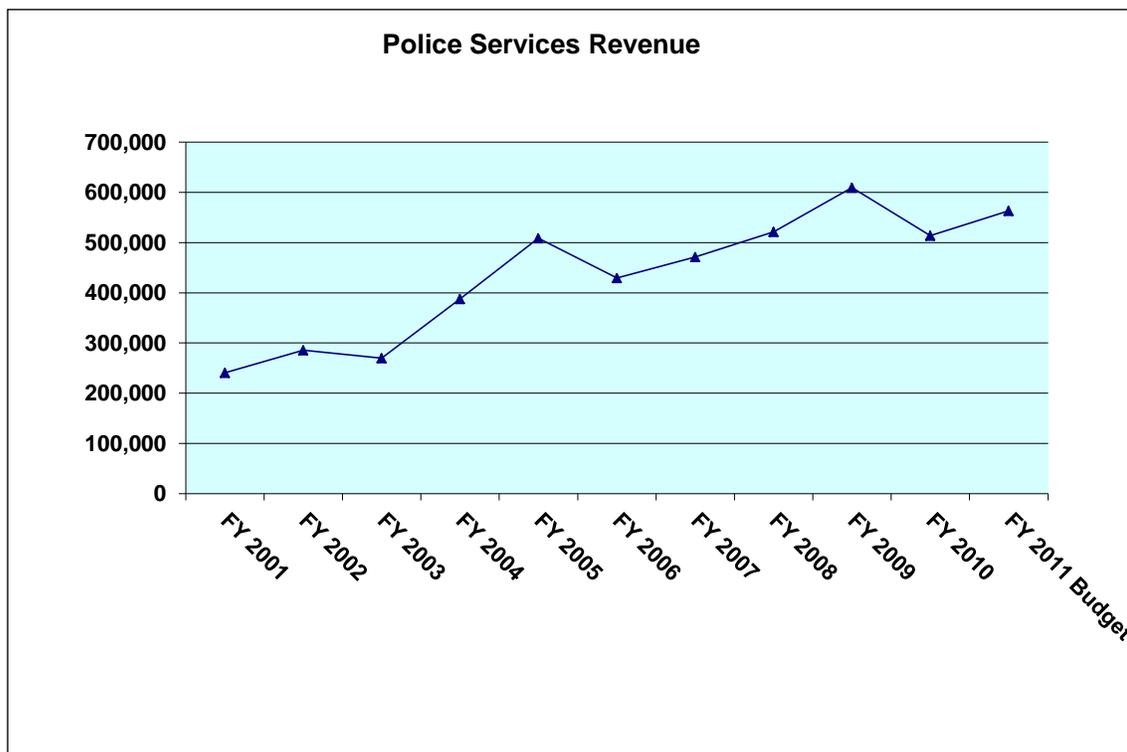
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from police services and the FY 2010-11 budgeted revenue.

Police Services Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	240,600	-
2002	285,539	18.68%
2003	269,709	-5.54%
2004	387,919	43.83%
2005	508,925	31.19%
2006	429,775	-15.55%
2007	471,498	9.71%
2008	521,306	10.56%
2009	609,179	16.86%
2010	513,962	-15.63%
2011 Budget	563,400	9.62%



VARIANCE ANALYSIS

Rising revenue from police services that began in FY 1999-00 and continued through FY 2003-04 were largely due to increases in fees, which are included on the Master Fee Schedule. The fees for the Police Department were increased again during FY 2007-08. In addition, filming activity requiring additional police services increased substantially and is expected to continue to increase through FY 2010-11.

FORECAST

For FY 2010-11, revenue from police services is estimated at \$563,400, up 9.62%, or \$49 thousand, from FY 2009-10. This is due to the increased Police Department fees and is despite an expected leveling off of police related activity and personnel reductions as costs are cut to balance budget.

METHODOLOGY OF FORECASTING

Revenue fluctuates based on the use of police services. Revenue estimates are based on prior years' averages and trends, excluding extraordinary items. Also considered are fee increases and staffing levels.

7. PLANNING FEES

BACKGROUND

Authority: Article XI, Section 7, and Article XIII B, Section 8, of the California Constitution; Section 66018 et seq. of the Government Code

Administrating Agency: City

Municipal Code: Title 10

Description: Revenue from planning fees is derived through the collection of zoning-related planning application fees. It includes the proceeds from application fees for:

- variances,
- changes of land uses districts,
- planned development,
- conditional use permits,
- condominium conditional use permits, and
- unclassified use permits

Other fees are charged for sign reviews, modifications and map processing.

Object Code(s): 410510 and 410800

Character Code: 43 (Charges for Services)

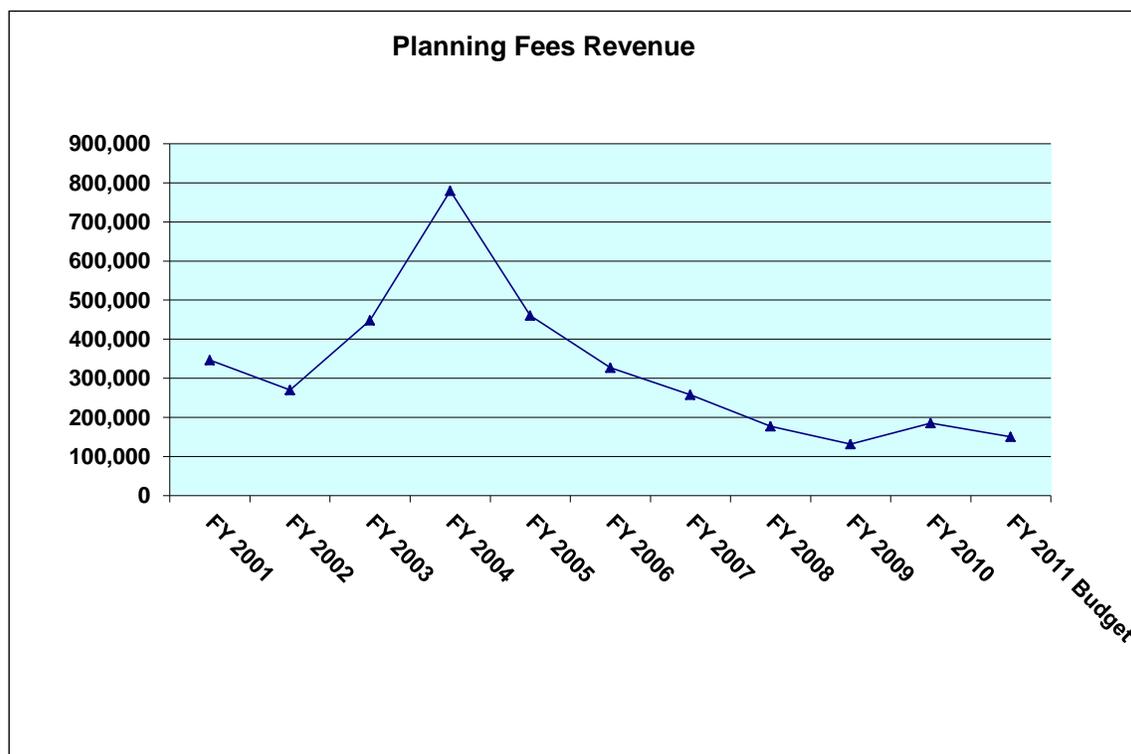
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from planning fees and the FY 2010-11 budgeted revenue.

Planning Fees Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	346,888	-
2002	270,047	-22.15%
2003	447,880	65.85%
2004	780,074	74.17%
2005	460,097	-41.02%
2006	326,674	-29.00%
2007	257,800	-21.08%
2008	177,030	-31.33%
2009	131,236	-25.87%
2010	185,360	41.24%
2011 Budget	150,000	-19.08%



VARIANCE ANALYSIS

In FY 2002-03, revenue increased as a result of additional planning fees related to the Heart of the City project. In FY 2003-04, strong construction activity which included a new Target Store, helped boost this revenue source by 74%. Planning revenue has been declining steadily since FY 2003-04 due to decreasing construction activity. The FY 2009-10 increase (41.24%) from the prior year was a rebound from less construction in FY 2008-09.

FORECAST

For FY 2010-11, revenue from planning fees is conservatively estimated at \$150,000, continuing declines since FY 2003-04. The decline in the housing market and weakened economy have severely impacted this revenue source.

METHODOLOGY OF FORECASTING

Projections are based on factors such as the current economic condition, historical trends and building activities.

8. RECREATION FEES

BACKGROUND

Authority: Article XI, Section 7, and Article XIII B, Section 8 of the California Constitution; Section 66018 et seq. of the Government Code

Administrating Agency: City

Municipal Code: Title 4, Chapter 9

Description: There are, and have been, many types of service/user fees charged by the Recreation and Community Services Department over the period covered by this report. These services/uses for which fees are charged include such items as providing swim programs, organizing junior high teen dances, and offering various recreation classes. The fees listed below exclude rents and percentages charted in Section G – Other Revenue.

Object Code(s): 410000, 410020, 410100 – 410140 & 410530

Character Code: 43 (Charges for Services)

Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from recreation fees and the FY 2010-11 budgeted revenue.

Recreation Fees Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	725,968	-
2002	783,923	7.98%
2003	896,773	14.40%
2004	889,997	-0.76%
2005	1,204,343	35.32%
2006	1,305,637	8.41%
2007	1,296,921	-0.67%
2008	1,334,734	2.92%
2009	1,438,423	7.77%
2010	1,441,942	0.24%
2011 Budget	1,372,654	-4.81%



VARIANCE ANALYSIS

Revenue has increased based on the number and type of activities for which recreation fees have been charged over the years. Positively impacting revenue in FY 2002-03 were fee increases, including room rental rates and Seaside Lagoon fees. Revenue continued to increase as the Recreation and Community Services Department aggressively pursued new revenue sources (e.g., a winter time ice skating rink in the Seaside Lagoon).

FORECAST

For FY 2010-11, revenue from recreation fees is conservatively estimated at \$1,372,654, down \$69 thousand, with the expectation there will be less discretionary spending due to the poor economy. FY 2009-10 actuals were flat from the prior year.

METHODOLOGY OF FORECASTING

Revenue estimates are based on past years' averages and trends and projected fee increases, as well as changes to program offerings.

9. OTHER CHARGES FOR SERVICES

BACKGROUND

Authority: Article XI, Section 7, and Article XIIIB, Section 8 of the California Constitution; Section 66018 et seq. of the Government Code

Administrating Agency: City

Municipal Code: Various

Description: The City provides miscellaneous services for which the City may charge user fees.

Object Code(s): 405020, 405520, 405540, 410600, 411300, 411320, 411700,
411710

Character Code: 43 (Charges for Services)

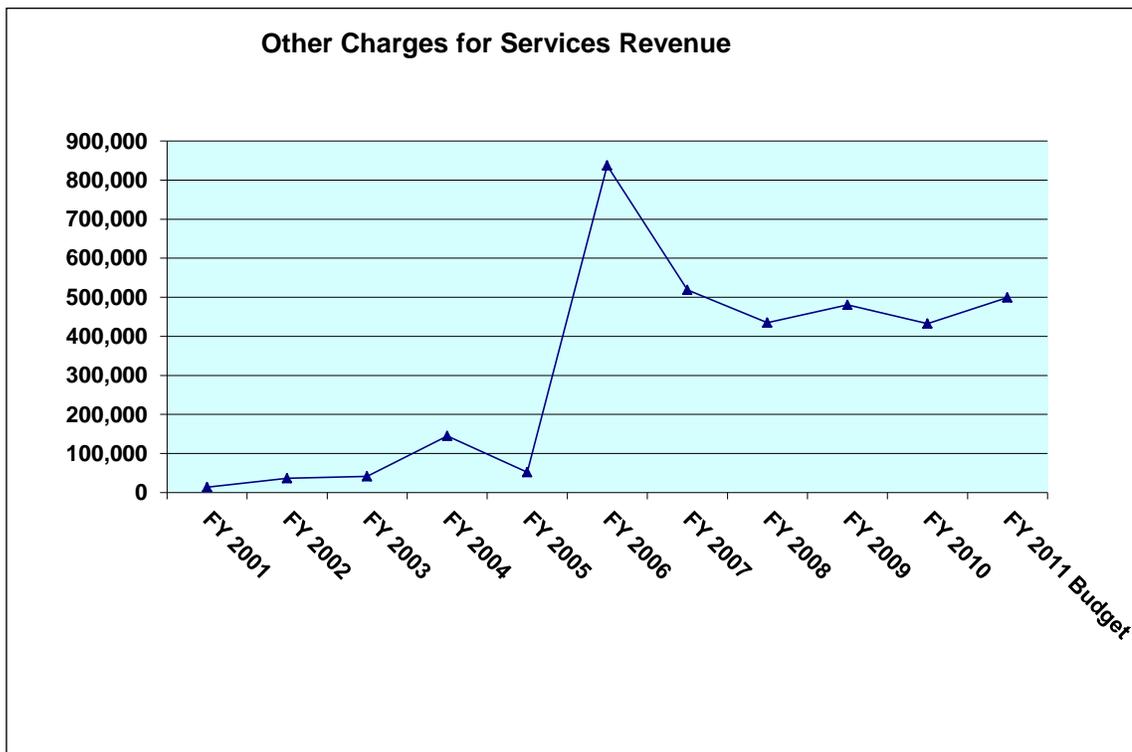
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from other charges for services and the FY 2010-11 budgeted revenue.

Other Charges for Services Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	13,942	-
2002	36,669	163.01%
2003	41,913	14.30%
2004	144,933	245.79%
2005	51,966	-64.14%
2006	837,487	1511.61%
2007	519,067	-38.02%
2008	435,028	-16.19%
2009	480,423	10.43%
2010	432,280	-10.02%
2011 Budget	499,190	15.48%



VARIANCE ANALYSIS

The large increase in FY 2001-02 came as a result of increased passport fees which increased from \$15 to \$30. The spike in FY 2005-06 was a one-time \$405 thousand franchise transfer fee.

FORECAST

For FY 2010-11, revenue from other charges for services is estimated at \$499,190, up by 15.48%. Most of the increase is in other building fees, up \$100 thousand with expectation of new retail construction.

METHODOLOGY OF FORECASTING

Revenue estimates are based on past years' averages and trends, new services scheduled to be implemented, as well as annual updates to the Master Fee Schedule.

G. OTHER REVENUE**1. MISCELLANEOUS REVENUE****BACKGROUND**

Authority: Sections 33754 et seq. of the Government Code, Article XI, Section 5, and Section 11 of the California Constitution

Administrating Agency: City

Municipal Code: Various

Description: This revenue is primarily generated from non-service, non-governmental related activities (e.g., the sale of City property, donations, and returned check charges).

Object Code(s): 403070, 405030, 411340 - 411940

Character Code: 46 (Other Revenue)

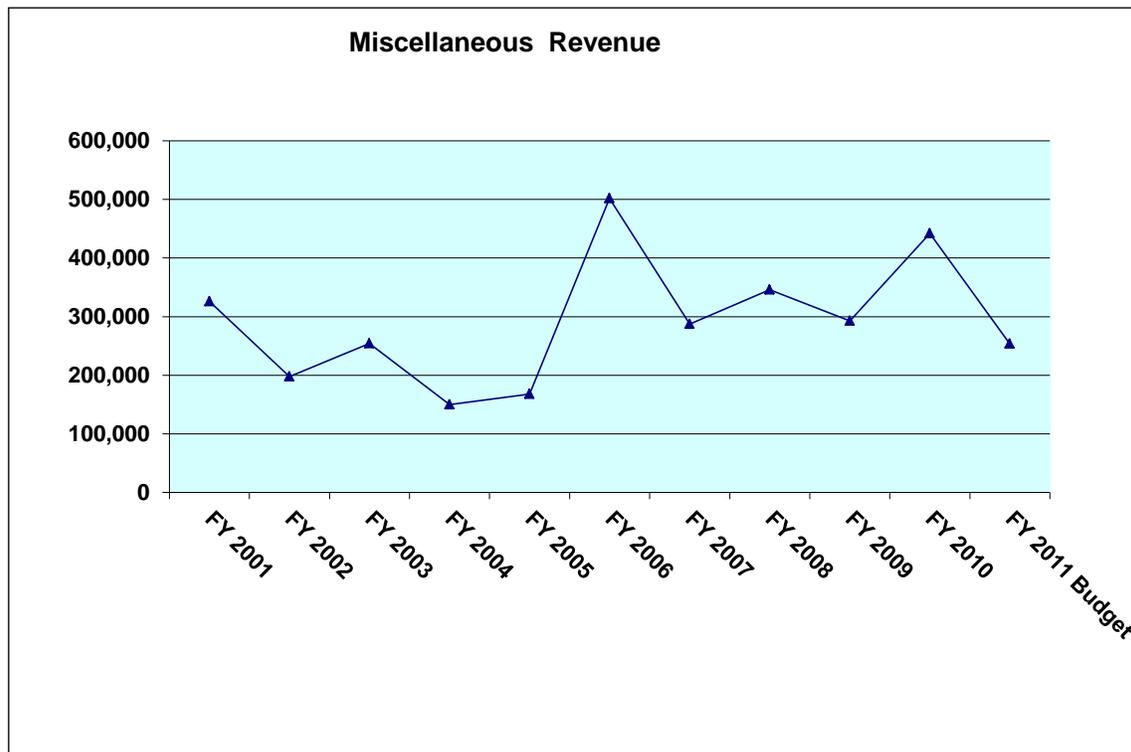
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from miscellaneous revenue and the FY 2010-11 budgeted revenues.

Miscellaneous Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	325,947	-
2002	197,719	-39.34%
2003	253,933	28.43%
2004	149,863	-40.98%
2005	167,762	11.94%
2006	501,689	199.05%
2007	287,323	-40.32%
2008	346,090	19.21%
2009	292,602	-18.02%
2010	441,902	54.96%
2011 Budget	253,676	142.89%



VARIANCE ANALYSIS

The spike in FY 1997-98 was due to the sale of real property and claims settlements. The large increase in FY 2005-06 was primarily due to implementation of the unclaimed deposits policy whereby after required notification such deposits are recognized as revenue.

