

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2012**

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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 Special Revenue Fund, Redevelopment Agency Special Revenue Fund, and Low-Mod Income Housing Asset Special Revenue Fund.

# CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

## 1. BUDGETARY INFORMATION, Continued

### *Budget Comparison Schedule, General Fund*

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance - Beginning</b>	\$ 13,654,459	\$ 13,654,459	\$ 13,654,459	\$ -
<b>Resources (inflows):</b>				
Taxes	49,734,062	50,650,000	50,702,432	52,432
Interdepartmental	6,383,731	6,249,628	6,249,628	-
Licenses and permits	1,042,420	1,051,135	1,343,422	292,287
Intergovernmental	213,540	1,310,874	72,450	(1,238,424)
Charges for services	4,954,270	4,810,860	5,119,940	309,080
Use of money and property	2,757,807	2,719,723	1,843,709	(876,014)
Fines and forfeitures	1,780,900	1,884,700	1,634,786	(249,914)
Miscellaneous	144,700	287,438	845,326	557,888
Transfers in	1,080,580	1,080,580	80,580	(1,000,000)
<b>Amount available for appropriation</b>	<b>81,746,469</b>	<b>83,699,397</b>	<b>81,546,732</b>	<b>(2,152,665)</b>
<b>Charges to appropriations (outflows):</b>				
Current:				
General government	7,802,449	9,439,028	8,085,175	1,353,853
Public safety	43,932,499	44,359,887	41,762,064	2,597,823
Housing and community development	5,653,405	3,833,061	4,355,277	(522,216)
Public works	3,781,743	5,337,847	3,473,002	1,864,845
Cultural and leisure services	5,352,241	5,546,955	5,282,197	264,758
Capital outlay	4,402,603	4,580,090	3,225,902	1,354,188
Transfers out	2,017,755	3,014,964	1,972,435	1,042,529
<b>Total charges to appropriations</b>	<b>72,942,695</b>	<b>76,111,832</b>	<b>68,156,052</b>	<b>7,955,780</b>
<b>Fund Balance - Ending</b>	<b>\$ 8,803,774</b>	<b>\$ 7,587,565</b>	<b>\$ 13,390,680</b>	<b>\$ 5,803,115</b>

# CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

## 1. BUDGETARY INFORMATION, Continued

*Budget Comparison Schedule, Other Intergovernmental Grants Special Revenue Fund*

	Budget Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ (3,027,926)	\$ (3,027,926)	\$ (3,027,926)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	4,780,102	5,302,938	4,874,081	(428,857)
Transfers in	-	155	155	-
<b>Amount available for appropriation</b>	<u>1,752,176</u>	<u>2,275,167</u>	<u>1,846,310</u>	<u>(428,857)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public safety	65,695	577,553	467,659	109,894
Public works	75,918	76,073	70,294	5,779
Housing and community development	1,845,760	3,323,108	1,475,280	1,847,828
Capital outlay	2,767,729	9,791,230	1,152,996	8,638,234
Transfers out	-	10,978	-	10,978
<b>Total charges to appropriations</b>	<u>4,755,102</u>	<u>13,778,942</u>	<u>3,166,229</u>	<u>10,612,713</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (3,002,926)</u>	<u>\$ (11,503,775)</u>	<u>\$ (1,319,919)</u>	<u>\$ 10,183,856</u>

# CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

## 1. BUDGETARY INFORMATION, Continued

*Budget Comparison Schedule, Low-Mod Income Housing Asset Special Revenue Fund*

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance - Beginning</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows):</b>				
Use of money and property	-	-	73,395	73,395
Taxes	-	-	-	-
Miscellaneous	-	-	86,789	86,789
Transfers in	-	-	-	-
Other debt issued	-	-	-	-
<b>Amount available for appropriation</b>	<b>-</b>	<b>-</b>	<b>160,184</b>	<b>160,184</b>
<b>Charges to appropriations (outflows):</b>				
AB 1484 Demand Payment	-	-	9,914,969	(9,914,969)
<b>Total charges to appropriations</b>	<b>-</b>	<b>-</b>	<b>9,914,969</b>	<b>(9,914,969)</b>
<b>EXTRAORDINARY ITEM:</b>				
Gain (loss) on Redevelopment Agency dissolution	-	-	13,188,750	13,188,750
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,433,965</b>	<b>\$ 3,433,965</b>

# CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

## 1. BUDGETARY INFORMATION, Continued

*Budget Comparison Schedule, Redevelopment Agency Special Revenue Fund*

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund Balance - Beginning</b>	\$ 2,894,458	\$ 2,894,458	\$ 2,894,458	\$ -
<b>Resources (inflows):</b>				
Taxes	800,600	800,600	376,489	(424,111)
Use of money and property	341,615	341,615	121,666	(219,949)
Miscellaneous	-	-	29,910	29,910
Transfers in	264,767	264,767	10,363,523	10,098,756
<b>Amount available for appropriation</b>	<b>4,301,440</b>	<b>4,301,440</b>	<b>13,786,046</b>	<b>9,484,606</b>
<b>Charges to appropriations (outflows):</b>				
Current:				
Housing and community development	1,305,487	1,305,487	568,040	737,447
Transfers out	-	-	29,256	(29,256)
<b>Total charges to appropriations</b>	<b>1,305,487</b>	<b>1,305,487</b>	<b>597,296</b>	<b>708,191</b>
<b>EXTRAORDINARY ITEM:</b>				
Gain (loss) on Redevelopment Agency dissolution	-	-	(13,188,750)	(13,188,750)
<b>Fund Balance - Ending</b>	<b>\$ 2,995,953</b>	<b>\$ 2,995,953</b>	<b>\$ -</b>	<b>\$ (2,995,953)</b>

