

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2011**

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**1. BUDGETARY INFORMATION**

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

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

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

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

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

The following are the budget comparison schedules for General Fund, Other Intergovernmental Grants Fund and Redevelopment Agency Special Revenue Fund. The City did not formally adopt a budget for the Affordable Housing Special Revenue Fund.

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

**1. BUDGETARY INFORMATION, Continued**

*Budget Comparison Schedule, General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance - Beginning</b>	\$ 9,894,077	\$ 9,894,077	\$ 9,894,077	\$ -
<b>Resources (inflows):</b>				
Taxes	48,280,300	48,543,300	49,801,850	1,258,550
Interdepartmental	6,673,267	6,383,731	6,383,731	-
Licenses and permits	878,370	1,025,370	1,248,916	223,546
Intergovernmental	253,960	251,295	379,064	127,769
Charges for services	4,807,894	5,060,951	5,330,324	269,373
Use of money and property	2,143,660	2,045,160	1,892,907	(152,253)
Fines and forfeitures	1,688,500	1,706,150	1,785,067	78,917
Miscellaneous	1,112,251	1,166,547	299,411	(867,136)
Transfers in	2,053,880	2,620,630	4,120,630	1,500,000
<b>Amount available for appropriation</b>	<b>77,786,159</b>	<b>78,697,211</b>	<b>81,135,977</b>	<b>2,438,766</b>
<b>Charges to appropriations (outflows):</b>				
Current:				
General government	9,003,404	9,984,000	7,582,969	2,401,031
Public safety	40,644,851	41,074,072	40,887,642	186,430
Housing and community development	4,996,583	4,723,911	4,394,044	329,867
Public works	4,917,640	5,247,174	4,809,766	437,408
Cultural and leisure services	7,309,848	6,762,214	6,671,934	90,280
Capital outlay	-	5,347	3,700	1,647
Transfers out	1,012,796	2,779,571	3,131,463	(351,892)
<b>Total charges to appropriations</b>	<b>67,885,122</b>	<b>70,576,289</b>	<b>67,481,518</b>	<b>3,094,771</b>
<b>Fund Balance - Ending</b>	<b>\$ 9,901,037</b>	<b>\$ 8,120,922</b>	<b>\$ 13,654,459</b>	<b>\$ 5,533,537</b>

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

**1. BUDGETARY INFORMATION, Continued**

*Budget Comparison Schedule, Other Intergovernmental Grants*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance - Beginning</b>	\$ (2,344,594)	\$ (2,344,594)	\$ (2,344,594)	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	2,016,443	11,224,303	3,554,377	(7,669,926)
<b>Amount available for appropriation</b>	(328,151)	8,879,709	1,209,783	(7,669,926)
<b>Charges to appropriations (outflows):</b>				
Current:				
Public safety	71,220	702,386	427,785	274,601
Housing and community development	-	58,763	44,000	14,763
Public works	68,041	87,331	259,902	(172,571)
Capital outlay	1,877,182	11,794,533	3,491,022	8,303,511
Transfers out	-	-	15,000	
<b>Total charges to appropriations</b>	2,016,443	12,643,013	4,237,709	8,420,304
<b>Fund Balance - Ending</b>	\$ (2,344,594)	\$ (3,763,304)	\$ (3,027,926)	\$ 735,378

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

**1. BUDGETARY INFORMATION, Continued**

*Budget Comparison Schedule, Redevelopment Agency Special Revenue*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance - Beginning</b>	\$ 13,257,815	\$ 13,257,815	\$ 13,257,815	\$ -
<b>Resources (inflows):</b>				
Taxes	871,400	871,400	715,817	(155,583)
Use of money and property	342,659	342,659	279,964	(62,695)
Transfers in	529,238	529,238	-	(529,238)
<b>Amount available for appropriation</b>	<b>15,001,112</b>	<b>15,001,112</b>	<b>14,253,596</b>	<b>(747,516)</b>
<b>Charges to appropriations (outflows):</b>				
Current:				
Housing and community development	1,421,781	1,421,781	995,615	426,166
Transfers out	-	-	10,363,523	(10,363,523)
<b>Total charges to appropriations</b>	<b>1,421,781</b>	<b>1,421,781</b>	<b>11,359,138</b>	<b>(9,937,357)</b>
<b>Fund Balance - Ending</b>	<b>\$ 13,579,331</b>	<b>\$ 13,579,331</b>	<b>\$ 2,894,458</b>	<b>\$ (10,684,873)</b>

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

**2. DEFINED PENSION PLAN**

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

<u>Safety Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2008	\$ 195,959,373	\$ 232,567,064	\$ 36,607,691	84.3%	\$ 15,118,770	242.1%
6/30/2009	202,858,694	252,092,246	49,233,552	80.5%	16,436,916	299.5%
6/30/2010	209,481,432	259,321,750	49,840,318	80.8%	15,615,232	319.2%

<u>Miscellaneous Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2008	\$ 114,865,498	\$ 124,542,795	\$ 9,677,297	92.2%	\$ 20,641,265	46.9%
6/30/2009	119,584,408	135,652,505	16,068,097	88.2%	20,267,353	79.3%
6/30/2010	124,366,166	141,617,233	17,251,067	87.8%	19,612,331	88.0%

\* Latest information available.