FORECAST

FY 2010-11, revenue from miscellaneous revenue is estimated at \$253,676. It is difficult to forecast this revenue as usually it is unanticipated receipts that make up the balance.

METHODOLOGY OF FORECASTING

Revenue estimates are based on past years' averages and trends on certain "recurring" sources that are accounted for as other revenue, such as donations and returned check fee charges.

2. REIMBURSEMENTS

BACKGROUND

Authority: Article XI, Section 7, and Article XIII B, Section 8 of the California Constitution; Section 17572-17574.5 of the Government Code

Administrating Agency: City

Municipal Code: Various

Description: This revenue is derived primarily from other entities as reimbursements for monies and/or property the City has expended in the other entities' interests or for the other entities' programs. This revenue also includes payments for damaged City property and reimbursements for medical insurance premiums or dividends.

Object Code(s): 411950 - 411960

Character Code: 46 (Other Revenue)

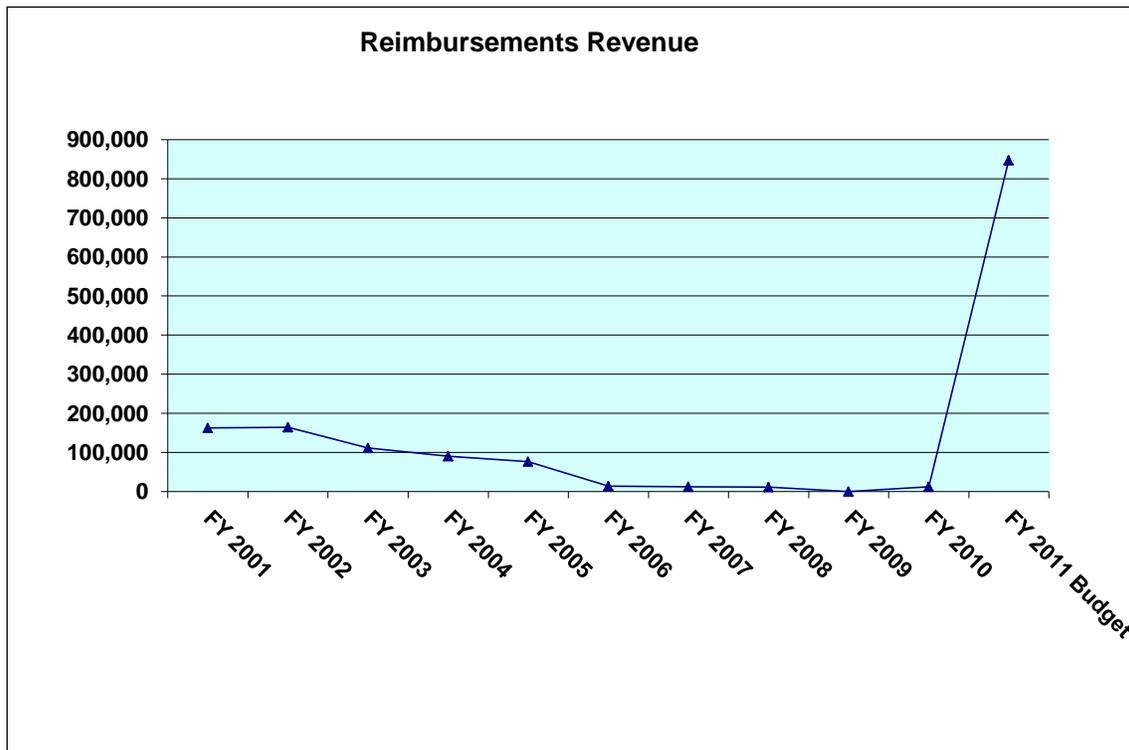
Use(s) of Revenue: Unrestricted

REVENUE HISTORY

The following table shows the 10-year history of revenue from reimbursements and the FY 2010-11 budgeted revenue.

Reimbursements Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	162,657	-
2002	163,720	0.65%
2003	111,108	-32.14%
2004	90,015	-18.98%
2005	76,038	-15.53%
2006	13,474	-82.28%
2007	12,100	-10.20%
2008	10,843	-10.39%
2009	0.00	-100.00%
2010	13,917	n/a
2011 Budget	847,575	7270.22%



VARIANCE ANALYSIS

Revenue decreased dramatically in the late 1990s when the City changed medical insurance plans. In the early 1990s, the City participated in a medical insurance plan which paid medical insurance dividends. These dividends were dependent upon the City's claims experience and administrative costs. As of FY 1998-99, the City ended its participation in this type of plan in order to reduce premiums paid on behalf of the employees. For example, reimbursements might include recycling revenue or, in the case of the FY 2010-11 budget, the South Bay Center bond leaseback. In FY 2008-09 there were no miscellaneous reimbursements from the State of California.

FORECAST

For FY 2010-11, revenue from reimbursements is estimated at \$847,575. This would fund the required South Bay Center bond leaseback structure whereby the City backstops the credit of the Redevelopment Agency bonds with the City's pledge to make lease payments from the General Fund. This money is not likely to be used.

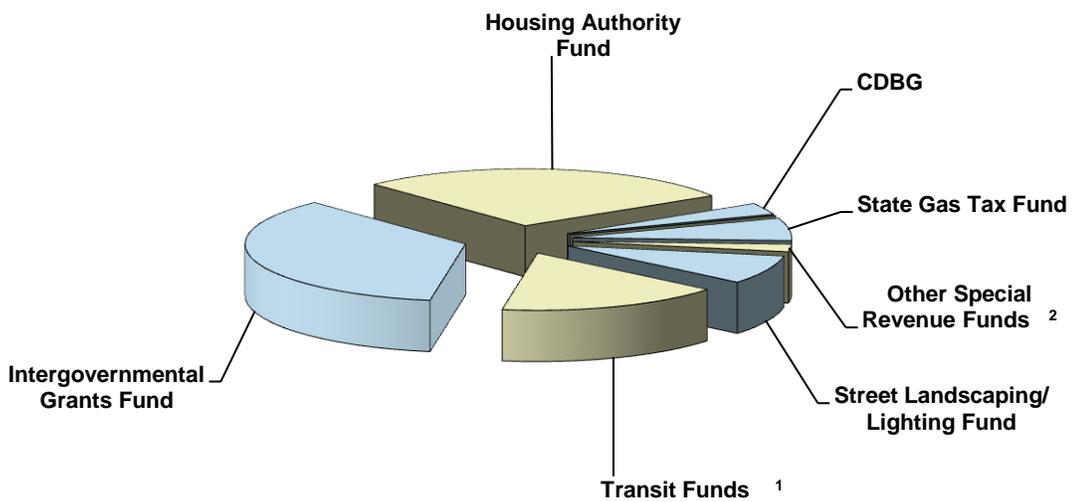
METHODOLOGY OF FORECASTING

Revenue forecasting is based on past years' averages, trends and any certain activity.

II. SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenue derived from specific sources which are required by law or administrative regulation to be accounted for in separate funds. Special revenue funds used by the City are illustrated in the chart below:

Special Revenue Funds



Footnote:

¹ **Transit Funds** include Proposition A (Prop A) Fund, Proposition C (Prop C) Fund, Measure R Fund, Transit Fund, and Air Quality Improvement Fund

² **Other Special Revenue Funds** include Traffic Congestion Relief Fund, Parks and Recreation Facilities Fund, Narcotics Seizure/Forfeiture Fund, Local Transportation Tax Fund, Storm Drain Improvement Fund, Subdivision Park Trust Fund, and Disaster Recovery Fund

A. TRAFFIC CONGESTION RELIEF FUND**BACKGROUND**

Authority: Section 14556 of the California Government Code

Administrating Agency: State Controller

Municipal Code: Not Applicable

Description: The Traffic Congestion Relief Act of 2000 provided that over a six-year period \$6.8 billion in new funds for transportation needs were to be made available from the State's sales tax on gasoline. The general electorate in March 2002 passed Proposition 42, overwhelmingly voting in favor of dedicating retail sales tax revenues from the sale of gasoline to transportation indefinitely, thereby expanding the Traffic Congestion Relief Program created in 2000. Before its passage, the sales tax revenues were being deposited into the State general fund for non-transportation purposes. Until 2008, the state's share of the sales tax on gasoline was largely be spent on Traffic Congestion Relief Plan (TCRP). After 2008, the money has been divided as follows: (a) 20% for city street repairs; (b) 20% for county road repairs; (c) 20% for mass transit and intercity rail; and (d) 40% for new highway and transit capital investments (through a five-year state funding program known as the State Transportation Improvement Program (STIP)). In dollar figures, the STIP is boosted approximately \$560 million a year, and each of the other programs receives a \$280 million increase.

Object Code: All accounted for in Fund 200

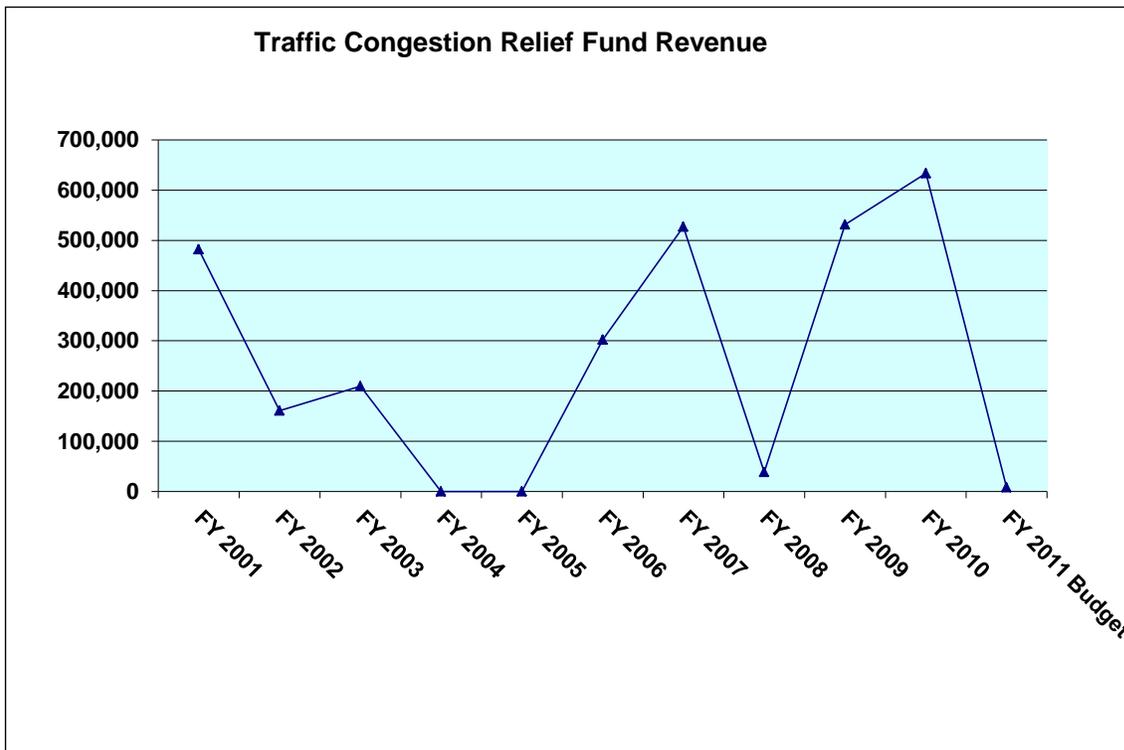
Use(s) of Revenue: Monies are used for street and highway pavement maintenance/rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices.

REVENUE HISTORY

The following table shows the 10-year history of Traffic Congestion Relief Fund revenue and the FY 2010-11 budgeted revenue.

Traffic Congestion Relief Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	482,110	-
2002	161,199	-66.56%
2003	209,504	29.97%
2004	-	-100.00%
2005	84	n/a
2006	302,388	359885.71%
2007	526,817	74.22%
2008	38,802	-92.63%
2009	531,510	1269.80%
2010	633,669	19.22%
2011 Budget	8,000	-98.74%



VARIANCE ANALYSIS

Depending on developments at the State level, these funds may or may not become available each fiscal year.

FORECAST

For FY 2010-11, Traffic Congestion Relief Fund revenue is estimated at \$8,000 reflecting money expected from investment earnings consistent with prior years.

METHODOLOGY OF FORECASTING

The City takes a conservative approach when estimating this funding source.

B. STATE GAS TAX FUNDBACKGROUND

Authority: Article XIX, Section 1 of the California Constitution; Sections 7301 et seq. and Sections 8601 et seq. of the Revenue and Taxation Code; Sections 2103-2107 and 2107.5 of the Streets and Highways Code

Administering Agency: State Board of Equalization (administration), State Controller (distribution)

Municipal Code: Title 8, Chapter 5

Description: The City is allocated a share of the revenue derived from the 18 cents (\$0.18) per gallon State tax on gasoline used to propel a motor vehicle or aircraft as follows:

Section 2103 – States that of the net revenues deposited to the credit of the Highway Users Tax Account that are derived from the increases in the rates of taxes that are imposed pursuant to subdivision (b) of Section 7360 and Section 7361.1 of the Revenue and Taxation Code, forty-four percent shall be apportioned by the Controller for local street and road purposes, except in the 2010-11 fiscal year, fifty percent shall be apportioned by the Controller to cities, including a city and county, in the proportion that the total population of the city bears to the total population of all the cities in the state.

Section 2105 - Allocates 11.5% of the State gasoline tax revenue in excess of \$0.09 per gallon, based on population.

Section 2106 - Apportions a sum generated from 1.04 cents (\$0.0104) per gallon of the motor vehicle fuel license tax. From this tax, the City receives:

- (a) \$400/month; plus
- (b) A portion of the amount allocated to Los Angeles County.

The County is allocated that portion of the taxes collected by the State equal to the proportion of registered vehicles in the County to the registered vehicles in the State (the Base Sum). The County keeps that portion of the Base Sum equal to the proportion of unincorporated assessed value of taxable property in the County to all assessed value of taxable property in the County. From the remaining amount, the City receives that portion equal to the proportion of the

City's population to the total population in the County.

Section 2107 - Apportions a sum generated from the 1.315 cents (\$0.01315) per gallon of the motor vehicle fuel license tax and 2.590 cents (\$0.0259) per gallon of the Use Fuel Tax to the cities. From these taxes the City receives that portion equal to the proportion of the City's population to the total population of the State.

Section 2107.5 - Allocates, in July of each year, a flat amount determined by population brackets. The City receives \$7,500 annually.

Remittance is made monthly with the exception of Section 2107.5 revenue, which are received once a year in July.

Object Code: All accounted for in Fund 202

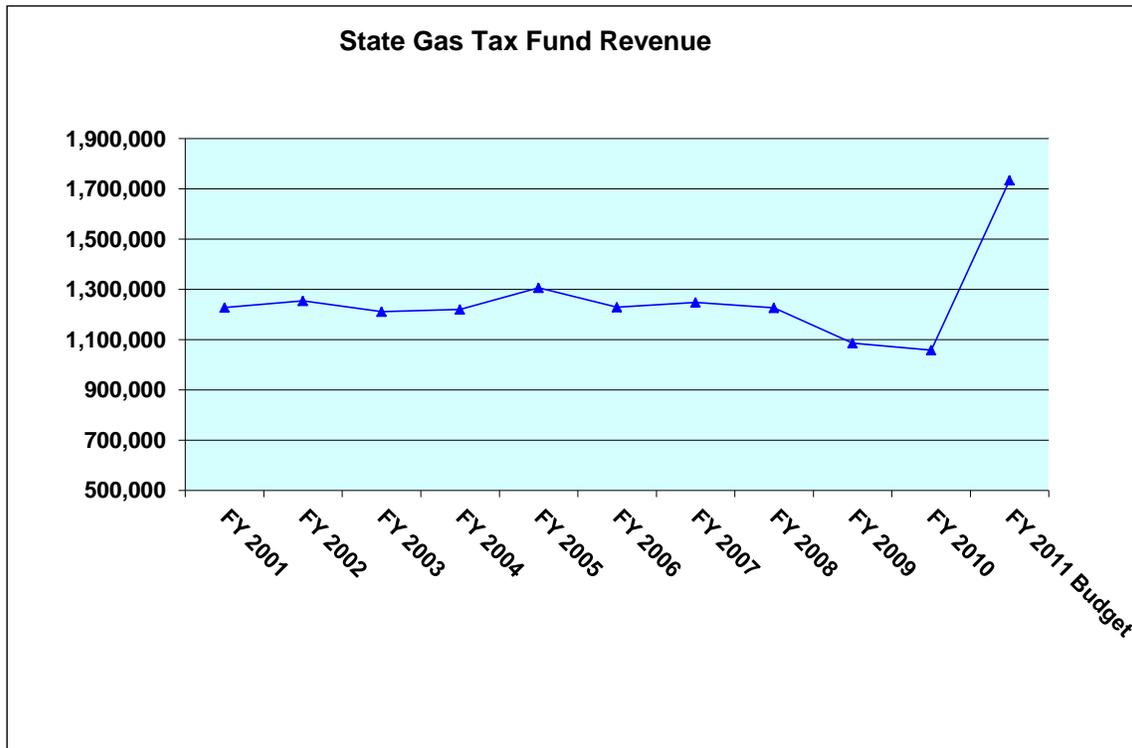
Use(s) of Revenue: Sections 2103, 2105, 2106 and 2107 monies are restricted to use for research, planning, construction, improvement, maintenance and operation of public streets and highways or public mass transit guide ways. Section 2107.5 monies are restricted to engineering costs and administrative expenses with respect to City streets.

REVENUE HISTORY

The following table shows the 10-year history of State Gas Tax Fund revenue and the FY 2010-11 budgeted revenue.

