Review of Activities

Kibel Green has performed the following tasks in connection with the engagement:

1. Benchmarked the City's departmental budgets with those of other cities
2. Analyzed the City's accounts, including historical and budgeted cash position, income and expense
3. Examined the City's historical and budgeted inter-fund transfers
4. Reviewed projected capital expenditures
5. Developed and analyzed cash flow projections
6. Met with city management and legal counsel
7. Prepared drafts of various presentation materials and analyses

Key Observations and Conclusions

The following key observations and conclusions are based on these analyses:

1. The City has approximately $8.2 million of available discretionary cash
2. The City is operating at a negative $152,000 per year when accounting for both
   a. The City's general fund balance of $1.3 million
   b. The balance reductions in discretionary budgets of $1.5 million
3. The City intends to spend $13.5 million over the next ten years, or $1.35 million annually, on capital improvements, above current budgeted levels
   a. Sewer improvements totaling $8.5 million over ten years
   b. Street improvements of $500,000 annually going forward, which for the next ten years totals $5.0 million
4. The City spends more money on public safety, on a per capita basis, as compared to other cities in the Benchmarking Study
   a. $2.4 million more annually than select comparable cities, based on a per capita review
   b. $8.9 million more annually than cities that outsource public safety, based on a per capita review
5. The City is being sued with damage claims unknown at this time, however:
   a. The Plaintiff rejected the City's previous $4.5 million cash offer
   b. Their public statements indicate that they expect damages to be in the tens of millions of dollars
6. The City is not planning to sell any real estate

Key Observations and Conclusions (cont.)

7. Core strengths in our negotiations with the Plaintiff:
    a. Legal and advisory service fees are reducing, and will continue to reduce, the available money
    b. The amount of damages that may be awarded is uncertain and the City has additional defenses that could impact the outcome
    c. Further declines in property values or commercial activity will impact the City's revenue and its ability to pay
    d. Further increases in expenses beyond the City's control, such as PERs rates and insurance rates, will impact the City's ability to pay
    e. Actions that the State of California may take to balance its significant budget shortfall could have a material impact on the City's finances
    f. The bankruptcy process provides the City additional protections
    g. A payment within the context of a judgment or bankruptcy could be several years away

Indicative Bond Example
Proceeds Given a Range of Annual Payments and Maturities
($ in millions)

		Payments as a % of FY08 General Fund Expenditures[1]					
		2.0%	3.8%	5.7%	7.6%	9.5%	11.4%
		Annual Payments					
Maturity	Rate[2]	$ 0.520	$ 1.000	$ 1.500	$ 2.000	$ 2.500	$ 3.000
5	4.14%	2.327	4.475	6.712	8.950	11.187	13.425
10	5.26%	4.004	7.700	11.550	15.399	19.249	23.099
15	5.60%	5.231	10.059	15.088	20.118	25.147	30.177
20	5.94%	6.039	11.614	17.420	23.227	29.034	34.841

		Payments as a % of FY08 GF Expenditures[1]				
		5.0%	7.4%	9.9%	12.4%	14.9%
		Annual Payments				
Maturity	Rate[2]	$ 1.299	$ 1.948	$ 2.597	$ 3.247	$ 3.896
5	4.14%	9.903	14.855	19.806	24.758	29.710
10	5.26%	10.000	15.000	20.000	25.000	30.000
15	5.60%	10.033	15.049	20.066	25.082	30.099
20	5.94%	10.049	15.074	20.099	25.124	30.148

(1) General fund expenditures for FY08 total $26.229
(2) Rates based on T + 150 bps. Treasure rates are as of October 27, 2009. Rates are for illustrative purposes only.
Note: Excludes fees and other expenses. May not reflect the demands of the market.

COMPARABLE CITY SERVICES ANALYSIS
Draft: 10/05/2008
IMPLICATIONS FOR EXPENSE REDUCTION

Per Capita Spending	GF Expenses Police	+ Fire	= Public Safety	Net of Depart. Revenue Public Safety
Hermosa Beach	$ 625	$ 266	$ 891	$ 666
City Provided Public Safety				
Mean of Group	453	248	701	611
Implied Expense Reduction Potential	172	18	190	55
Aggr. Expense Reduction Potential	3,342,927	341,265	3,684,192	1,062,101
Third Party Provided Public Safety				
Mean of Group	264	167	430	NA
Implied Expense Reduction Potential	361	99	460	NA
Aggr. Expense Reduction Potential	7,014,306	1,923,887	8,938,193	NA
Select Comparable Cities[1]				
Mean of Group	503	301		642
Implied Expense Reduction Potential	122	NONE		24
Aggr. Expense Reduction Potential	2,377,721	NONE		468,635

(1) Select Comparable Cities include Coronado, Laguna Beach, Manhattan Beach and Newport Beach.