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2. DEFINED PENSION PLAN

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

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	Safety Plan		(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
			(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)		
6/30/2008	\$ 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%
6/10/2010	209,481,432	259,321,750	49,840,318	80.8%	15,615,232	319.2%

  

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	Miscellaneous Plan		(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
			(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)		
6/30/2008	\$ 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

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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)
		Entry Age	Unfunded			Unfunded
	Actuarial	Actuarial	(Overfunded)	Funded	Covered	(Overfunded)
Actuarial	Asset	Accrued	Actuarial	Ratio	Payroll	Actuarial
Valuation	Value	Liability	Liability	(A/B)		Liability as
Date	(A)	(B)	(A-B)			Percentage of
						Covered Payroll
						(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%
6/30/2011	2,731,000	18,365,000	(15,634,000)	14.9%	32,730,000	47.80%

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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, 2011. 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 2012, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Rating ranged from 0 and 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

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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 fiscal years 2007, 2008, and 2009. The condition assessments for the most recent years since implementation are as follow:

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
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%
2012	82	Very Good	33%
		Good	54%
		Fair	7%
		Poor	6%

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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS,(continued)

The City expended \$1,242,913 on street improvement projects for the fiscal year ended June 30, 2012. These capital improvements 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 verses actual for the most recent years since implementation, which preserved City streets at the current 82 rating is presented below.

Fiscal Year	Final Budget	Funded by Capital Improvement Project Fund	Funded by Other Funds	Total Expenditures
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
2011-2012	8,874,102	246,152	996,761	1,242,913

As of June 30, 2012, 23% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is investing in this infrastructure assets as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

**City of Redondo Beach**  
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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS,(continued)

Project	Project #	Budget	Capital Improvement	Other Fund	Total
			Project Fund Expenditures	Expenditures	Expenditures
Bus Shelters & Benches	40120	\$ 787,427	\$ -	\$ 419,333	\$ 419,333
Pavement & Sidewalk Repairs	40140	193,432	-	-	-
Bike Paths Improvement Project	40150	-	-	-	-
Pavement Management Study	40170	197,551	-	85,168	85,168.00
Residential Street Rehabilitation	40190	757,747	3,584	50,543	54,127.00
Esplanade - Replacement of Streetlights	40200	280,261	-	279,024	279,024.00
Diamond St Resurf-Cluster to Hawthorne	40350	-	-	-	-
Esplanade Streetscape Improvements	40380	474,790	-	10,654	10,654.00
Citywide Curb Ramp Improvements	40399	34,252	-	161	161.00
Target Community Improvements	40460	6,090	-	-	-
Traffic Calming Project	40470	91,402	20,935	-	20,935.00
School Safety Zone Program	40480	-	-	1,226	1,226.00
Bicycle Trans Plan Implementation	40510	135,708	-	11,968	11,968.00
Catalina/Harbor Advd Traf Sig Mgmt	40600	286,349	105,971	29,881	135,852.00
Torrance Blvd Streetscape Improv	40630	1,078	-	-	-
Riviera Village Improvements	40640	249,991	115,662	-	115,662.00
PCH/Torrance Blvd Right Hand Turn Lane	40650	90,000	-	-	-
Inglewood Ave Resurfacing/Artesia to MBB	40660	1,399	-	159	159.00
Prospect Avenue Resurfacing/PV Blvd to Anita	40670	-	-	5	5.00
Bus Bench Replacement	40700	-	-	68	68.00
Grant/Artesia Countdown Ped Signal	40710	33,000	-	-	-
Harbor Dr. Resurfacing - Beryl to Herondo	40720	675,000	-	967	967.00
LED Streetlight Replacement Project	40730	54,924	-	55,377	55,377.00
North Redondo Beach Bikeway Lighting	40740	180,800	-	-	-
190th St Resurfacing - PCH to Prospect	40750	562,804	-	183	183.00
Artesia/Aviation EB Rt Turn Lane	40770	22,000	-	9,724	9,724.00
Artesia/Aviation NB Rt Turn Lane	40780	847,000	-	6,899	6,899.00
PV Boulevard/PCH WB Rt Turn Lane	40790	32,000	-	1,580	1,580.00
PCH Study Recommendations	40800	1,400,000	-	250	250.00
PCH/Torrance Boulevard NB Rt Turn Lane	40810	58,500	-	6,129	6,129.00
MBB/Inglewood EB Rt Turn Lane	40820	30,000	-	17,109	17,109.00
MBB Resurfacing - RB Ave to Inglewood Ave	40830	700,000	-	10,353	10,353.00
Annual Roadway Maintenance	40840	250,000	-	-	-
Prospect Resurfacing - Pearl to Emerald	40890	440,600	-	-	-
		<u>\$ 8,874,105</u>	<u>\$ 246,152</u>	<u>\$ 996,761</u>	<u>\$ 1,242,913</u>