State Gas Tax Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	Sec. 2103 \$ Rev.	Sec. 2105 \$ Rev.	Sec. 2106 \$ Rev.	Sec. 2107 \$ Rev.	Sec. 2107.5 \$ Rev.	Misc. \$ Rev.	\$ Total Revenue	% Annual Change
2001	-	410,178	250,465	541,926	7,500	18,294	1,228,363	-
2002	-	406,200	294,957	483,759	7,500	62,148	1,254,564	2.13%
2003	-	407,853	245,463	540,952	7,500	8,946	1,210,714	-3.50%
2004	-	412,850	246,906	550,319	7,500	2,755	1,220,330	0.79%
2005	-	416,456	249,265	553,297	7,500	80,109	1,306,627	7.07%
2006	-	410,699	243,489	547,749	7,500	19,774	1,229,211	-5.92%
2007	-	408,459	243,635	546,003	7,500	42,406	1,248,003	1.53%
2008	-	398,637	235,233	533,444	7,500	51,344	1,226,158	-1.75%
2009	-	362,309	214,684	482,213	7,500	18,997	1,085,703	-11.45%
2010	-	352,376	210,772	469,389	7,500	17,876	1,057,913	-2.56%
2011 Budget	672,100	358,200	213,400	477,200	7,500	6,000	1,734,400	63.95%



VARIANCE ANALYSIS

This revenue fluctuates only slightly from year to year. The biggest factor impacting this revenue source is the associated investment earnings, which have decreased the last few years due to the economic downturn. The City allocates investment earnings to the Gas Tax Fund, as required by law, when the fund maintains a positive balance during the year. The City also receives reimbursements from the Department of Transportation (CalTrans) for its share of street maintenance costs. The City's share is based on a percentage of labor, equipment use and materials.

FORECAST

For FY 2010-11, State Gas Tax Fund revenue is estimated at \$1,734,400, up 63.96%, based on historical actuals. This includes an estimated additional \$672 thousand for newly added Section 2103 (see above). The forecasted amount assumes that the State of California will not delay payment.

METHODOLOGY OF FORECASTING

The State Controller's office provides forecasting and analysis of this revenue source due the City for the upcoming fiscal year.

C. STORM DRAIN IMPROVEMENT FUND

BACKGROUND

Authority: Article XI, Section 5 and Section 7, of the California Constitution

Administrating Agency: City

Municipal Code: Not Applicable

Description: Revenue derived from storm drain impact fees is charged in conjunction with development construction permit applications.

Object Code: All accounted for in Fund 204

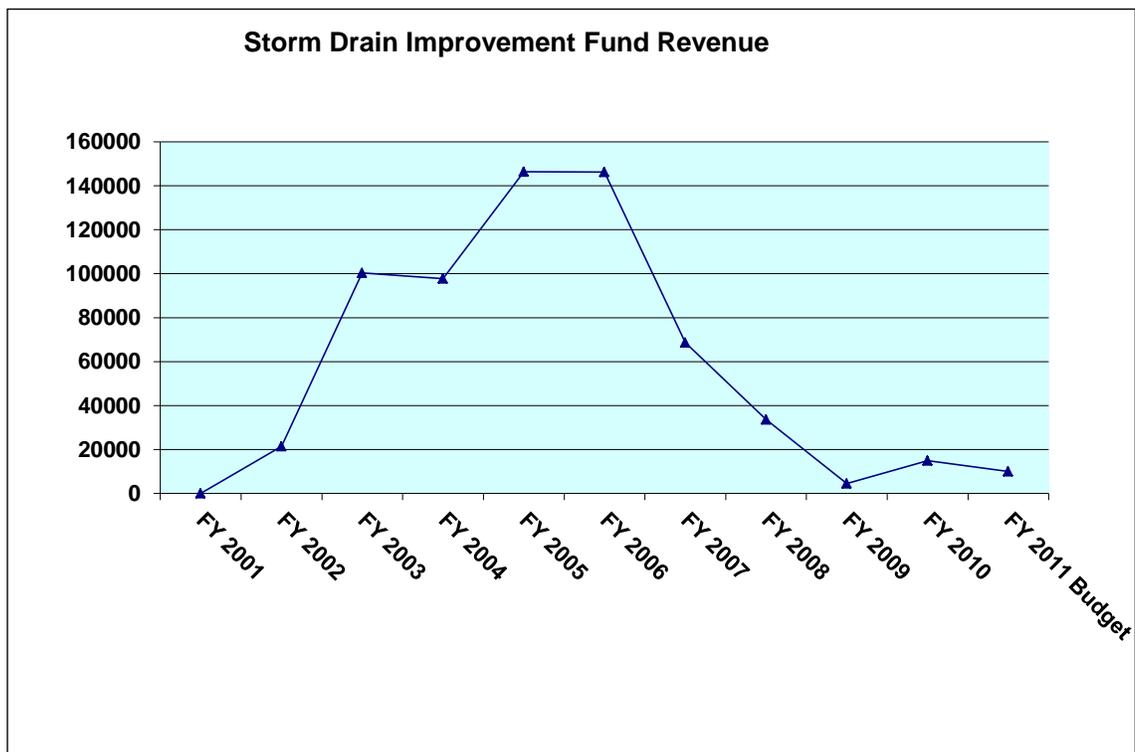
Use(s) of Revenue: Monies are used for National Pollution Discharge Elimination System (NPDES) related implementation and enforcement costs.

REVENUE HISTORY

The following table shows the 10-year history of Storm Drain Improvement Fund revenue and the FY 2010-11 budgeted revenue.

Storm Drain Improvement Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	-	-
2002	21,463	-
2003	100,328	78.61%
2004	97,713	-2.61%
2005	146,346	49.77%
2006	146,210	-0.09%
2007	68,600	-53.08%
2008	33,568	-51.07%
2009	4,520	-86.53%
2010	14,960	230.97%
2011 Budget	10,000	-33.16%



VARIANCE ANALYSIS

This fund was established in FY 2001-02 for the purpose of receiving storm drain impact fees and accounting for the related NPDES implementation and enforcement costs. Revenue for FY 2001-02 reflect a partial year of fees. As construction decreased in following years storm drain impact revenue fell. FY 2008-09 was particularly affected, but the following years are returning to a more normal level.

FORECAST

For FY 2010-11, Storm Drain Improvement Fund revenue is estimated at \$10,000 consistent with prior year activity that is down due to decreased construction activity.

METHODOLOGY OF FORECASTING

Estimates consider prior years' trends as well as the current level of construction activity and the economy.

D. STREET LANDSCAPING AND LIGHTING FUND**BACKGROUND**

Authority: Article XVI, Section 19 of the California Constitution; Section 22500 et seq. of the Streets and Highway Code

Administrating Agency: City (Collected by L.A. County through the property tax roll)

Municipal Code: Not Applicable

Description: This special assessment district revenue is generated by special assessments levied against residential and business property. Revenue is dedicated solely for street-related maintenance including street landscaping, lighting, and traffic signals. The purpose of the district is to maintain street lights, traffic signals, and landscaped areas of the City.

Rates: Zone 1 (residential) = \$1.48 per foot or \$59.20 per 40-ft. parcels
Zone 2 (commercial/industrial) = \$3.02 per foot or \$120.80 per 40-ft. parcels

Currently, there are approximately 21,000 parcels in the City.

Object Code: All accounted for in Fund 208

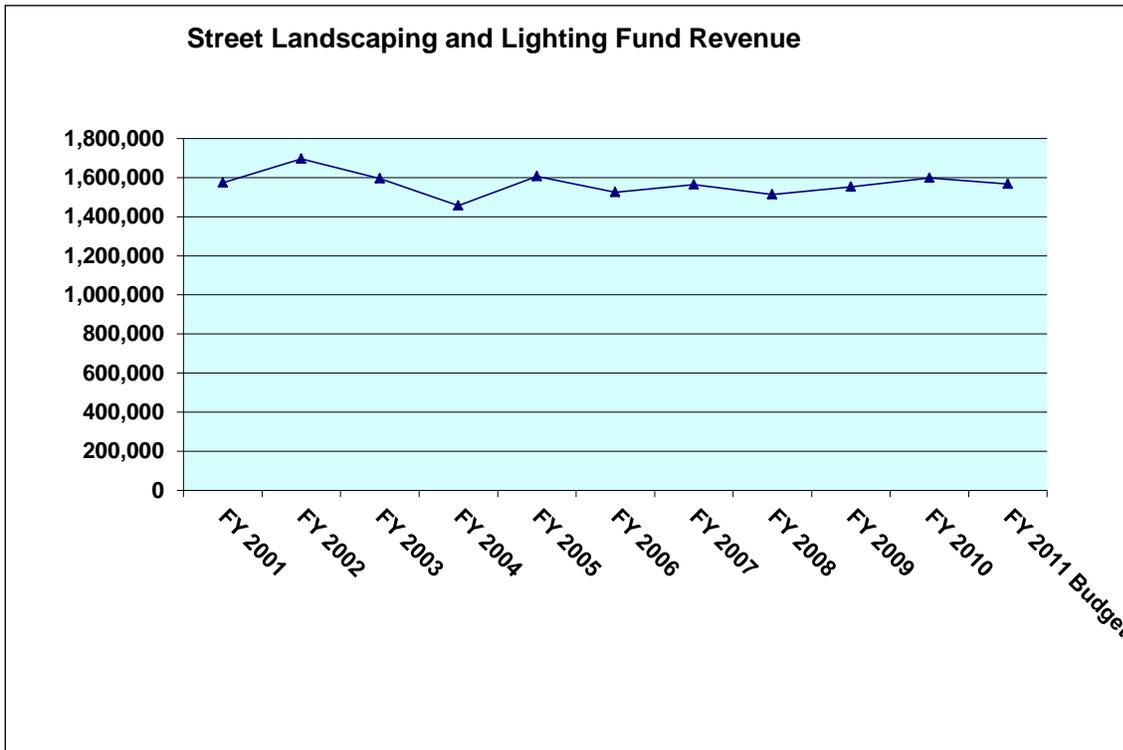
Use(s) of Revenue: Uses are restricted to establishing, improving, and maintaining street lighting, publicly owned trees, and median landscaping.

REVENUE HISTORY

The following table shows the 10-year history of Street Landscaping and Lighting Fund revenue and the FY 2010-11 budgeted revenue.

Street Landscaping and Lighting Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	1,573,743	-
2002	1,696,944	7.83%
2003	1,594,945	-6.01%
2004	1,457,073	-8.64%
2005	1,606,247	10.24%
2006	1,525,813	-5.01%
2007	1,564,013	2.50%
2008	1,514,323	-3.18%
2009	1,552,841	2.54%
2010	1,598,721	2.95%
2011 Budget	1,567,017	-1.98%



VARIANCE ANALYSIS

The revenue spike in FY 2001-02 is the result of the City receiving an energy rebate in the amount of \$140,000 from Southern California Edison for the installation of LED's (lighting emitting diodes) in all of the City's traffic signals. The spike in FY 2005-06 is a correction from FY 2004-05 of \$96 thousand. The slight variations from year to year primarily are changes in the number of residential and business properties.

FORECAST

For FY 2010-11, Street Landscaping and Lighting Fund revenue is estimated at \$1,567,017. Since revenue is based upon an assessment on residential and business property, it is expected to be constant year to year.

METHODOLOGY OF FORECASTING

Projected revenue is based on the total number of parcels times the applied rates. Since the passage of Proposition 218, it is more difficult to raise revenue, as any changes in the rate structure require property owner approval.

E. LOCAL TRANSPORTATION TAX FUND**BACKGROUND**

Authority: Section 29530 of the Government Code; Section 99200 of the Public Utility Code; Section 2374 of the Streets and Highways Code

Administrating Agency: State Board of Equalization (collections); State Controller (distribution to transportation agencies); Los Angeles County Metropolitan Transportation Authority (MTA) (distribution to cities)

Municipal Code: Not Applicable

Description: Monies recorded in this fund originate from the Transportation Development Act (TDA) Article 3 or SB 821 created in 1972. This State legislation authorizes the use of 1/4 of 1% of the State portion of the sales and use tax to be paid to localities for transportation uses. This money is paid to each county according to the amount of the tax collected in that county. The money is apportioned in Los Angeles County by the MTA (85% is distributed based on population and 15% is distributed to the City of Los Angeles and Los Angeles County for transit purposes).

Object Code: All accounted for in Fund 210

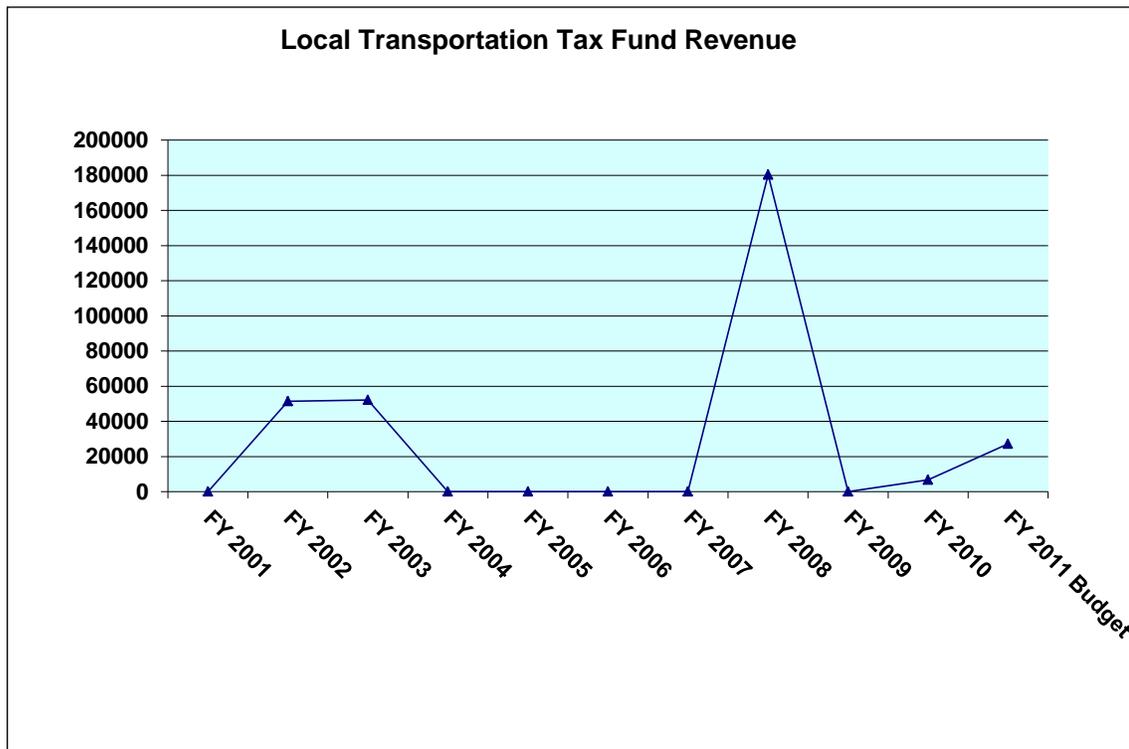
Use(s) of Revenue: Uses are restricted to the design and construction of bicycle and pedestrian facilities and amenities including sidewalk, wheelchair, or handicapped ramps.

REVENUE HISTORY

The following table shows the 10-year history of Local Transportation Tax Fund revenue and the FY 2010-11 budgeted revenue.

Local Transportation Tax Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	-	-
2002	51,322	-
2003	52,139	1.59%
2004	-	-100.00%
2005	-	-
2006	-	-
2007	-	-
2008	180,310	n/a
2009	-	-100.00%
2010	6,663	n/a
2011 Budget	27,200	308.22%



VARIANCE ANALYSIS

In certain years, the City opts to defer these funds to the following year. The City can only receive these funds if such funds will be fully spent or encumbered by the end of the fiscal year (June 30) in which they are allocated. If the City does not have a project that is ready for construction, the funds must be placed in a reserve maintained by the State Board of Equalization until the money is ready to be spent.

FORECAST

For FY 2010-11, Local Transportation Tax Fund revenue is estimated at \$27,200. Because this revenue is based on sales and use tax apportionment from the State and County and retail sales are down due to the current economic situation, this is projected conservatively.

METHODOLOGY OF FORECASTING

Revenue projections are provided by the MTA.

F. PROPOSITION A (PROP A) FUND**BACKGROUND**

Authority: Section 29530 of the Government Code; Section 130000 of the Public Utility Code

Administrating Agency: State Board of Equalization (collections); State Controller (distribution to counties); Los Angeles Metropolitan Transportation Authority (MTA) (administration); Los Angeles County Auditor-Controller (distribution to cities)

Municipal Code: Not Applicable

Description: Proposition A (Prop A) was approved by the voters in 1980 for the purpose of financing a transportation development program in Los Angeles County. Prop A increased the retail sales tax by 1/2% to generate revenue for such a program. Twenty-five percent of Prop A revenue is designated as "local return" and is to be used for public transit, paratransit, and related services at the local level. The remaining seventy-five percent of the revenue is used by the MTA for rail projects and various other programs to improve and expand public transportation in Los Angeles County. Prop A monies are distributed to the City monthly and are allocated on a per capita basis. If Prop A monies are not used within four years of their allocation, they are required to be returned to the MTA for reallocation to local jurisdictions for discretionary programs of county-wide significance.