Potential Settlement Calculation
Low Value Scenario
($ in millions)

		Year 1	2	3	4	→	10	→	20	→	30
	Funds on Hand[1]										
1	Add: Excess Contingency Fund[2]	$ 1.000									
2	Add: Excess Funds from Compensated Absences[3]	-									
3	Add: Excess Funds from Tyco Fund[4]	0.271									
4	Add: Excess Funds from Retirement Stabilization Fund[5]	-									
5	Add: Excess Funds from Equipment Replacement Fund	-									
6	Total	A $ 1.271									
	Proceeds from Asset Sales										
7	Proceeds from Sale of Storage Lot[6]	$ -									
8	Other	-									
9	Total	B $ -									
	Installment Payments or Proceeds from Bond Issuance										
10	Add: Unexpended General Fund Balances[7]	$ 0.500	$ 0.500	$ 0.500	$ 0.500		$ 0.500		$ 0.500		$ 0.500
11	Less: Unfunded Capital Improvement Expenditures in Excess of Current Levels[8]	(1.350)	(1.350)	(1.350)	(1.350)		(1.350)		(1.350)		(1.350)
12	Less: Equipment Replacement Expenditures in Excess of Charges	-	-	-	-		-		-		-
13	Add: Savings from Public Safety Departments[9]	1.062	1.062	1.062	1.062		1.062		1.062		1.062
14		-	-	-	-	→	-	→	-	→	-
15	Add: Savings from Public Works	-	-	-	-		-		-		-
16	Add: Savings from Management / Support	-	-	-	-		-		-		-
17	Add: Stream of Tyco Funds[10]	-	0.314	0.314	0.314		0.314		0.314		0.314
18	Add: Stream of Income from North Parking Lot[11]	-	-	-	-		-		-		-
19	Less: Corresponding Loss of Income from Service Changes	-	-	-	-		-		-		-
20	Subtotal of Potential Ongoing Installment Payments	$ 0.212	$ 0.526	$ 0.526	$ 0.526		$ 0.526		$ 0.526		$ 0.526
21	Add: Savings from Avoided Legal Expenses	C -	-	-	-		-		-		-
		D $ 0.212	$ 0.526	$ 0.526	$ 0.526		$ 0.526		$ 0.526		$ 0.526
22	Indicative Installment Payment Settlement Potential (A + B + D)	$ 1.483	$ 0.526	$ 0.526	$ 0.526		$ 0.526		$ 0.526		$ 0.526
23	Cummulative						$ 6.215		$ 11.473		$ 18.731
	Alternatively:										
24	Proceeds from Bond Issuance[12]	E					$ 4.100		$ 6.255		$ 7.677
25	Alternative Indicative Settlement Potential (A + B + E)						$ 5.371		$ 7.528		$ 8.948

Footnotes:

(1) Based on FY09 Estimated Ending Balances per the the FY09 budget.
(2) Reflects a portion of the balance of the Contingency Fund at FY08. The Contingency Fund would have a remaining balance of $2.634M for unforeseen expenses.
(3) Assumes that the balance of the Compensated Absences Fund reflects the associated liabilities and that no excess funds are available.
(4) Reflects the FY08 balance of the Tyco Fund less budgeted transfers during FY09. The ongoing stream of funds into the Tyco Fund will be dedicated to supporting ongoing installment payments.
(5) Assumes that the Retirement Stabilization Fund has no excess funds and that the existing balance is necessary to fund ongoing expenses.
Retirement expenses are expected to stablize. In FY09 the Stabilization Fund is expected to contribute $270,472 to the General Fund in order to subsidize retirement expenses.
(6) Assumes that the sale of the Storage Lot facility generates proceeds equal to the carrying book value. In addition, assumes that the internal funds that provided the loans forgive those obligations.
(7) Assumes that the City generates an unexpended balance of
(8) Reflects increased spending on sewers ($8.5m over 10 years, not adjusted for inflation) and streets ($0.5M), in excess of trend spending. The FY07 account balance was $2.1M. Assumes these spending levels are necessary going forward.
(9) Reflects preliminary figures. Assumes the Public Safety Departments reduce net spending (gross general fund draw less department attached revenue) to comparable per capita levels as comparad to select city-managed police departments. See the Comparable City Analysis for additional detail.
(10) Reflects the stream of funds from Tyco Fund. Removes the Tyco fund as a source of funds for CIPs or other expenses. In Year 1 the funds are dedicated to beach bathroom improvements and this figure reflects the excess.
(11) Assumes that these funds are necessary to balance the Downtown Enhancement Fund.
(12) Illustustrative case only. Based on constant payments of $0.526M, maturities of 10 years, 20 years and 30 years, a coupon rate of the cooredsponding treasury rate plus 150 bps and semi-annual payments.