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

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**3. OTHER POST EMPLOYMENT BENEFITS**

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

	(A)	(B)	(C)	(D)	(E)	(F)
	Actuarial	Actuarial	(Unfunded)	Funded	Covered	Unfunded
	Asset	Accrued	Actuarial	Ratio	Payroll	Actuarial
	Value	Liability	Liability	(A / B)		Liability as
	(A)	Entry Age	(A - B)			Percentage of
Actuarial		(B)				Covered
Valuation						Payroll
Date						(C / E)
6/30/2008	\$ -	\$ 14,474,000	\$ (14,474,000)	0.0%	\$ 36,525,000	39.63%
6/30/2010	1,918,000	17,882,000	(15,964,000)	10.7%	31,700,000	50.36%

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

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**4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

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

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

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

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

In June 2011, a comprehensive survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Rating ranged from 0 and 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

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

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to City Council on December 2002, City policy is to achieve an average rating of 80 for all streets by fiscal year 2008-2009. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds.

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

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2008	84	Very Good	47%
		Good	37%
		Fair	10%
		Poor	6%
2009	79	Very Good	21%
		Good	61%
		Fair	8%
		Poor	10%
2010	83	Very Good	40%
		Good	47%
		Fair	6%
		Poor	7%
2011	85	Very Good	47%
		Good	45%
		Fair	5%
		Poor	3%

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

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

The City expended \$5,295,591 on street improvement projects for the fiscal year ended June 30, 2011. These capital improvement expenditures enhanced the condition of many streets and delayed deterioration on others. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2011 through June 30, 2013 is a minimum of \$5,200,000.

A schedule of budget versus actual for the most recent years since implementation, which preserved City streets at the current 85 rating is presented below.

<u>Fiscal Year</u>	<u>Final Budget</u>	Funded by <u>Capital Improvement Project Fund</u>	Funded by <u>Other Funds</u>	<u>Total Expenditures</u>
2006-2007	\$ 6,493,717	\$ 1,292,207	\$ 569,668	\$ 1,861,875
2007-2008	11,633,589	154,835	2,824,248	2,979,083
2008-2009	10,835,819	1,543,773	2,350,822	3,894,595
2009-2010	11,788,643	1,413,430	3,017,149	4,430,579
2010-2011	9,260,708	688,073	4,607,518	5,295,591

As of June 30, 2011, 16% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

**City of Redondo Beach**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2011**

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

Project	Project #	Budget	Capital Improvement		Total
			Project Fund Expenditures	Other Fund Expenditures	
Bus Shelters & Benches	40120	\$ 590,847	\$ -	\$ 8,770	\$ 8,770
Pavement & Sidewalk Repairs	40140	143,432	-	-	-
Pavement Management Study	40170	199,149	-	1,598	1,598
Residential Street Rehabilitation	40190	942,836	54,036	614,518	668,554
Esplanade - Replacement of Streetlights	40200	210,000	-	-	-
Esplanade Streetscape Improvements	40380	2,970,392	535,785	2,058,874	2,594,659
Citywide Curb Ramp Improvements	40399	153,965	-	119,714	119,714
Torrance Blvd Streetscape Master Plan	40410	6,544	-	-	-
Catalina Corridor Beautification	40450	6,123	-	-	-
Target Community Improvements	40460	6,090	-	-	-
Traffic Calming Project	40470	41,402	-	-	-
School Safety Zone Program	40480	64,717	11,299	49,736	61,035
Bicycle Trans Plan Implementation	40510	77,708	-	-	-
Aviation Blvd Resurf-Carnegie/Harpr	40580	62,644	-	-	-
Catalina/Harbor Advd Traf Sig Mgmt	40600	452,929	71,953	96,144	168,097
Torrance Blvd Streetscape Improv	40630	1,078	-	-	-
Riviera Village Improvements	40640	164,991	15,000	-	15,000
PCH/Torrance Blvd Right Hand Turn Lane	40650	90,000	-	-	-
Inglewood Ave Resurf/Artesia-MBB	40660	1,399	-	1,627	1,627
Prospect Ave Resurf / PV Blvd - Anita	40670	896,366	-	943,802	943,802
Bus Bench Replacement	40700	108,492	-	141,779	141,779
Grant/Artesia Countdown Ped Signal	40710	33,000	-	-	-
Harbor Drive Resurf - Beryl to Herondo	40720	675,000	-	-	-
LED Streetlight Replacement Project	40730	618,000	-	570,956	570,956
North Redondo Beach Bikeway Lighting	40740	180,800	-	-	-
190th St Resurfacing - PCH to Prospect	40750	562,804	-	-	-
		<u>\$ 9,260,708</u>	<u>\$ 688,073</u>	<u>\$ 4,607,518</u>	<u>\$ 5,295,591</u>

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