Object Code: All accounted for in Fund 212

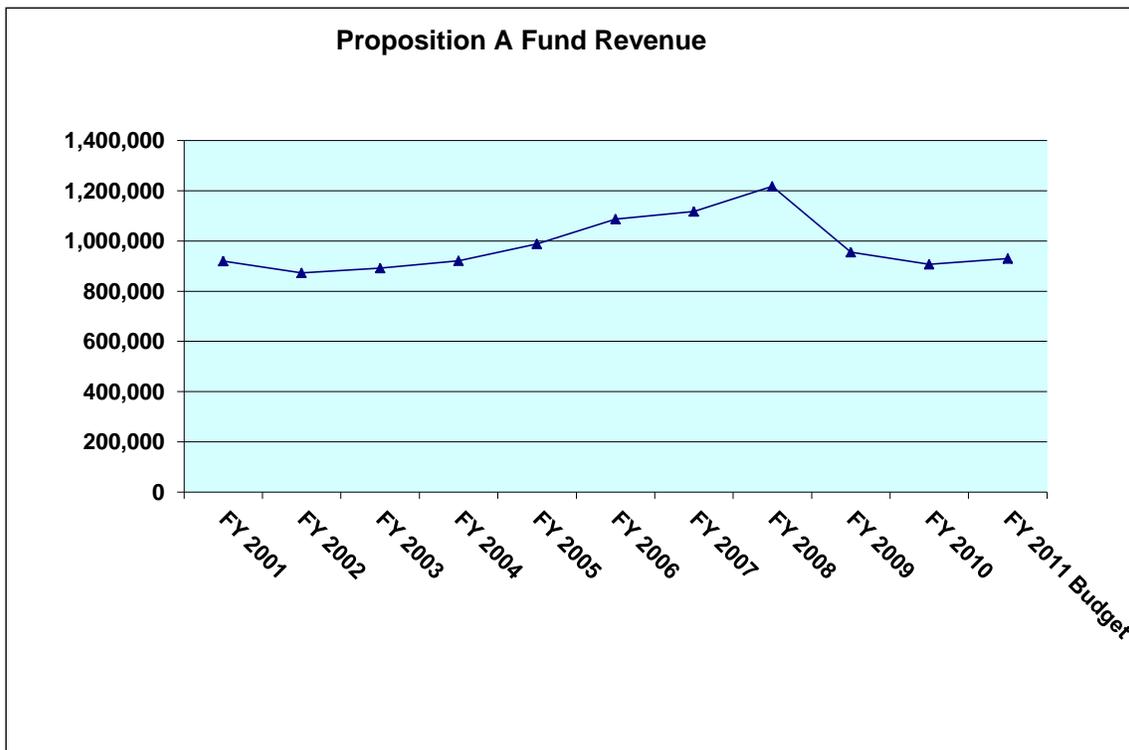
Use(s) of Revenue: Prop A restricts these monies to be used exclusively for public transit related projects and programs. There is one exception, however. Prop A monies can be traded for other cities' general funds. This usually happens when the recipient city does not have its own transit programs or its allocation is not large enough to support such a program. When this occurs, the city that is exchanging its Prop A funds usually trades its funds for less than a dollar-for-dollar basis. Redondo Beach does not participate in the Prop A exchange program.

REVENUE HISTORY

The following table shows the 10-year history of Prop A Fund revenue and the FY 2010-11 budgeted revenue.

Proposition A Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	919,425	-
2002	873,320	-5.01%
2003	891,623	2.10%
2004	921,554	3.36%
2005	988,021	7.21%
2006	1,086,672	9.98%
2007	1,118,171	2.90%
2008	1,217,688	8.90%
2009	955,504	-21.53%
2010	906,622	-6.72%
2011 Budget	929,700	4.31%



VARIANCE ANALYSIS

This revenue is dependent on economic activity within Los Angeles County and the amount of funding available for local transportation projects. Although there was a slight decrease in FY 2001-02, this revenue source has remained fairly consistent over the periods covered in this analysis.

FORECAST

For FY 2010-11, Prop A Fund revenue is estimated at \$929,700. This revenue is based on sales and use tax from retail sales divided between the City (25%) and County (75%). Because retail sales are down due to the current economic slump, this is projected conservatively.

METHODOLOGY OF FORECASTING

Revenue projections are provided by the MTA.

G. PROPOSITION C (PROP C) FUND**BACKGROUND**

Authority: Section 29530 of the Government Code; Section 130000 of the Public Utility Code

Administrating Agency: State Board of Equalization (collections); State Controller (distribution to counties); Los Angeles Metropolitan Transportation Authority (MTA) (administration and distribution to cities)

Municipal Code: Not Applicable

Description: Proposition C (Prop C) was approved by the voters in 1990 for the purpose of financing a transportation development program in Los Angeles County. Prop C increased the retail sales tax by 1/2% to generate revenue for such a program. Twenty percent of Prop C revenue is designated as local return and is to be used for public transit, paratransit, and related services. The remaining eighty percent of Prop C revenue is used by the MTA for various transit related programs designed to improve and expand public transportation in Los Angeles County. Prop C monies are distributed to the City monthly and are allocated on a per capita basis. If Prop C monies are not used within four years of their allocation, they are required to be returned to the MTA for reallocation to local jurisdictions for discretionary programs of county-wide significance.

Object Code: All accounted for in Fund 214

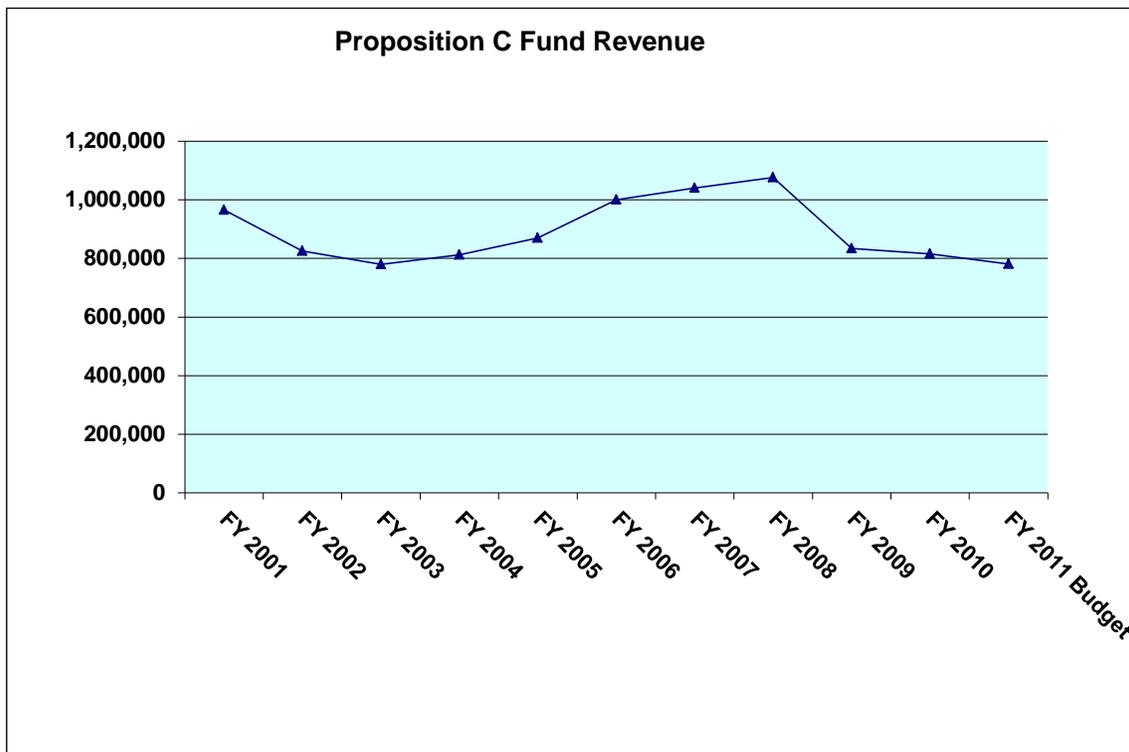
Use(s) of Revenue: Prop C restricts these monies to be used exclusively for public transit related projects and programs as well as on a broader category of public transit projects, such as street and road improvements that benefit transit, bikeways and congestion management program activities. Prop C monies cannot be traded.

REVENUE HISTORY

The following table shows the 10-year history of Prop C Fund revenue and the FY 2010-11 budgeted revenue.

Proposition C Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	964,970	-
2002	825,010	-14.50%
2003	779,717	-5.49%
2004	812,720	4.23%
2005	869,660	7.01%
2006	1,000,259	15.02%
2007	1,040,460	4.02%
2008	1,076,149	3.43%
2009	833,795	-22.52%
2010	815,119	-2.24%
2011 Budget	781,250	-4.16%



VARIANCE ANALYSIS

This fund remained stable or increased through most of the period of FY 1999-2008. Because it tracks to sales and use tax, it can be expected to follow the economic variations including the substantial decline in FY 2008-09.

FORECAST

For FY 2010-11, Prop C Fund revenue is estimated at \$781,250. This revenue is projected conservatively because retail sales are down due to the current economic slump.

METHODOLOGY OF FORECASTING

Revenue projections are provided by the MTA.

H. MEASURE R FUND**BACKGROUND**

Authority: Part 1.3 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code; Division 12 (commencing with Section 130000) of the California Public Utilities Code; Proposed amendments to Section 130350.5 of the California Public Utilities Code adopted during the FY 2007-08 legislative session

Administrating Agency: State Board of Equalization (collections); State Controller (distribution to counties); Los Angeles Metropolitan Transportation Authority (MTA) (administration and distribution to cities)

Municipal Code: Not Applicable

Description: Measure R (also referred to as Traffic Relief, Rail Extensions, and Reduce Foreign Oil Dependence) was approved by the voters in 2008 for the purpose of financing a transportation development program in Los Angeles County. Measure R increased the retail sales tax by 1/2% to generate revenue for such a program. The new tax will stay in effect for thirty years and raise an estimate forty billion dollars for roadway and transit projects.

Object Code: All accounted for in Fund 215

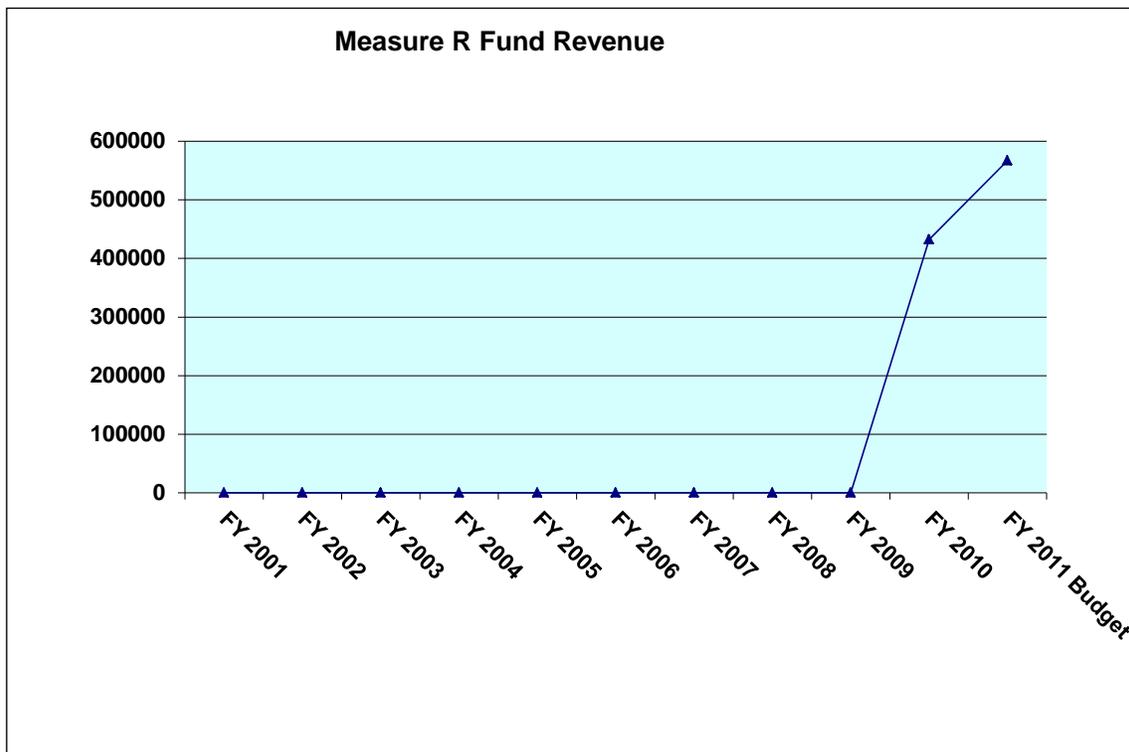
Use(s) of Revenue: Measure R restricts these monies to be used exclusively for public transit related projects and programs as well as on a broader category of public transit projects, such as street and road improvements that benefit transit and congestion management program activities. Measure R monies cannot be traded.

REVENUE HISTORY

The following table shows the 10-year history of Measure R Fund revenue and the FY 2010-11 budgeted revenue.

Measure R Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	-	-
2002	-	-
2003	-	-
2004	-	-
2005	-	-
2006	-	-
2007	-	-
2008	-	-
2009	-	-
2010	432,447	n/a
2011 Budget	567,100	31.14%



VARIANCE ANALYSIS

Activity in this fund started in FY 2009-10 and is budgeted to increase by 31% in FY 2010-11. Because it tracks to sales and use tax, it can be expected to follow economic variations.

FORECAST

For FY 2010-11, Measure R Fund revenue is estimated at \$567,100. This \$135 thousand rise in the FY 2010-11 estimate is due to the expectation that sales and use tax will increase as the economy strengthens. This revenue is based on sales and use tax from retail sales. Because retail sales are down due to the current economic slump, this is projected conservatively.

METHODOLOGY OF FORECASTING

Revenue projections are provided by the MTA.

I. TRANSIT FUND**BACKGROUND**

Authority: Section 29530 of the Government Code; Section 99200 et seq. of the Public Utility Code, Public Utilities Code Section 99310, Public Utilities Code Section 99313.6, Public Utilities Code Sections 99314.5(a) and 99314.5(b)

Administrating Agency: Los Angeles County Metropolitan Transportation Authority (MTA), City

Municipal Code: Not Applicable

Description: The Transportation Development Act (TDA) also known as the "Mills-Alquist-Deddeh Act" was established by the State Legislature in 1971. The TDA provides the major funding sources for the Transit Fund. TDA is comprised of two funding sources, the Local Transportation Fund (LTF) and the State Transit Assistance (STA) Fund. LTF revenue is derived from 1/4 cent of the 7.25% sales tax collected statewide. STA derives revenue from statewide sales tax on gasoline and diesel fuel. In addition, sales tax monies from Proposition A (Prop A) and Proposition C (Prop C) are transferred to this fund. Revenue is also received from Dial-A-Ride fares, Hermosa Beach Dial-A-Ride, sub regional incentives and the sale of bus passes.

Object Code: All accounted for in Fund 216

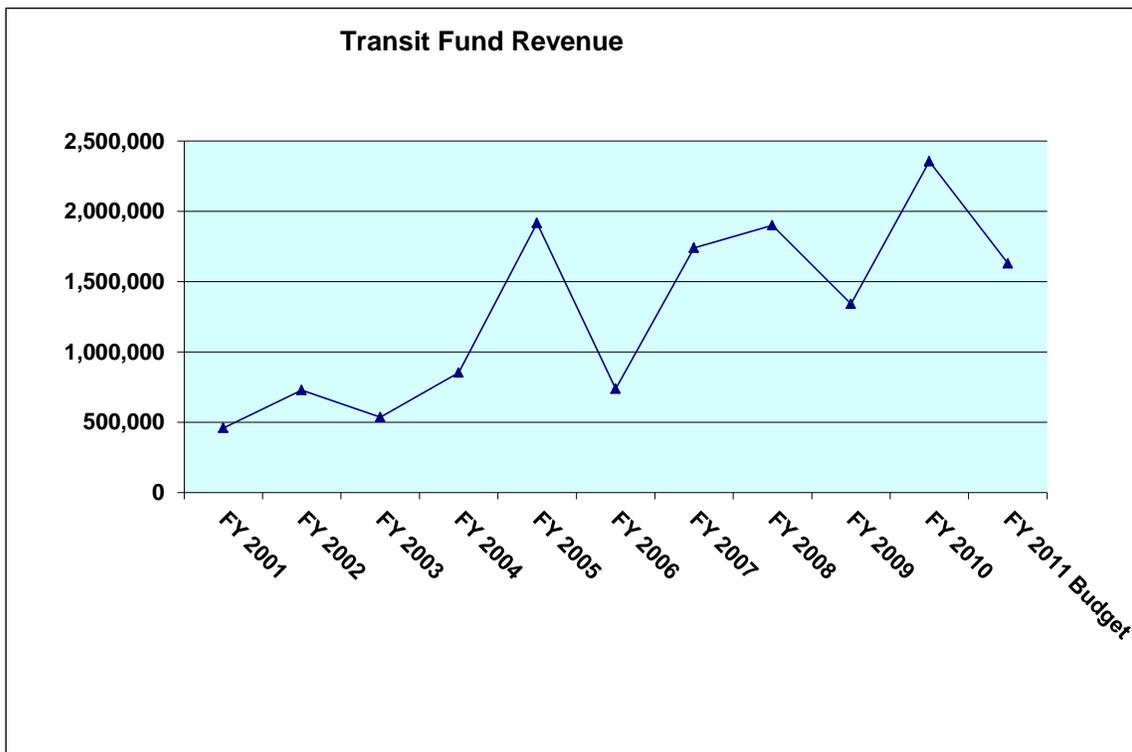
Use(s) of Revenue: Use is restricted to the support of the operation of public transportation programs and projects.

REVENUE HISTORY

The following table shows the 10-year history of Transit Fund revenue and the FY 2010-11 budgeted revenue.

Transit Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	458,974	-
2002	727,860	58.58%
2003	535,544	-26.42%
2004	852,626	59.21%
2005	1,915,527	124.66%
2006	738,098	-61.47%
2007	1,738,880	135.59%
2008	1,901,375	9.34%
2009	1,341,664	-29.44%
2010	2,355,882	75.59%
2011 Budget	1,630,029	-30.81%



VARIANCE ANALYSIS

In FY 2001-02, the large increase was due to a correction made by the MTA, resulting in approximately \$180,000 in additional revenue. In FY 2003-04, the City was reimbursed by the MTA for the Galleria transit terminal project, which increased revenue by \$162 thousand. In FY 2005-06 the revenue trended down to normal levels. Increases in FY 2006-07 and FY 2007-08 reflect increases in sales and use tax revenues due to improved consumer spending. The lower allocation in FY 2008-09 and the higher than normal amount for FY 2009-10 was due to payments from TDA Article 4 based on population, taxable sales and transit performance. In FY 2008-09, TDA revenue was zero, while in FY 2009-10 the amount was 941K, including the catch-up.