Potential Settlement Calculation
Discussion Scenario
($ in millions)

			Year 1	2	3	4	→ 10	→ 20	→ 30
	Funds on Hand[1]								
1	Add: Excess Contingency Fund[2]		$ 2.000						
2	Add: Excess Funds from Compensated Absences[3]		0.273						
3	Add: Excess Funds from Tyco Fund[4]		0.271						
4	Add: Excess Funds from Retirement Stabilization Fund[5]		0.481						
5	Add: Balance of Unrestricted Funds (Excluding Insurance and Equip. Replacement)		-						
6	Total	A	$ 3.025						
	Proceeds from Asset Sales								
7	Proceeds from Sale of Storage Lot[6]		$ -						
8	Other		-						
9	Total	B	$ -						
	Installment Payments or Proceeds from Bond Issuance								
10	Add: Unexpended General Fund Balances[7]		$ 0.650	$ 0.650	$ 0.650	$ 0.650	$ 0.650	$ 0.650	$ 0.650
11	Less: Unfunded Capital Improvement Expenditures in Excess of Current Levels[8]		(1.350)	(1.350)	(1.350)	(1.350)	(1.350)	(1.350)	(1.350)
12	Less: Equipment Replacement Expenditures in Excess of Charges		-	-	-	-	-	-	-
13	Add: Savings from Police Department[9]		1.800	3.600	3.600	3.600	3.600	3.600	3.600
14	Add: Savings from Fire Department[10]		-	-	-	-	-	-	-
15	Add: Savings from Public Works		-	-	-	-	-	-	-
16	Add: Savings from Management / Support		-	-	-	-	-	-	-
17	Add: Stream of Tyco Funds[11]		-	0.314	0.314	0.314	0.314	0.314	0.314
18	Add: Stream of Income from North Parking Lot[12]		0.135	0.135	0.135	0.135	0.135	0.135	0.135
19	Less: Corresponding Loss of Income from Service Changes		-	-	-	-	-	-	-
20	Subtotal of Potential Ongoing Installment Payments		$ 1.235	$ 3.349	$ 3.349	$ 3.349	$ 3.349	$ 3.349	$ 3.349
21	Add: Savings from Avoided Legal Expenses	C	0.500	0.500	0.500	-	-	-	-
		D	$ 1.735	$ 3.849	$ 3.849	$ 3.349	$ 3.349	$ 3.349	$ 3.349
22	Indicative Installment Payment Settlement Potential (A + B + D)		$ 4.760	$ 3.849	$ 3.849	$ 3.349	$ 3.349	$ 3.349	$ 3.349
23	Cummulative						$ 35.903	$ 69.394	$ 102.886
	Alternatively:								
24	Proceeds from Bond Issuance[13]	E					$ 26.104	$ 39.824	$ 48.879
25	Alternative Indicative Settlement Potential (A + B + E)						$ 29.129	$ 42.849	$ 51.904

if 2.3M (comparable cities)
the 19,000 27,000

Footnotes:

(1) Based on FY09 Estimated Ending Balances per the the FY09 budget.
(2) Reflects a portion of the balance of the Contingency Fund at FY08. The Contingency Fund would have a remaining balance of $1.634M for unforeseen expenses.
(3) Reflects the entire balance of the Compensated Absences Fund and leaves no reserve going forward and no identifiable means by which to replenish the fund.
(4) Reflects the FY08 balance of the Tyco Fund less budgeted transfers during FY09. The ongoing stream of funds into the Tyco Fund will be dedicated to supporting ongoing installment payments.
(5) Assumes that the Retirement Stabilization Fund has no excess funds and that the existing balance is necessary to fund ongoing expenses.
Retirement expenses are expected to stablize. In FY09 the Stabilization Fund is expected to contribute $270,472 to the General Fund in order to subsidize retirement expenses.
(6) Assumes that the sale of the Storage Lot facility generates proceeds equal to the carrying book value. In addition, assumes that the internal funds that provided the loans forgive those obligations.
(7) Assumes that the City generates an unexpended balance of $650K, which is 50% of the historical average. Any incremental unexpended balances in excess of this commitment would replenish those funds drawn down in the Cash on Hand portion of the analysis.
(8) Reflects increased spending on sewers ($8.5m over 10 years, not adjusted for inflation) and streets ($0.5M), in excess of trend spending. The FY07 account balance was $2.1M. Assumes this level of spending will be necessary going forward.
(9) Reflects preliminary figures. Assumes the Police Department reduces spending to comparable per capita levels as compared to select city-managed police departments.
See the Comparable City Analysis for additional detail.
(10) Assumes that the Fire Department is operating effaciently, based on the Comparable City Analysis. The City's per capita spending for fire services is in line with other cities that provide those services in-house.
See the Comparable City Analysis for additional detail.
(11) Reflects the stream of funds from Tyco Fund. Removes the Tyco fund as a source of funds for CIPs or other expenses. In Year 1 the funds are dedicated to beach bathroom improvements and this figure reflects the excess.
(12) Reflects the City's portion of the income from the North Parking lot. These funds previously flowed into the Downtown Enhancement Fund but would no longer replenish that Enterprise fund.
(13) Illustustrative case only. Based on constant payments of $3.35M, maturities of 10 years, 20 years and 30 years, a coupon rate of the cooredsponding treasury rate plus 150 bps and semi-annual payments.