FORECAST

For FY 2010-11, Transit Fund revenue is estimated at \$1,630,029. This is forecast lower than the prior year in the expectation that funding will return to the FY 2007-08 and FY 2008-09 levels.

METHODOLOGY OF FORECASTING

Revenue projections are provided by the MTA and based on past years' trends and averages.

J. AIR QUALITY IMPROVEMENT FUND**BACKGROUND**

Authority: Sections 44220 and 44247 of the Health and Safety Code (AB 2766)

Administrating Agency: South Coast Air Quality Management District (SCAQMD),
City

Municipal Code: Not Applicable

Description: This revenue is predominantly derived from a \$4 surcharge on vehicle registration which is collected by the Department of Motor Vehicles (DMV) and distributed to SCAQMD.

Object Code: All accounted for in Fund 218

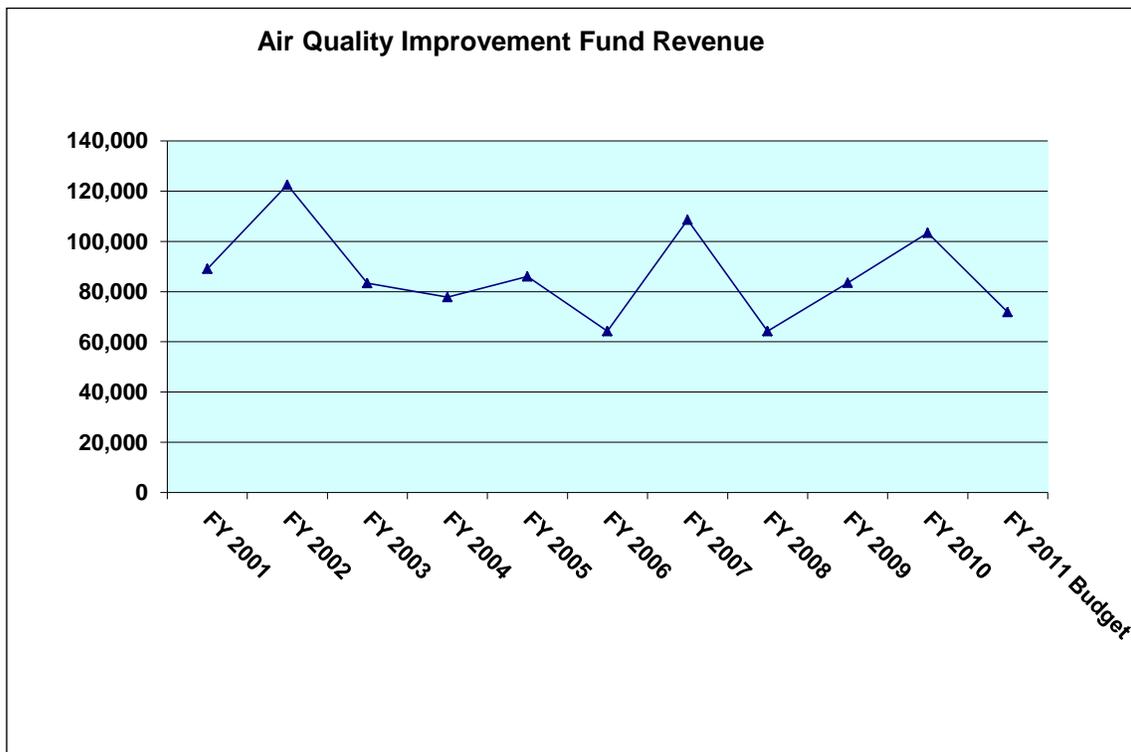
Use(s) of Revenue: Restricted to programs designed to mitigate or reduce emissions from indirect and area-wide sources of air pollution or for the implementation and enforcement of transportation control measures which reduce vehicle emissions.

REVENUE HISTORY

The following table shows the 10-year history of Air Quality Improvement Fund revenue and the FY 2010-11 budgeted revenue.

Air Quality Improvement Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	89,096	-
2002	122,520	37.51%
2003	83,375	-31.95%
2004	77,837	-6.64%
2005	86,045	10.55%
2006	64,200	-25.39%
2007	108,562	69.10%
2008	64,226	-40.84%
2009	83,475	29.97%
2010	103,367	23.83%
2011 Budget	71,800	-30.54%



VARIANCE ANALYSIS

In FY 1999-00 and FY 2001-02, the City received Mobile Source Review Committee (MSRC) grants in the amount of \$55,000 and \$40,000 respectively to assist the City in its clean air initiatives. The spike in FY 2006-07 was due to a prior year correction of amount due.

FORECAST

For FY 2010-11, Air Quality Improvement Fund revenue is estimated at \$71,800. The expectation of lower vehicle registration and a tighter State budget is the basis for this conservative estimate.

METHODOLOGY OF FORECASTING

Revenue is projected based on past years' averages and trends, excluding extraordinary items.

K. INTERGOVERNMENTAL GRANTS FUND

BACKGROUND

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: Various Federal, State and local agencies

Municipal Code: Not Applicable

Description: This revenue is from various grants sporadically received for many different purposes.

Object Code: All accounted for in Fund 230

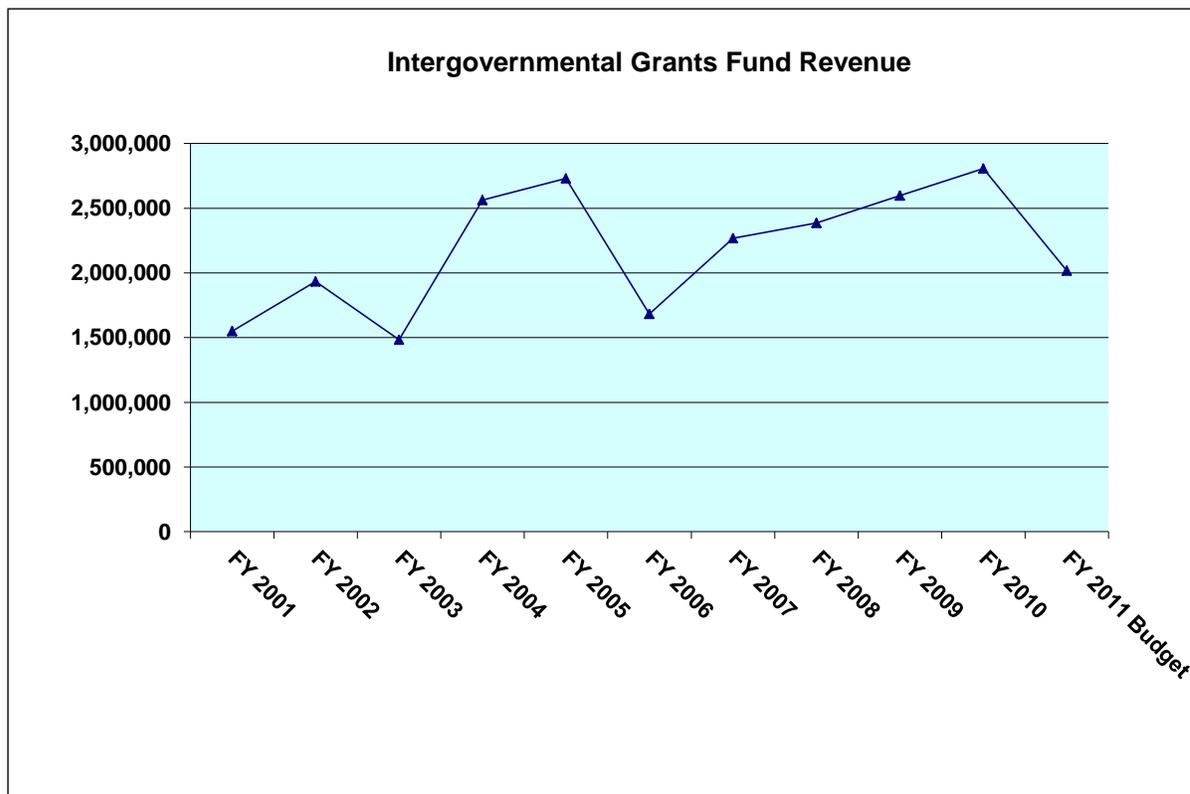
Use(s) of Revenue: Restricted based on grant awarded.

REVENUE HISTORY

The following table shows the 10-year history of Intergovernmental Grants Fund revenue and the FY 2010-11 budgeted revenue.

Intergovernmental Grants Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	1,551,192	-
2002	1,933,585	24.65%
2003	1,484,476	-23.23%
2004	2,562,182	72.60%
2005	2,729,859	6.54%
2006	1,682,658	-38.36%
2007	2,268,019	34.79%
2008	2,384,974	5.16%
2009	2,598,584	8.96%
2010	2,805,803	7.97%
2011 Budget	2,016,443	-28.13%



VARIANCE ANALYSIS

Revenue fluctuates based on new grants or timing of actual revenue received from prior year grants. Beginning in FY 1999-00, Federal funds were received for street improvement projects. A significant portion of the State and Federal grants received are for police services, such as Supplemental Law Enforcement Services Funds (SLESF) and Local Law Enforcement Block Grants (LLEBG).

FORECAST

For FY 2010-11, Intergovernmental Grants Fund revenue is estimated at \$2,016,443. This decrease from prior years is due, in part, to the expectation of less Federal ARRA money.

METHODOLOGY OF FORECASTING

Revenue is projected based on approved grants.

L. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND**BACKGROUND**

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: Federal government (grant award and distribution); City (administration)

Municipal Code: Not Applicable

Description: Revenue is received through the Federal Community Development Act, commonly known as Community Development Block Grant (CDBG) Fund. The Department of Housing and Urban Development (HUD) awards grants to entitled cities to carry out a wide range of community development activities directed towards revitalizing neighborhoods, economic development and providing improved community facilities and services. The grants are awarded based on a formula that considers such factors as population, poverty level and age of housing stock.

Object Code: All accounted for in Fund 234

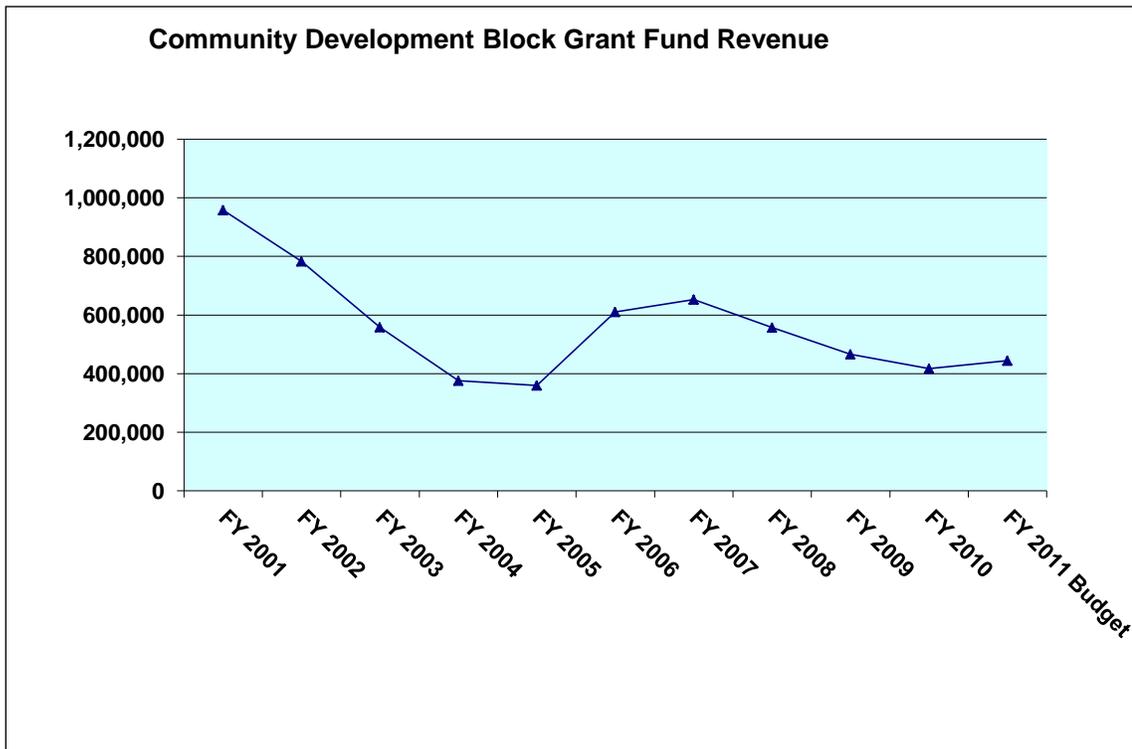
Use(s) of Revenue: Restricted to the revitalization of low and moderate income areas within the City; also limited funding for social service type programs to a "not to exceed 15% of entitlement" amount.

REVENUE HISTORY

The following table shows the 10-year history of CDBG Fund revenue and the FY 2010-11 budgeted revenue.

Community Development Block Grant Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	958,380	-
2002	783,526	-18.24%
2003	558,473	-28.72%
2004	376,099	-32.66%
2005	359,970	-4.29%
2006	610,644	69.64%
2007	653,144	6.96%
2008	557,123	-14.70%
2009	465,686	-16.41%
2010	417,519	-10.34%
2011 Budget	444,286	6.41%



VARIANCE ANALYSIS

As illustrated in the previous chart, this revenue fluctuates considerably from year to year. FY 2000-01 numbers included \$500,000 for capital improvement projects. Grant amounts are based on the level of funding made available through the Federal government. Revenue over the last several years has consistently declined. The amount of funding is determined largely by the amount of funds Congress appropriates to HUD.

FORECAST

For FY 2010-11, CDBG Fund revenue is estimated at \$444,286. The amount of the grant from HUD was determined by using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.

METHODOLOGY OF FORECASTING

Projected revenue is based on awarded grants, grants expected to be awarded, and past years' trends. It can vary substantially from year to year.

M. HOUSING AUTHORITY FUND**BACKGROUND**

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: Federal government (grant award and distribution); City (administration)

Municipal Code: Not Applicable

Description: Revenue derived, primarily, from grants received from the U.S. Department of Housing and Urban Development (HUD) primarily under Section 8.

Object Code: All accounted for in Fund 238

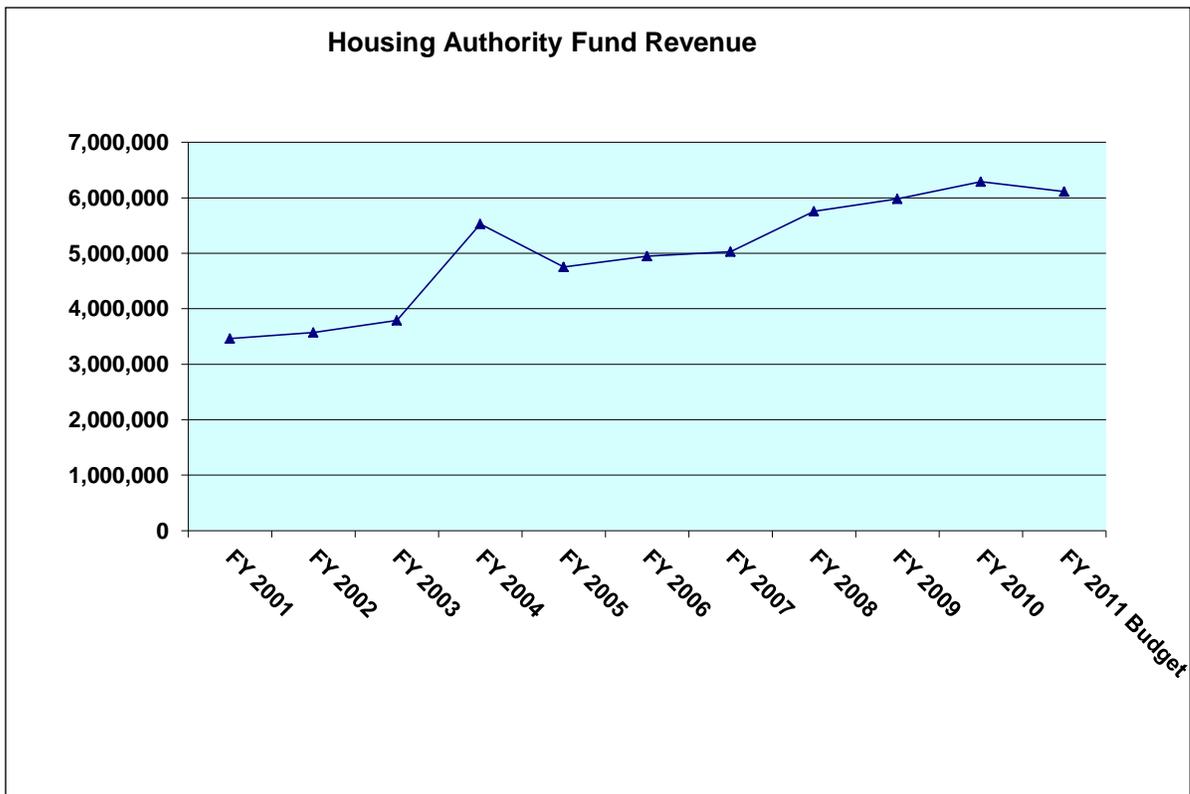
Use(s) of Revenue: Federal monies restricted to providing affordable, low-cost housing to qualified individuals.

REVENUE HISTORY

The following table shows the 10-year history of Housing Authority Fund revenue and the FY 2010-11 budgeted revenue.

Housing Authority Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	3,464,994	-
2002	3,569,582	3.02%
2003	3,792,709	6.25%
2004	5,525,661	45.69%
2005	4,754,592	-13.95%
2006	4,949,212	4.09%
2007	5,028,778	1.61%
2008	5,758,933	14.52%
2009	5,982,874	3.89%
2010	6,290,681	5.14%
2011 Budget	6,112,685	-2.83%



VARIANCE ANALYSIS

In July 2002, HUD authorized the City's Housing Authority to increase rent limits by approximately 18%. This resulted in higher rent subsidies for most program participants. These higher subsidies did not occur all at once, but rather over the next two years, as new tenants joined the program and existing participants' annual leases were renewed. The 45.69% increase in FY 2003-04 reflects the full effect of the increased rent subsidies.

FORECAST

For FY 2010-11, Housing Authority Fund revenue is estimated conservatively at \$6,112,685 following historical trends.

METHODOLOGY OF FORECASTING

Revenue projections are based on current contractual obligations with HUD, as well as fair market values in the local rental market.

N. PARKS AND RECREATION FACILITIES FUND**BACKGROUND**

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: City

Municipal Code: Title 8, Chapter 6

Description: A special tax was established in 1972 to provide a source of revenue for the planning, acquisition, improvement, and expansion of public parks, playgrounds and recreation facilities relative to increased development and population. This revenue comes from a \$400 per unit fee charged on the construction of any new residential unit within the City. Fees are due at the time a building permit is pulled.

Object Code: All accounted for in Fund 250

Use(s) of Revenue: Used solely for the acquisition, improvement and expansion of public parks, playgrounds, and recreation facilities.

REVENUE HISTORY

The following table shows the 10-year history of Parks and Recreational Facilities Fund revenue and the FY 2010-11 budgeted revenue.

Parks and Recreation Facilities Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	108,800	-
2002	64,800	-40.44%
2003	70,800	9.26%
2004	103,600	46.33%
2005	101,200	-2.32%
2006	147,145	45.40%
2007	76,750	-47.84%
2008	28,800	-62.48%
2009	11,200	-61.11%
2010	11,200	0.00%
2011 Budget	10,000	-10.71%



VARIANCE ANALYSIS

Trends in this revenue reflect the level of building activity and the general economy of Los Angeles County. The downturn starting in FY 2000-01 and continuing into FY 2001-02 reflects the slowdown in building activity and the economy in general following the terrorist attacks on September 11th. The increase in revenue for FY 2003-04 reflects a heightened level of construction activity as a result of the improving economy and low interest rates. The turndown in FY 2007-08 mirrors a weakening economy that is expected to continue to soften for the next few years.

FORECAST

For FY 2010-11, Parks and Recreation Facilities Fund revenue is estimated at \$10,000, down \$1,200 due to decreased construction activity.

METHODOLOGY OF FORECASTING

Revenue is projected based on past years' trends and averages and any known significant construction projects in the City. Economic conditions are also considered.

O. NARCOTIC SEIZURE/FORFEITURE FUND**BACKGROUND**

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: Federal or State police agencies, as applicable

Municipal Code: Not Applicable

Description: Revenue recorded in this fund is the local agency's proportionate share of monies and sold property seized during drug and narcotic arrests. Monies are distributed after convictions are received by the lead State or Federal agency.

Object Code: All accounted for in Fund 252

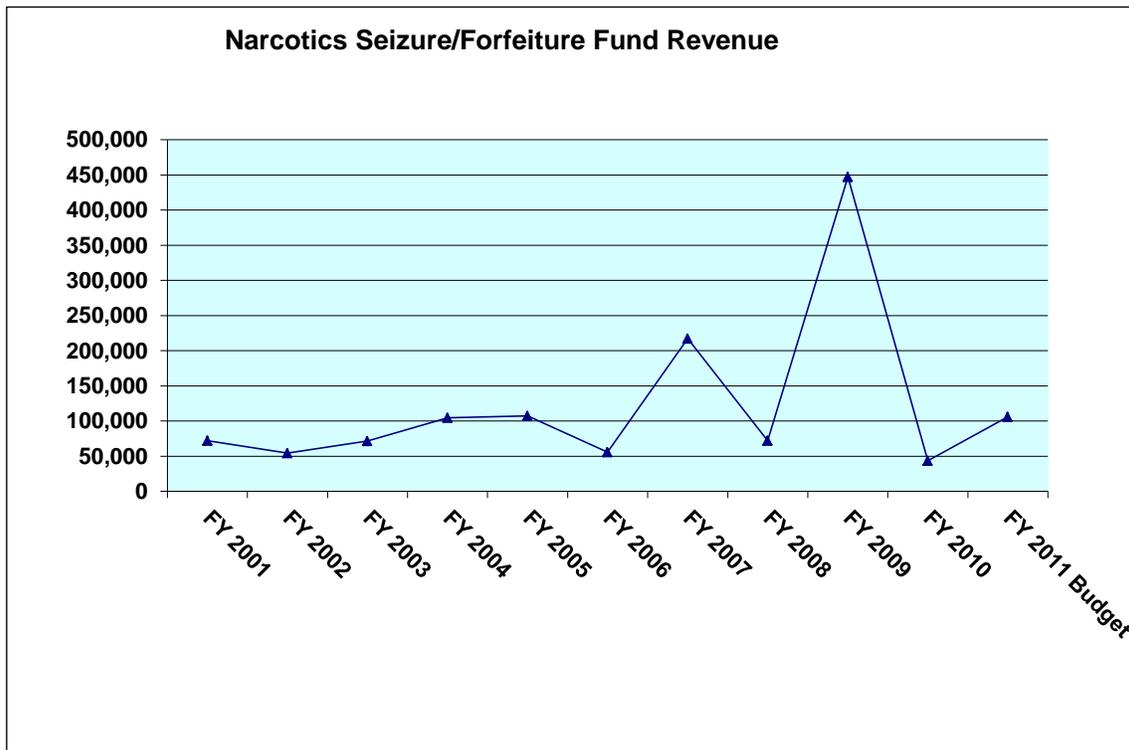
Use(s) of Revenue: Use is restricted to law enforcement activities and must supplement, not replace, existing law enforcement budgets.

REVENUE HISTORY

The following table shows the 10-year history of Narcotics Seizure/Forfeiture Fund revenue and the FY 2010-11 budgeted revenue.

Narcotics Seizure/Forfeiture Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	71,767	-
2002	54,330	-24.30%
2003	71,723	32.01%
2004	104,435	45.61%
2005	107,460	2.90%
2006	55,680	-48.19%
2007	216,996	289.72%
2008	71,998	-66.82%
2009	447,196	521.12%
2010	43,390	-90.30%
2011 Budget	106,000	144.30%



VARIANCE ANALYSIS

Revenue generated from this source is sporadic and is based on the involvement of the Redondo Beach Police Department in narcotics enforcement activities.

FORECAST

For FY 2010-11, Narcotics Seizure/Forfeiture Fund revenue is estimated at \$106,000. This revenue source is budgeted conservatively because it is difficult to predict the amount of money dispersed in a given year.

METHODOLOGY OF FORECASTING

Although this revenue source is difficult to estimate as it fluctuates from year to year, revenue is projected based on past years' trends and averages.

P. SUBDIVISION PARK TRUST FUND**BACKGROUND**

Authority: 1975 Quimby Act of the California Government Code Section 66477, AB 1600 (Section 66025 of the California Government Code)

Administrating Agency: County of Los Angeles, City (under authority of the State of California)

Municipal Code: Title 8 Finance, Revenue, and Taxation, Chapter 23 Subdivision Park Trust Fund, Chapter 23 Subdivision Park Trust 8-3.01 through 8-23.03, Title 10 Planning and Zoning, Chapter 1 Subdivisions, Article 9 Exceptions and Appeals, Article 14 Dedications and In-Lieu Fees for Parks and Recreation Purposes

Description: Enacted December 9, 2004, the Subdivision Park Trust Fund accounts for payments of fees in lieu of dedication of land for park and recreation purposes in residential subdivisions. Moneys in the fund, including accrued interest, must be expended solely for the acquisition, development, or renovation of park facilities, recreation facilities, or such facilities on public agency property pursuant to a joint use agreement to serve or benefit the residential project for which the fees were paid. This revenue comes from a charge per dwelling unit on the construction of any new residential unit within the City. Fees are due at the time a building permit is obtained.

Object Code: All accounted for in Fund 254

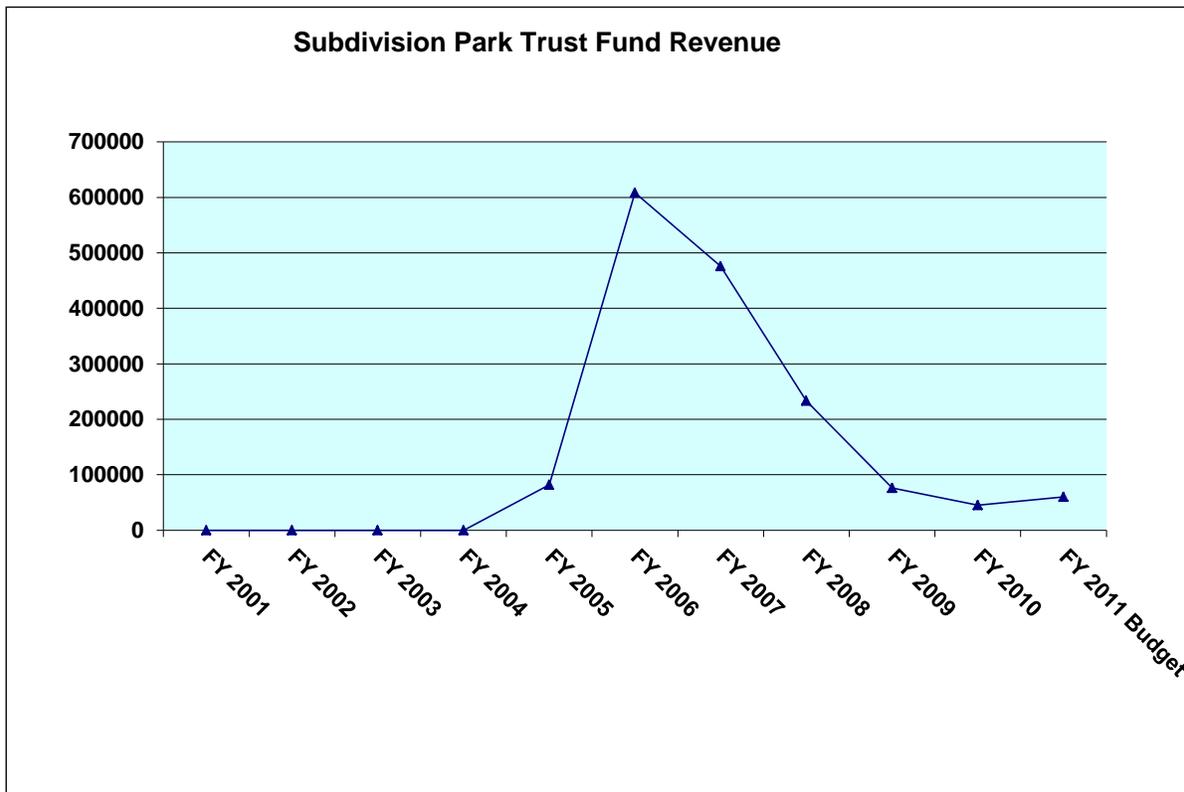
Use(s) of Revenue: The money collected shall be used only for the purpose of acquiring necessary land to develop new neighborhood and community park or recreation facilities reasonably related to serving the subdivision.

REVENUE HISTORY

The following table shows the 10-year history of Subdivision Park Trust Fund revenue and the FY 2010-11 budgeted revenue.

Subdivision Park Trust Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	-	-
2002	-	-
2003	-	-
2004	-	-
2005	81,902	-
2006	608,259	642.67%
2007	475,706	-21.79%
2008	233,381	-50.94%
2009	76,051	-67.41%
2010	45,000	-40.83%
2011 Budget	60,000	33.33%



VARIANCE ANALYSIS

The Subdivision Park Trust Fund was established in October of 2004 and revenue has declined following less new residential construction in the City due to the economy. Revenue projections are based on the timing of residential construction and the size and type of construction activity.

FORECAST

For FY 2010-11, Subdivision Park Trust Fund revenue is estimated at \$60,000 up slightly from prior years as the result of more residential construction activity.

METHODOLOGY OF FORECASTING

Revenue projections are based on fees in lieu of developed acres of parkland in residential subdivisions. Therefore, projections take into account the amount of new development in the City where developers are not going to also dedicate park land.

Q. DISASTER RECOVERY FUND**BACKGROUND**

Authority: Title 44 Code of Federal Regulations (CFR), Part 206, Title 19, Chapter 6 of the California Code of Regulations

Administrating Agency: City of Redondo Beach

Municipal Code: Title 8 Finance, Revenue, and Taxation, Chapter 15 Disaster Recovery Fund, 8-15.01 through 8-15.03

Description: Revenue is derived, primarily, from monies received from agencies of the Federal and State governments for disaster recovery assistance.

Object Code: All accounted for in Fund 256

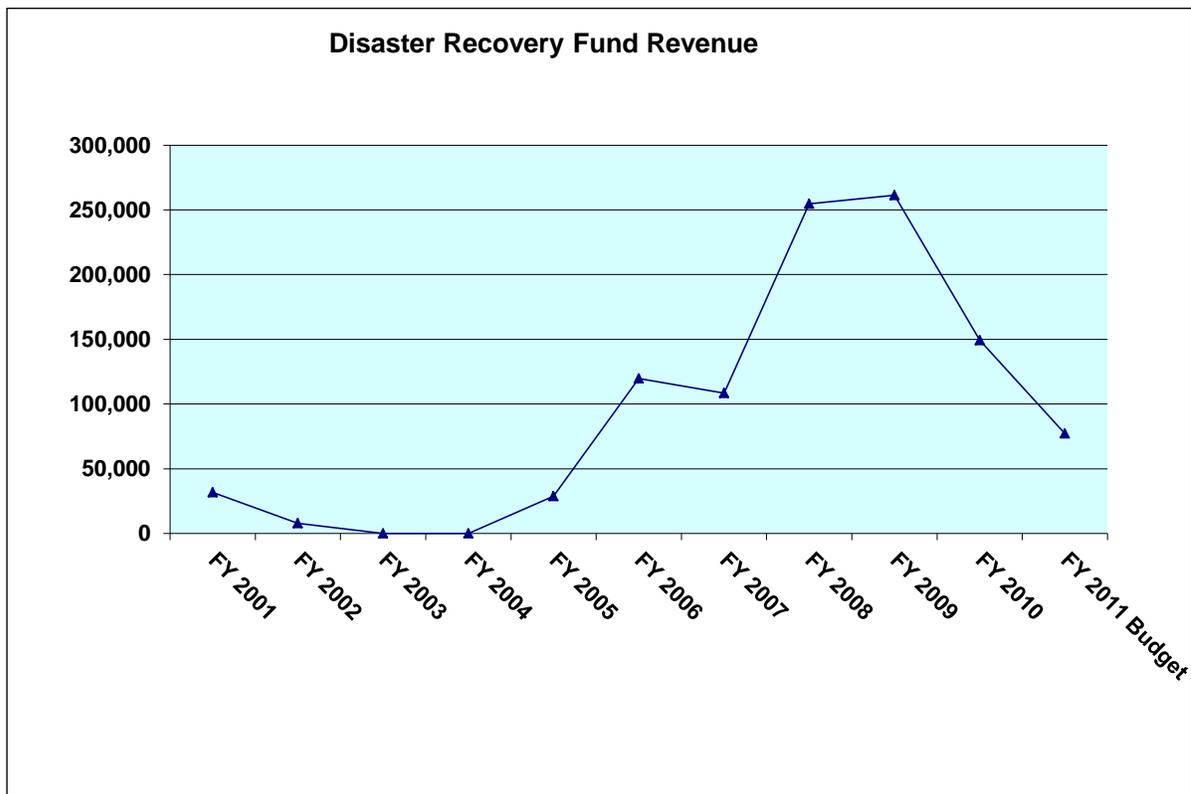
Use(s) of Revenue: Monies in the disaster recovery fund shall be used only to pay expenditures incurred related to a City disaster or emergency repairs.

REVENUE HISTORY

The following table shows the 10-year history of Disaster Recovery Fund revenue and the FY 2010-11 budgeted revenue.

Disaster Recovery Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	31,626	-
2002	7,952	-74.86%
2003	-	-100.00%
2004	-	-
2005	28,864	n/a
2006	119,620	314.43%
2007	108,330	-9.44%
2008	254,700	135.11%
2009	261,415	2.64%
2010	149,142	-42.95%
2011 Budget	77,100	-48.30%



VARIANCE ANALYSIS

As illustrated in the previous chart, this revenue fluctuates considerably from year to year. Reimbursement amounts are based on the level of City involvement in disaster response. In FY 2005-06, \$73,000 was received as reimbursement for the February 2005 storm damages as well as \$46,168 for brush fire reimbursement. Since FY 2006-07, almost all monies received were for reimbursable disaster mutual aid.

FORECAST

For FY 2010-11, Disaster Recovery Fund revenue is estimated at \$77,100, considerably less than previous years, with less money being estimated for brush fire abatement.

METHODOLOGY OF FORECASTING

Revenue is projected based on estimated reimbursements.

R. SOUTH BAY YOUTH PROJECT (SBYP) FUND - Historical Data Only**BACKGROUND**

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: Local, State and County (grant award and distribution);
City (administration)

Municipal Code: Not Applicable

Description: The California Office of Criminal Justice Planning (OCJP) grant revenue and other miscellaneous local grants and donations for related purposes were recorded in this fund. These monies financed the South Bay Juvenile Diversion program which was administered through the City for ten South Bay cities. The South Bay Juvenile Diversion Program was a delinquency prevention program which provided counseling, crisis centers, and remedial education for problem and high risk youth and their families.