Potential Settlement Calculation
High Value Scenario
($ in millions)

			Year 1	2	3	4	→	10	→	20	→	30
	Funds on Hand[1]											
1	Add: Excess Contingency Fund[2]		$ 3.738									
2	Add: Excess Funds from Compensated Absences[3]		0.273									
3	Add: Excess Funds from Tyco Fund[4]		0.271									
4	Add: Excess Funds from Retirement Stabilization Fund[5]		0.536									
5	Add: Balance of Unrestricted Funds (Excluding Insurance and Equip. Replacement)		0.032									
6	Total	A	$ 4.849									
	Proceeds from Asset Sales											
7	Proceeds from Sale of Storage Lot[6]		$ 4.132									
8	Other		-									
9	Total	B	$ 4.132									
	Installment Payments or Proceeds from Bond Issuance											
10	Add: Unexpended General Fund Balances[7]		$ 1.730	$ 1.730	$ 1.730	$ 1.730		$ 1.730		$ 1.730		$ 1.730
11	Less: Unfunded Capital Improvement Expenditures in Excess of Current Levels[8]		(1.350)	(1.350)	(1.350)	(1.350)		(1.350)		(1.350)		(1.350)
12	Less: Equipment Replacement Expenditures in Excess of Charges		-	-	-	-		-		-		-
13	Add: Savings from Police Department[9]		7.000	7.000	7.000	7.000		7.000		7.000		7.000
14	Add: Savings from Fire Department[10]		1.900	1.900	1.900	1.900	→	1.900	→	1.900	→	1.900
15	Add: Savings from Public Works		-	-	-	-		-		-		-
16	Add: Savings from Management / Support		-	-	-	-		-		-		-
17	Add: Stream of Tyco Funds[11]		-	0.314	0.314	0.314		0.314		0.314		0.314
18	Add: Stream of Income from North Parking Lot[12]		0.135	0.135	0.135	0.135		0.135		0.135		0.135
19	Less: Corresponding Loss of Income from Service Changes		-	-	-	-		-		-		-
20	Subtotal of Potential Ongoing Installment Payments		$ 9.415	$ 9.729	$ 9.729	$ 9.729		$ 9.729		$ 9.729		$ 9.729
21	Add: Savings from Avoided Legal Expenses (Non-Ongoing)	C	0.500	0.500	0.500	-		-		-		-
22	Subtotal of Potential Installment Payments	D	$ 9.915	$ 10.229	$ 10.229	$ 9.729		$ 9.729		$ 9.729		$ 9.729
23	Indicative Installment Payment Settlement Potential (A + B + D)		$ 18.896	$ 10.229	$ 10.229	$ 9.729		$ 9.729		$ 9.729		$ 9.729
24	Cummulative							$ 107.469		$ 204.760		$ 302.042
	Alternatively:											
25	Proceeds from Bond Issuance[13]	E						$ 75.833		$ 115.692		$ 141.997
26	Alternative Indicative Settlement Potential (A + B + E)							$ 84.814		$ 124.673		$ 150.978

Footnotes:

(1) Based on FY09 Estimated Ending Balances per the the FY09 budget.
(2) Reflects the available balance of the Contingency Fund at FYE09 adjusted to exclude the Storage Lot Loan receivable ($303,804) and the advance to the utility districts ($65,520). This would leave the City with no contingency funds. Any repayment of the loan receivable from sale proceeds will be included as part of the asset disposition. With surpluses of the General Fund going towards funding some structured payment, the City will not replenish the Contingency Fund.
(3) Reflects the entire balance of the Compensated Absences Fund and leaves no reserve going forward and no identifiable means by which to replenish the fund.
(4) Reflects the FYE09 balance of the Tyco Fund less budgeted transfers during FY09. The ongoing stream of funds into the Tyco Fund will be dedicated to supporting ongoing installment payments.
(5) Reflects the entire balance of the Retirement Stabilization Fund and leaves no reserve to support future expenses. During FY09, the fund is projected to provide $270,472 in a transfer to the General Fund.
(6) Assumes the sale of the Storage Lot facility with proceeds equaling the carrying value.. The internal funds that provided the loans forgive those obligations.
(7) Assumes that the surplus levels observed in FY07 continue for the foreseeable future. The average surplus for the past 10 years has been $1.7M.
(8) Reflects increased spending on sewers ($8.5m over 10 years, not adjusted for inflation) and streets ($0.5M), in excess of trend spending. The FY07 account balance was $2.1M. Assumes this level of spending will be necessary going forward.
(9) Reflects preliminary figures. Assumes the City can outsource its fire services to the LA Sheriff's Department. Based on the mean of the per capita spending levels of coastal cities that outsource police services ($264K). See the Comparable City Analysis for additional detail.
(10) Reflects preliminary figures. Assumes the City can outsource its fire services to the LA County Fire Department. Based on the mean of the per capita spending levels of coastal cities that outsource fire services ($187K). See the Comparable City Analysis for additional detail.
(11) Reflects the stream of funds from Tyco Fund. Removes the Tyco fund as a source of funds for CIPs or other expenses. In Year 1 the fund balance is included in the Cash on Hand calculation and the ongoing stream is included here.
(12) Reflects the City's portion of the income from the North Parking lot. These funds previously flowed into the Downtown Enhancement Fund but would no longer replenish that Enterprise fund.
(13) Illustustrative case only. Based on constant payments of $9.729M, maturities of 10 years, 20 years and 30 years, a coupon rate of the cooredsponding treasury rate plus 150 bps and semi-annual payments.