Object Code: All accounted for in Fund 232

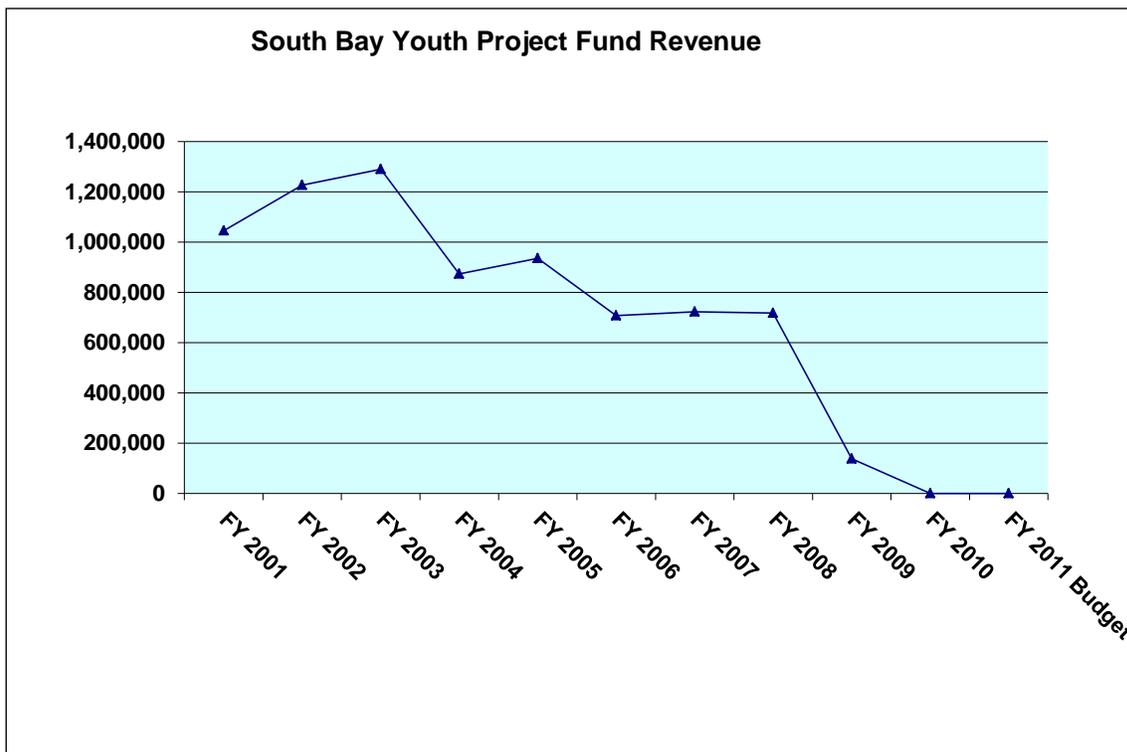
Use(s) of Revenue: Use of these monies was restricted to the South Bay Juvenile Diversion programs.

REVENUE HISTORY

The following table shows the 10-year history of South Bay Youth Project Fund revenue and the FY 2010-11 budgeted revenue.

South Bay Youth Project Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	1,046,227	-
2002	1,226,940	17.27%
2003	1,289,781	5.12%
2004	872,920	-32.32%
2005	935,935	7.22%
2006	707,515	-24.41%
2007	723,294	2.23%
2008	718,092	-0.72%
2009	137,096	-80.91%
2010		-100.00%
2011 Budget		-



VARIANCE ANALYSIS

In FY 2001-02, the City received a one-time grant through the Juvenile Diversion program, which accounted for the 17% increase in that year over the prior year. Revenue decreases in this fund were a result of decreases in Federal and State funding.

FORECAST

For FY 2010-11, the South Bay Youth Project has been out sourced and no longer provides the City revenue.

METHODOLOGY OF FORECASTING

Projected revenue was based on awarded grants, grants expected to be awarded, past years' trends, and averages of donations.

S. WORKFORCE INVESTMENT ACT (WIA) FUND – Historical Data Only**BACKGROUND**

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: Federal government (grant award and distribution); City (administration)

Municipal Code: Not Applicable

Description: Federal grants program (commonly known as WIA), the purpose of which was to provide job training and work experience. This funding consisted of two components: formula grants, which were based on local unemployment and poverty rates; and discretionary funding, which was usually a grant the City must apply for. Discretionary grants were usually for a specific purpose or program.

Object Code: All accounted for in Fund 236

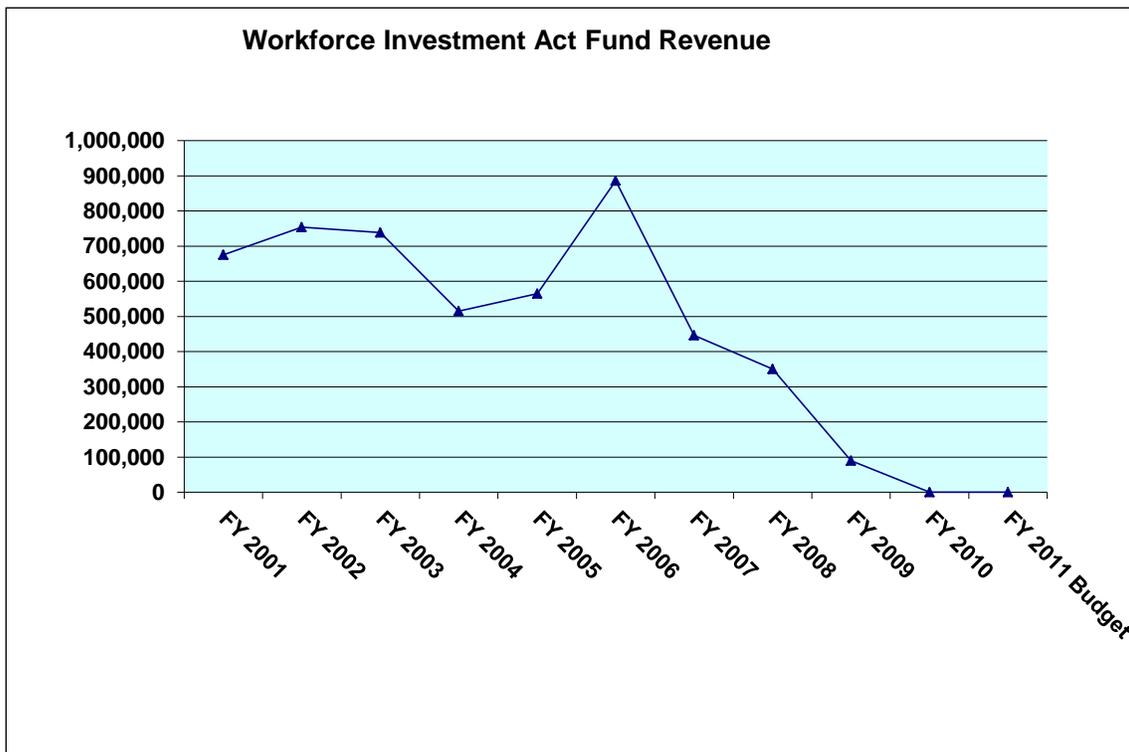
Use(s) of Revenue: Restricted to the administration of an area-wide job training and work experience program.

REVENUE HISTORY

The following table shows the 10-year history of WIA Fund revenue and the FY 2010-11 budgeted revenue.

Workforce Investment Act Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	675,303	-
2002	753,611	11.60%
2003	738,861	-1.96%
2004	514,923	-30.31%
2005	564,856	9.70%
2006	885,958	56.85%
2007	446,424	-49.61%
2008	350,246	-21.54%
2009	89,935	-74.32%
2010	-	-100.00%
2011 Budget	-	-



VARIANCE ANALYSIS

Revenue depended on Federal grant monies and decreased with declining Federal funding.

FORECAST

For FY 2010-11, WIA has been out sourced and no longer provides the City revenue.

METHODOLOGY OF FORECASTING

Projected revenue was based on awarded grants, grants expected to be awarded, and past years' trends. They varied substantially from year to year as they were impacted by the financial condition and the political climate at the Federal level.

III. ENTERPRISE FUNDS

Enterprise operations reflect the City's activities that are financed and operated in a manner similar to private business enterprises. The intent of the City in using this fund type is to ensure that the costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges. In the City, the following are considered enterprise funds.

Solid Waste Fund - To account for expenditures and revenue related to the City's comprehensive solid waste program, which includes refuse collection, recycling, and hazardous waste disposal. The solid waste program is wholly supported through user service fees.

Wastewater Fund - To account for capital facility charges and sewer user fees as well as expenditures used in the maintenance and repair of the City's sewer system.

Harbor Tidelands Fund - To account for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted by the State of California.

Harbor Uplands Fund - To account for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is subject to the decisions of the City Council.

A. SOLID WASTE FUND**BACKGROUND**

Authority: Article XI, Section 7, of the California Constitution; Section 66000 et seq. of the Government Code

Administrating Agency: City

Municipal Code: Title 5, Chapter 2; Title 8, Chapter 13

Description: Revenues include fees for refuse collection, AB 939 fees, recycling, hazardous and waste disposal services. Charges to residential properties are collected by L.A. County through the property tax roll; commercial charges are billed by the solid waste contractor; hazardous material charges are collected directly by the City.

Object Code: All accounted for in Fund 602

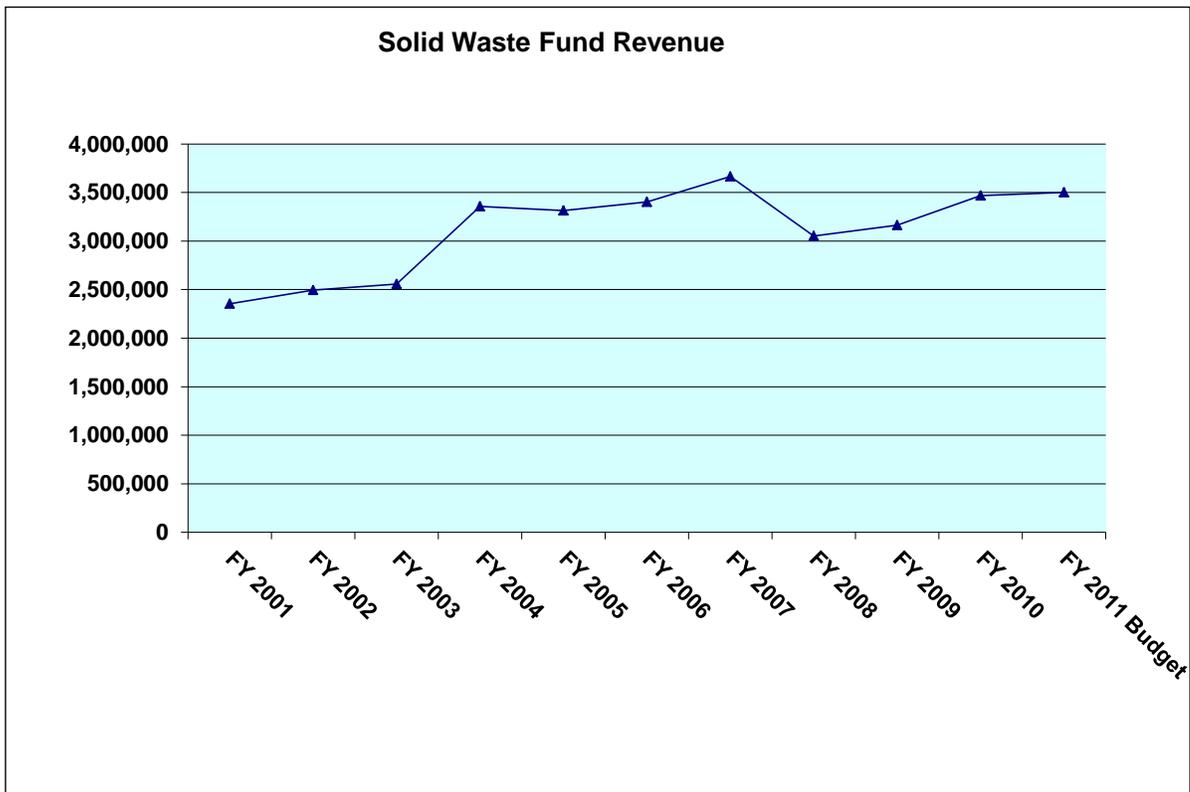
Use(s) of Revenue: Restricted by the City Council for the cost of salary, fringe benefits, equipment, services, overhead and other recurring and nonrecurring costs of the solid waste program incurred in the collection of refuse, recycling, and hazardous material and administration of the program.

REVENUE HISTORY

The following table shows the 10-year history of Solid Waste Fund revenue and the FY 2010-11 budgeted revenue.

Solid Waste Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	2,354,334	-
2002	2,495,112	5.98%
2003	2,556,324	2.45%
2004	3,358,059	31.36%
2005	3,315,744	-1.26%
2006	3,404,508	2.68%
2007	3,666,679	7.70%
2008	3,053,652	-16.72%
2009	3,162,681	3.57%
2010	3,468,247	9.66%
2011 Budget	3,502,233	0.98%



VARIANCE ANALYSIS

In FY 2003-04, revenue increased by 31%. This was due to the re-allocation of street sweeping related parking citation revenue from the General Fund (discussed in more detail in the General Fund section). A subsequent drop in the fees can be noted in FY 2007-08 as street sweeping related parking citation revenue was removed. There was a solid waste refuse fee increase in June 2009.

FORECAST

For FY 2010-11, Solid Waste Fund revenue is estimated at \$3,502,233. This \$33,986 increase from FY 2009-10 is due to a City Council passed solid waste refuse fee increase on June 15, 2010.

METHODOLOGY OF FORECASTING

Revenue is projected based on the contractual payment obligation of the solid waste contractor and the past years' trends and averages with respect to the City's portion of revenue generated from recycling as allowed by AB 939.

B. WASTEWATER FUNDBACKGROUND

Authority: Article XI, Section 5 and Section 11 of the California Constitution

Administrating Agency: City

Municipal Code: Title 5, Chapter 4; Title 8, Chapter 14

Description: This fund was established in FY 1995-96 for the purpose of accounting for capital facility charges (sewer connection fees). The capital facility charge is designed to reimburse the City's wastewater system for the capital cost to provide wastewater capacity to new system users. This charge is associated with the expansion of the system required over time to address increases in wastewater flow generated by new development. In FY 2004-05, the City implemented a sewer user charge, which is charged to all sewer users in the City. The fee covers the cost of maintaining and repairing the City's aging sewer system. The fee is collected through the County property tax bill, with the exception of the AES power plant and harbor properties, which are billed directly by the City.

Object Code: All accounted for in Fund 603

Use(s) of Revenue: Restricted to maintaining the City's wastewater system, capital improvements, and bond debt service.

Sewer User Fee Rate Structure

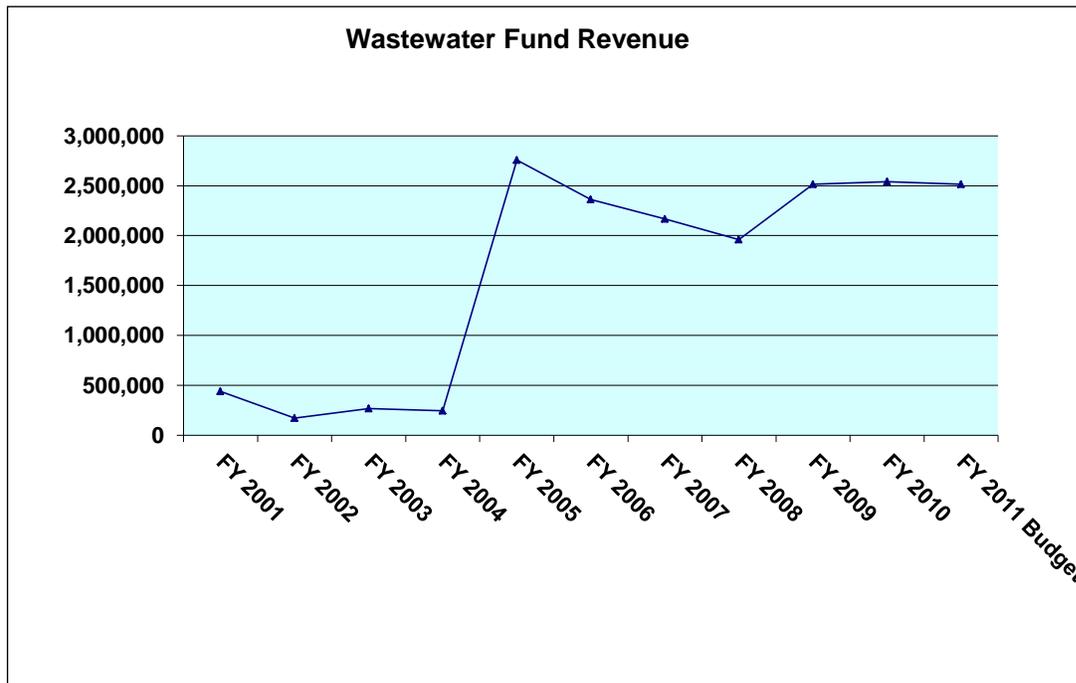
Use Classification	Charge
RESIDENTIAL	
Each single family dwelling unit	\$7.00 month/\$84.00 year
Each unit in a 2-3 unit condo	\$7.00 month/\$84.00 year
Each unit in a 2-3 unit apartment structure	\$5.45 month/\$65.40 year
Each unit in a 4 or more unit condo structure	\$5.45 month/\$65.40 year
Each unit in a 4 or more unit apartment structure	\$3.75 month/\$45.00 year
COMMERCIAL/INDUSTRIAL/INSTITUTIONAL	
Commercial/Industrial/Institutional parcels	\$.60 per 100 cubic feet of average monthly water usage
<p>Beginning on July 1, 2009 and every July 1st thereafter the monthly rate for each of the residential dwelling types and the water usage rate for nonresidential classes, as described above in subsections (a) and (b), shall be increased by an amount equal to the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U)—Los Angeles-Riverside-Orange County, CA. The Consumer Price Index percentage change shall be determined by subtracting the January index value eighteen (18) months preceding the applicable July adjustment date from the January index value six (6) months preceding the applicable July adjustment date and dividing this difference by the January index value eighteen (18) months preceding the applicable July adjustment date.</p>	

REVENUE HISTORY

The following table shows the 10-year history of Wastewater Fund revenue and the FY 2010-11 budgeted revenue.