COMPARABLE CITY SERVICES ANALYSIS
Draft: 10/05/2008
GROSS GENERAL FUND DRAW

		Population	Provider		Police		Fire		Finance		City Management		Community Services / Recreation / Parks	
	City Name	2007 Est.	Police	Fire	Budget	$ Per Capita	Budget	$ Per Capita	Budget	$ Per Capita	Budget	$ Per Capita	Budget	$ Per Capita
	Hermosa Beach	**19,414**	**City**	**City**	**12,133,264**	**625**	**5,158,087**	**266**	**1,329,720**	**68**	**1,295,939**	**67**	**1,211,733**	**62**
	Percentile	**32%**			**62%**	**96%**	**32%**	**78%**	**52%**	**88%**	**14%**	**47%**	**22%**	**19%**
1	Pismo Beach	8,514	City	3rd Party	4,559,112	535	1,970,824	231	664,978	78	1,041,318	122	331,327	39
2	Morro Bay	10,272	City	City	3,040,070	296	1,664,640	162	553,347	54	1,226,278	119	1,472,344	143
3	Solana Beach	12,782	3rd Party	City	3,291,260	257	3,394,529	266	709,013	55	1,480,091	116	618,383	48
4	Malibu	13,041	3rd Party	3rd Party	5,625,036	431	NA	NA	792,734	61	2,311,460	177	1,956,362	150
5	Pacific Grove	14,671	City	City	4,718,643	322	2,958,448	202	846,146	58	1,445,085	98	959,631	65
6	**Coronado**	22,845	City	City	9,410,564	412	5,685,018	249	1,108,028	49	2,837,109	124	3,850,916	169
7	**Laguna Beach**	24,007	City	City	11,950,434	498	9,001,661	375	926,090	39	1,760,966	73	4,103,884	171
8	Seal Beach	24,144	City	3rd Party	7,815,665	324	4,004,641	166	810,100	34	1,483,970	61	924,510	38
9	Imperial Beach	26,411	3rd Party	City	6,392,849	242	1,989,400	75	596,675	23	890,545	34	269,435	10
10	Monterey	28,478	City	City	12,488,370	439	8,614,621	303	1,673,678	59	2,088,746	73	7,475,527	263
11	Dana Point	35,678	3rd Party	3rd Party	9,542,528	267	NA	NA	975,484	27	1,897,696	53	4,495,034	126
12	**Manhattan Beach**	36,536	City	City	18,983,234	520	8,930,876	244	2,675,923	73	2,107,485	58	5,342,636	146
13	Pacifica	37,282	City	Hybrid	8,376,950	225	6,079,866	163	1,007,978	27	1,307,275	35	3,496,858	94
14	Santa Cruz	55,322	City	City	22,873,449	413	12,346,851	223	2,295,356	41	2,974,888	54	12,759,858	231
15	Encinitas	59,978	3rd Party	City	11,875,602	198	10,234,859	171	1,598,581	27	1,881,224	31	4,322,740	72
16	San Clemente	61,229	3rd Party	3rd Party	11,370,250	186	6,271,570	102	1,873,760	31	3,933,370	64	9,000,380	147
17	Redondo Beach	67,019	City	City	27,274,426	407	13,154,084	196	1,685,572	25	5,715,355	85	5,539,962	83
18	**Newport Beach**	79,554	City	City	46,197,404	581	26,688,834	335	4,899,335	62	4,219,101	53	6,365,096	80
19	Santa Barbara	86,204	City	City	32,206,702	374	18,886,214	219	5,017,295	58	6,073,012	70	14,805,450	172
20	Santa Monica	87,212	City	City	63,669,172	730	23,667,505	271	8,929,254	102	15,987,063	183	25,074,725	288
21	Carlsbad	95,439	City	City	25,864,578	271	17,181,178	180	4,103,583	43	4,711,287	49	7,601,742	80
	OVERALL													
	High	95,439			63,669,172	730	26,688,834	375	8,929,254	102	15,987,063	183	25,074,725	288
	Median	32,078			11,622,926	390	7,443,096	221	1,218,874	51	1,993,221	69	4,213,312	110
	Mean	41,183			16,348,162	389	9,394,085	220	2,048,756	50	3,121,330	82	5,544,479	122
	Low	8,514			3,040,070	186	1,664,640	75	553,347	23	890,545	31	269,435	10
	CITY PROVIDED PUBLIC SAFETY SERVICES													
	High				63,669,172	730	26,688,834	375	8,929,254	102	15,987,063	183	25,074,725	288
	Median				18,983,234	413	9,001,661	244	1,685,572	58	2,837,109	73	5,539,962	146
	Mean				22,370,024	453	11,841,232	248	2,772,564	56	4,034,024	85	7,427,962	150
	Low				3,040,070	271	1,664,640	162	553,347	25	1,226,278	49	959,631	62
	OUTSOURCED PUBLIC SAFETY SERVICES													
	High				11,875,602	431	6,271,570	231	8,929,254	102	15,987,063	183	25,074,725	288
	Median				7,967,689	250	4,004,641	166	1,873,760	51	2,107,485	64	5,342,636	122
	Mean				8,016,254	264	4,082,345	167	3,097,975	56	4,865,242	87	8,195,467	135
	Low				3,291,260	186	1,970,824	102	709,013	27	1,307,275	35	618,383	38
	SELECT COMPARABLE CITIES (BOLDED)													
	High	79,554			46,197,404	581	26,688,834	375	4,899,335	73	4,219,101	124	6,365,096	171
	Median	30,272			15,466,834	509	8,966,269	292	1,891,976	55	2,472,297	66	4,723,260	157
	Mean	40,736			21,635,409	503	12,576,597	301	2,402,344	55	2,731,165	77	4,915,633	141
	Low	22,845			9,410,564	412	5,685,018	244	926,090	39	1,760,966	53	3,850,916	80
	High Visitation / Non-Beach													
22	Pasadena	143,400	City	City	55,929,381	390	38,192,433	266	9,850,182	69	12,406,449	87	9,220,276	64
23	West Hollywood	36,102	3rd Party	3rd Party	16,692,129	462	-	-	4,319,280	120	5,684,267	157	7,761,821	215
24	Palm Springs	47,906	City	City	21,902,054	457	10,696,232	223	2,700,302	56	3,539,280	74	2,992,066	62