Wastewater Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	439,026	-
2002	171,986	-60.83%
2003	267,150	55.33%
2004	244,861	-8.34%
2005	2,755,412	1025.30%
2006	2,361,142	-14.31%
2007	2,165,690	-8.28%
2008	1,960,757	-9.46%
2009	2,516,012	28.32%
2010	2,540,841	0.99%
2011 Budget	2,514,376	-1.04%



VARIANCE ANALYSIS

This revenue source has fluctuated from year to year. In FY 2000-01, revenue from the sewer connection fee was down, which coincided with the downturn in the economy as a result of the September 11 terrorist attacks. In FY 2004-05 the large increase is attributable to the City implemented sewer user charge, which is now charged to all sewer users in the City. In FY 2008-09, the drop is attributed to smaller wastewater capital facility fees as the result of less new construction.

FORECAST

For FY 2010-11, Wastewater Fund revenue is estimated at \$2,514,376. This is flat from the previous year and provides adequate coverage of sewer maintenance expenditures as required by the wastewater bond covenant.

METHODOLOGY OF FORECASTING

Estimates consider prior years' trends, fees charged, the level of current construction activity, and the overall economy.

C. HARBOR TIDELANDS FUNDBACKGROUND

Authority: Tidelands Trust Agreement with the State

Administrating Agency: City

Municipal Code: Title 12

Description: The Harbor Tidelands property within the Harbor Enterprise is west of the Mean High Tide line of October 1935. It can be thought of as the area that was open ocean before the development of the harbor. The purpose of the Harbor Tidelands Enterprise is to provide small boat harbor facilities to the general public. The Harbor Tidelands Enterprise operates as a landlord, assigning or leasing facilities and land areas. Principal sources of income are from rentals or leases of land and facilities.

Object Code: All accounted for in Fund 600

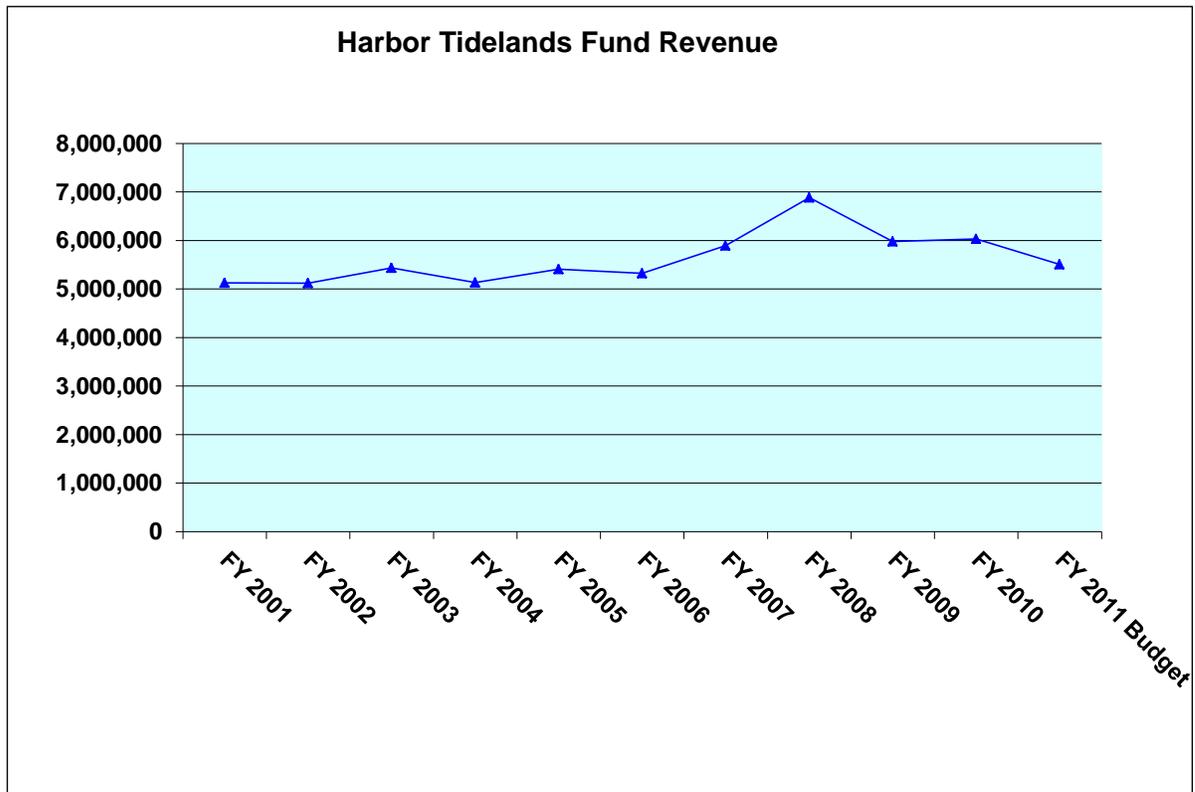
Use(s) of Revenue: Restricted to expenses in the harbor due to the Tideland Trust Agreement with the State.

REVENUE HISTORY

The following table shows the 10-year history of actual Harbor Tidelands Fund revenue and the FY 2010-11 budgeted revenue.

Harbor Tidelands Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	Operating \$ Revenue	% Annual Change	Non-Operating \$ Revenue	\$ Total Revenue	% Annual Change
2001	4,325,015	-	803,769	5,128,784	-
2002	4,539,159	4.95%	581,185	5,120,344	-0.16%
2003	4,922,439	8.44%	509,975	5,432,414	6.09%
2004	4,946,387	0.49%	189,243	5,135,630	-5.46%
2005	4,976,742	0.61%	434,176	5,410,918	5.36%
2006	4,869,959	-2.15%	450,358	5,320,317	-1.67%
2007	5,087,083	4.46%	805,165	5,892,248	10.75%
2008	6,084,438	19.61%	796,792	6,881,230	16.78%
2009	5,278,490	-13.25%	699,011	5,977,501	-13.13%
2010	5,447,903	3.21%	582,688	6,030,591	0.89%
2011 Budget	5,100,100	-6.38%	408,630	5,508,730	-8.65%



VARIANCE ANALYSIS

Operating revenue includes leases of land and facilities, parking structure revenue, miscellaneous revenue (e.g. film deposits, impound fees), and mooring revenue. These revenues track heavily with economic and weather conditions.

Non-operating revenue includes investment earnings, contributions from other governmental agencies, gains from sales of fixed assets, etc.

FORECAST

For FY 2010-11, Harbor Tidelands Fund revenue is estimated at \$5,508,730.

METHODOLOGY OF FORECASTING

Operating revenue is projected based on current lease agreements, past years' trends, and averages of other revenue. Non-operating revenues tend to fluctuate more from year to year and are more difficult to forecast. Investment earnings revenue is dependent upon the amount of cash available for investments, the general interest rates available on City's investments, the length of investment maturities, and the general state of the economy.

D. HARBOR UPLANDS FUNDBACKGROUND

Authority: Trust Agreement with the State

Administrating Agency: City

Municipal Code: Title 12

Description: The Harbor Uplands property within the Harbor Enterprise is east of the Mean High Tide line of October 1935. The Harbor Uplands Enterprise was created by City Council ordinance on July 11, 1960. Its purpose is to provide small boat harbor facilities to the general public. The Harbor Uplands Enterprise operates as a landlord, assigning and leasing facilities and land areas. Principal sources of income are from leases of land and facilities.

Object Code: All accounted for in Fund 601

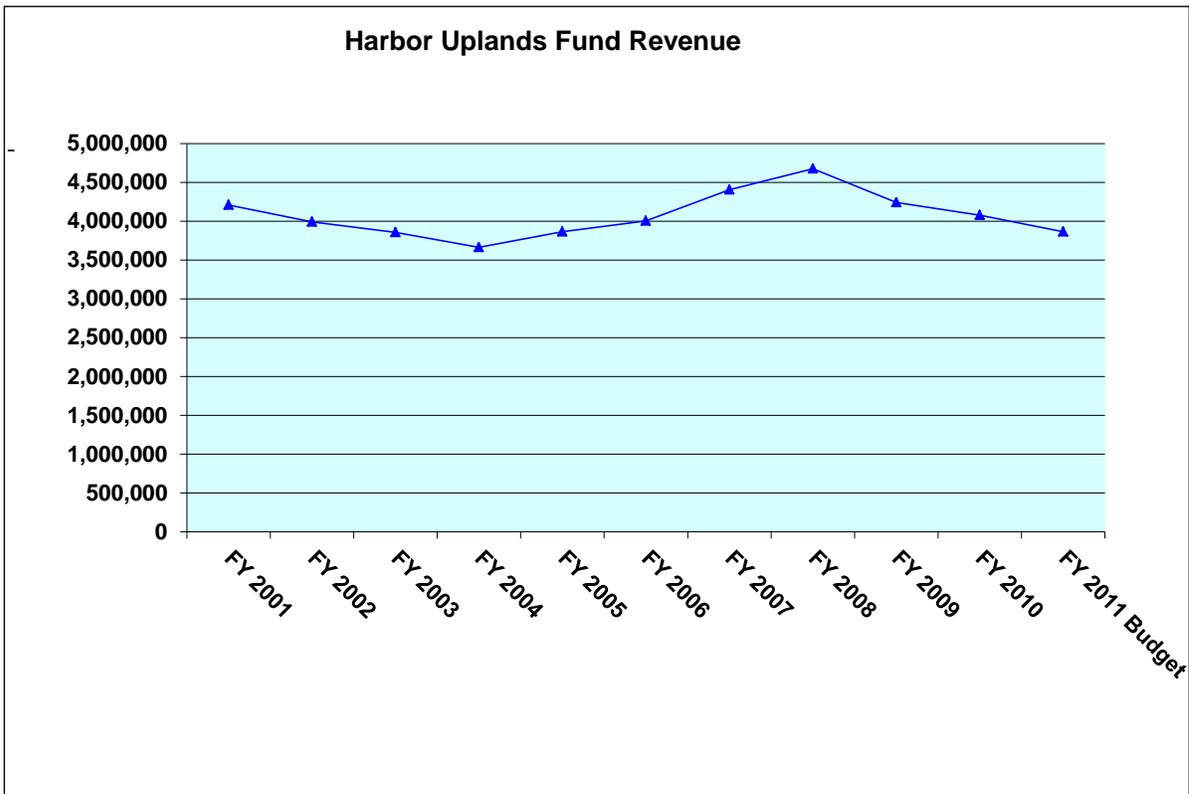
Use(s) of Revenue: Restricted subject to the decisions of the City Council.

REVENUE HISTORY

The following table shows the 10-year history of Harbor Uplands Fund revenue and the FY 2010-11 budgeted revenue.

Harbor Uplands Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	Operating \$ Revenue	% Annual Change	Non-Operating \$ Revenue	\$ Total Revenue	% Annual Change
2001	3,587,931	-	618,249	4,206,180	-
2002	3,636,436	1.35%	355,819	3,992,255	-5.09%
2003	3,595,325	-1.13%	261,267	3,856,592	-3.40%
2004	3,570,974	-0.68%	90,250	3,661,224	-5.07%
2005	3,527,127	-1.23%	337,209	3,864,336	5.55%
2006	3,861,744	9.49%	141,818	4,003,562	3.60%
2007	4,103,996	6.27%	302,154	4,406,150	10.06%
2008	4,400,815	7.23%	275,710	4,676,525	6.14%
2009	4,067,237	-7.58%	172,523	4,239,760	-9.34%
2010	3,950,980	-2.86%	126,004	4,076,984	-3.84%
2011 Budget	3,796,550	-3.91%	66,000	3,862,550	-5.26%



VARIANCE ANALYSIS

This fund tracks heavily with economic and weather conditions.

FORECAST

For FY 2010-11, Harbor Uplands Fund revenue is estimated at \$3,862,550 as both operating and non-operating revenues continue to decline.

METHODOLOGY OF FORECASTING

Revenue is projected based on current lease agreements and past years' trends and averages of other revenue.

Non-operating revenue includes investment earnings and gains on sale of fixed assets. Investment earnings are dependent upon the amount of idle cash on hand, interest rates, the length of investment maturities, and the general state of the economy.

IV. COMPONENT UNITS

Component units are legally separate entities for which (i) the City Council appoints the voting majority of such entity's board; is able to impose its will on such entity; and/or is in a financial relationship with such entity; (ii) the entity is fiscally dependent on the City; or (iii) the City's financial statements would be misleading if the entity's data were not included.

Redondo Beach Redevelopment Agency - To account for the accumulation of resources for, and the payment of interest and principal on debt (e.g., tax allocation bonds) issued to finance redevelopment activities within the redevelopment project areas and to account for the general operations of the Redevelopment Agency of the City of Redondo Beach.

Redondo Beach Public Financing Authority (Financing Authority) – To account for the joint powers authority that was formed on June 25, 1996 to provide financing for capital improvement projects. The Agency joined with the City to form the Financing Authority, which is accounted for as a component unit of the Agency. The Financing Authority operates rental property and issues bonds to provide funds for public capital improvements. The Financing Authority has the same governing board as the City, which also performs all accounting and administrative functions for the Financing authority. The revenue for the Financing Authority is included in the table and graph of the Redevelopment Agency.

A. REDEVELOPMENT AGENCY/FINANCING AUTHORITY FUNDS**BACKGROUND**

Authority: Article XVI, Section 16 of the California Constitution; Section 33000 et seq. of the Health and Safety Code

Administrating Agency: City

Municipal Code: Not Applicable

Description: The Redevelopment Agency derives revenues from property tax increment generated from improvements in the redevelopment project area, developer fees, investment earnings, and proceeds of capital financings. In the Public Financing Authority, revenue originates from rental income and bond issuance.

Object Code: All accounted for separately from the City

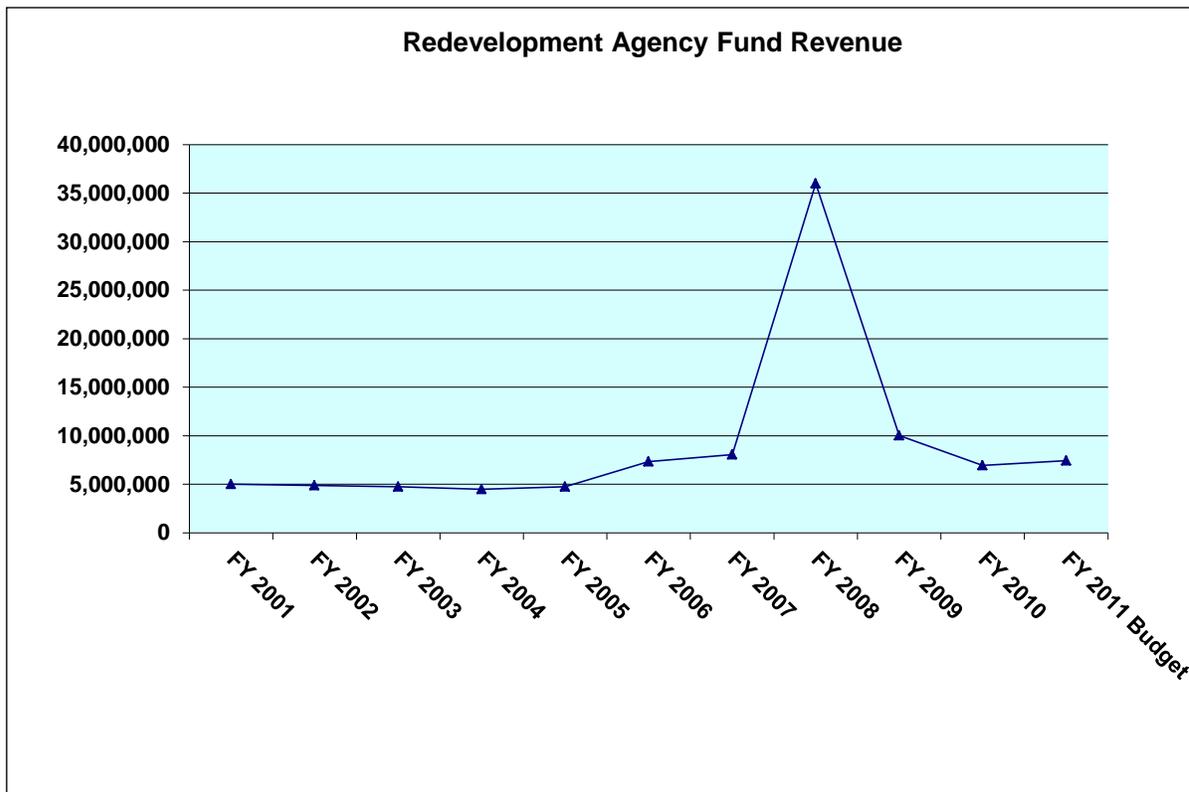
Use(s) of Revenue: Tax increment revenue is restricted to the repayment of debt service. Proceeds of capital financings are restricted to the specific project financed. Developer fees and investment earnings are available for any lawful purpose of the Redevelopment Agency.

REVENUE HISTORY

The following table shows the 10-year history of Redevelopment Agency revenue and the FY 2010-11 budgeted revenue.

Redevelopment Agency Fund Revenue
FY 2001-11

Fiscal Year (ended 6/30)	\$ Total Revenue	% Annual Change
2001	5,018,797	-
2002	4,882,861	-2.71%
2003	4,734,819	-3.03%
2004	4,478,865	-5.41%
2005	4,764,075	6.37%
2006	7,350,646	54.29%
2007	8,050,663	9.52%
2008	35,992,039	347.07%
2009	10,038,848	-72.11%
2010	6,955,390	-30.72%
2011 Budget	7,424,435	6.74%



VARIANCE ANALYSIS

The large increase in FY 2007-08 was due to the South Bay Center bond proceeds.

FORECAST

For FY 2010-11, Redevelopment Agency revenue is estimated at \$7,424,435.

METHODOLOGY OF FORECASTING

Revenue projections are based on tax increment receipts, trends in investment earnings, and expected developer fees, which are generated as a result of agreements made in connection with the development within the redevelopment project areas.