Note: Reflects a normalized allocation of expenses, particularly with regards to Internal Service Funds (insurance, vehicle replacement, workers compensation, information technology, etc.)

COMPARABLE CITY SERVICES ANALYSIS
Draft: 10/05/2008
GROSS GENERAL FUND DRAW

	Population	Community Development		Other		Public Works		City Library		Marine Services	
City Name	2007 Est.	Budget	$ Per Capita	Budget	$ Per Capita	Budget	$ Per Capita	Budget	$ Per Capita	Budget	$ Per Capit
Hermosa Beach	19,414	1,516,345	78	595,479	31	2,988,467	154	-	-	-	-
Percentile	32%	36%	26%	24%	49%	38%	46%	0%	0%	0%	0%
1 Pismo Beach	8,514	1,252,617	147	2,054,405	241	2,585,229	304	-	-	118,359	14
2 Morro Bay	10,272	-	NA	467,638	46	1,628,650	159	-	-	-	-
3 Solana Beach	12,782	1,171,002	92	315,768	25	1,788,255	140	-	-	950,900	74
4 Malibu	13,041	4,715,503	362	1,974,260	151	2,145,439	165	-	-	-	-
5 Pacific Grove	14,671	1,077,989	73	-	-	2,090,280	142	1,236,331	84	-	-
6 **Coronado**	22,845	1,341,784	59	270,889	12	4,947,205	217	2,392,468	105	865,089	38
7 **Laguna Beach**	24,007	3,536,991	147	758,670	32	9,531,563	397	-	-	2,259,688	94
8 Seal Beach	24,144	929,670	39	660,600	27	3,165,720	131	-	-	672,041	28
9 Imperial Beach	26,411	678,661	26	237,238	9	2,785,673	105	-	-	1,246,624	47
10 Monterey	28,478	2,419,483	85	6,127,182	215	11,119,038	390	3,214,338	113	-	-
11 Dana Point	35,678	3,159,907	89	1,015,754	28	7,163,121	201	-	-	-	-
12 **Manhattan Beach**	36,536	3,271,062	90	772,266	21	6,501,611	178	-	-	-	-
13 Pacifica	37,282	1,041,662	28	2,095,021	56	1,537,369	41	-	-	-	-
14 Santa Cruz	55,322	5,405,280	98	3,255,447	59	6,474,561	117	10,291,340	186	-	-
15 Encinitas	59,978	8,540,927	142	3,782,358	63	2,593,025	43	30,686	1	793,289	13
16 San Clemente	61,229	4,801,090	78	635,780	10	9,339,730	153	-	-	1,405,990	23
17 Redondo Beach	67,019	5,361,748	80	1,352,218	20	3,596,913	54	3,810,961	57	-	-
18 **Newport Beach**	79,554	7,408,542	93	1,869,071	23	29,570,066	372	5,910,606	74	3,892,846	49
19 Santa Barbara	86,204	11,060,730	128	3,995,453	46	6,771,958	79	4,561,679	53	-	-
20 Santa Monica	87,212	20,406,692	234	12,189,303	140	35,257,061	404	10,592,443	121	-	-
21 Carlsbad	95,439	8,484,635	89	13,551,149	142	23,121,333	242	9,636,275	101	-	-
OVERALL											
High	95,439	20,406,692	362	13,551,149	241	35,257,061	404	10,592,443	186	3,892,846	94
Median	32,078	3,215,484	89	1,183,986	31	4,272,059	156	-	-	-	-
Mean	41,183	4,435,560	107	2,635,270	64	8,031,921	190	2,348,960	41	554,765	17
Low	8,514	-	26	-	-	1,537,369	41	-	-	-	-
CITY PROVIDED PUBLIC SAFETY SERV											
High		20,406,692	234	13,551,149	215	35,257,061	404	10,592,443	186	3,892,846	94
Median		3,536,991	89	1,352,218	32	6,501,611	178	3,214,338	74	-	-
Mean		5,483,945	105	3,477,290	61	11,046,054	223	3,972,803	69	539,817	14
Low		-	59	-	-	1,628,650	54	-	-	-	-
OUTSOURCED PUBLIC SAFETY SERVI											
High		20,406,692	362	13,551,149	241	35,257,061	404	10,592,443	186	3,892,846	94
Median		3,271,062	90	1,183,986	28	7,163,121	178	-	-	554,765	17
Mean		6,386,124	118	3,356,724	61	12,898,543	215	2,676,768	38	1,033,581	26
Low		929,670	28	315,768	10	1,537,369	41	-	-	-	-
SELECT COMPARABLE CITIES (BOLDE											
High	79,554	7,408,542	147	1,869,071	32	29,570,066	397	5,910,606	105	3,892,846	94
Median	30,272	3,404,027	91	765,468	22	8,016,587	294	1,196,234	37	1,562,388	43
Mean	40,736	3,889,595	97	917,724	22	12,637,611	291	2,075,768	45	1,754,406	45
Low	22,845	1,341,784	59	270,889	12	4,947,205	178	-	-	-	-
High Visitation / Non-Beach											
22 Pasadena	143,400	9,827,292	69	41,952,008	293	25,787,587	180	9,172,812	64	-	-
23 West Hollywood	36,102	7,211,731	200	2,258,617	63	6,745,420	187	-	-	-	-
24 Palm Springs	47,906	1,929,774	40	541,819	11	10,411,767	217	2,738,427	57	-	-

Note: Reflects a normalized allocation of expen

COMPARABLE CITY SERVICES ANALYSIS
Draft: 10/05/2008
NET GENERAL FUND DRAW

		Population	Provider		Police		Fire		Public Safety	Public Safety		Public Safety	
	City Name	2007 Est.	Police	Fire	Adj. Gross	$ Per Capita	Adj. Gross	$ Per Capita	$ per Capita	Revenue	Net GF Draw	$ Per Capita	% Reduction
	Hermosa Beach	**19,414**	**City**	**City**	**12,133,264**	**625**	**5,158,087**	**266**	**891**	**4,367,331**	**12,924,020**	**666**	**25.3%**
	Percentile	**32%**			**62%**	**96%**	**32%**	**78%**					
1	Pismo Beach	8,514	City	3rd Party	4,559,112	535	1,970,824	231	767				
2	Morro Bay	10,272	City	City	3,040,070	296	1,664,640	162	458				
3	Solana Beach	12,782	3rd Party	City	3,291,260	257	3,394,529	266	523				
4	Malibu	13,041	3rd Party	3rd Party	5,625,036	431	NA	NA	NA				
5	Pacific Grove	14,671	City	City	4,718,643	322	2,956,448	202	523				
6	**Coronado**	22,845	City	City	9,410,564	412	5,685,018	249	661	2,000,000	13,095,582	**573**	13.2%
7	**Laguna Beach**	24,007	City	City	11,950,434	498	9,001,661	375	873				
8	Seal Beach	24,144	City	3rd Party	7,815,665	324	4,004,641	166	490	1,565,476	10,254,830	**425**	13.2%
9	Imperial Beach	26,411	3rd Party	City	6,392,849	242	1,989,400	75	317				
10	Monterey	28,478	City	City	12,488,370	439	8,614,621	303	741	1,406,079	19,696,912	**692**	6.7%
11	Dana Point	35,678	3rd Party	3rd Party	9,542,528	267	NA	NA	NA				
12	**Manhattan Beach**	36,536	City	City	18,983,234	520	8,930,878	244	764	4,150,954	23,763,156	**650**	14.9%
13	Pacifica	37,282	City	Hybrid	8,376,950	225	6,079,866	163	388				
14	Santa Cruz	55,322	City	City	22,873,449	413	12,346,851	223	637	2,752,194	32,468,106	**587**	7.8%
15	Encinitas	59,978	3rd Party	City	11,875,602	198	10,234,859	171	369				
16	San Clemente	61,229	3rd Party	3rd Party	11,370,250	186	6,271,570	102	288				
17	Redondo Beach	67,019	City	City	27,274,426	407	13,154,084	196	603				
18	**Newport Beach**	79,554	City	City	46,197,404	581	26,688,834	335	916	17,114,000	55,772,238	**701**	23.5%
19	Santa Barbara	86,204	City	City	32,206,702	374	18,886,214	219	593	11,202,798	39,890,118	**463**	21.9%
20	Santa Monica	87,212	City	City	63,669,172	730	23,667,505	271	1,001				
21	Carlsbad	95,439	City	City	25,864,578	271	17,181,178	180	451				
	OVERALL												
	High	95,439			63,669,172	730	26,688,834	375	1,001			701	25.3%
	Median	32,078			11,622,926	390	7,443,096	221	598			619	14.1%
	Mean	41,183			16,348,162	389	9,394,085	220	613			595	15.8%
	Low	8,514			3,040,070	186	1,664,640	75	288			425	6.7%
	CITY PROVIDED PUBLIC SAFETY SERVICES												
	High				63,669,172	730	26,688,834	375	1,001			701	23.5%
	Median				18,983,234	413	9,001,661	244	661			619	14.1%
	Mean				22,370,024	453	11,841,232	248	701			611	14.7%
	Low				3,040,070	271	1,664,640	162	451			463	6.7%
	SELECT COMPARABLE CITIES (BOLDED)												
	High	79,554			46,197,404	581	26,688,834	375	916			701	23.5%
	Median	30,272			15,466,834	509	8,966,269	292	818			650	14.9%
	Mean	40,736			21,635,409	503	12,576,597	301	803			642	17.2%
	Low	22,845			9,410,564	412	5,685,018	244	661			573	13.2%

Note: Reflects a normalized allocation of expenses, particularly with regards to Internal Service Funds (insurance, vehicle replacement, workers compensation, information technology, etc.)
Note: Public Safety revenues drawn from FY2007 CAFRs for the listed cities.

COMPARABLE CITY SERVICES ANALYSIS
Draft: 10/05/2008
GROSS GENERAL FUND DRAW
Excludes Revenues from Activities

City Name	Size of General Fund Draw	Population 2007 Est.	General Fund / Population	Provider Police	Provider Fire	Total Public Safety Budget	Police Budget	Fire Budget	Finance Budget	City Management Budget
Hermosa Beach	$ 26,229,034	19,414	$ 1,351	City	City	65.9%	46.3%	19.7%	5.1%	4.9%
Percentile										
1 Pismo Beach	14,578,169	8,514	1,712	City	3rd Party	44.3%	31.3%	13.5%	4.6%	7.1%
2 Morro Bay	10,052,966	10,272	979	City	City	46.3%	30.2%	16.6%	5.5%	12.2%
3 Solana Beach	13,719,200	12,782	1,073	3rd Party	City	48.7%	24.0%	24.7%	5.2%	10.8%
4 Malibu	19,520,795	13,041	1,497	3rd Party	3rd Party	NA	28.8%	NA	4.1%	11.6%
5 Pacific Grove	15,330,553	14,671	1,045	City	City	50.1%	30.8%	19.3%	5.5%	9.4%
6 Coronado	32,709,069	22,845	1,432	City	City	46.2%	28.8%	17.4%	3.4%	8.7%
7 Laguna Beach	43,829,950	24,007	1,826	City	City	47.3%	27.3%	20.5%	2.1%	4.0%
8 Seal Beach	20,466,917	24,144	848	City	3rd Party	57.3%	38.2%	19.6%	4.0%	7.3%
9 Imperial Beach	15,087,100	26,411	571	3rd Party	City	55.5%	42.4%	13.2%	4.0%	5.9%
10 Monterey	55,220,983	28,478	1,939	City	City	38.2%	22.6%	15.6%	3.0%	3.8%
11 Dana Point	28,249,524	35,678	792	3rd Party	3rd Party	NA	33.8%	NA	3.5%	6.7%
12 Manhattan Beach	48,585,093	36,536	1,330	City	City	57.5%	39.1%	18.4%	5.5%	4.3%
13 Pacifica	24,942,979	37,282	669	City	Hybrid	58.0%	33.6%	24.4%	4.0%	5.2%
14 Santa Cruz	78,677,029	55,322	1,422	City	City	44.3%	29.1%	15.7%	2.9%	3.8%
15 Encinitas	45,653,290	59,978	761	3rd Party	City	48.4%	26.0%	22.4%	3.5%	4.1%
16 San Clemente	48,631,920	61,229	794	3rd Party	3rd Party	36.3%	23.4%	12.9%	3.9%	8.1%
17 Redondo Beach	67,491,239	67,019	1,007	City	City	59.9%	40.4%	19.5%	2.5%	8.5%
18 Newport Beach	137,020,902	79,554	1,722	City	City	53.2%	33.7%	19.5%	3.6%	3.1%
19 Santa Barbara	103,378,493	86,204	1,199	City	City	49.4%	31.2%	18.3%	4.9%	5.9%
20 Santa Monica	215,773,217	87,212	2,474	City	City	40.5%	29.5%	11.0%	4.1%	7.4%
21 Carlsbad	114,255,760	95,439	1,197	City	City	37.7%	22.6%	15.0%	3.6%	4.1%
OVERALL										
High	215,773,217	95,439	2,474			65.9%	46.3%	24.7%	5.5%	12.2%
Median	38,269,510	32,078	1,198			48.6%	30.5%	18.3%	4.0%	6.3%
Mean	53,609,281	41,183	1,256			49.4%	31.5%	17.9%	4.0%	6.7%
Low	10,052,966	8,514	571			36.3%	22.6%	11.0%	2.1%	3.1%
CITY PROVIDED PUBLIC SAFETY SERVICES										
High		95,439	2,474			65.9%	46.3%	20.5%	5.5%	9.4%
Median		45,929	1,387			48.6%	30.1%	18.3%	3.6%	4.6%
Mean		51,392	1,495			49.3%	31.8%	17.5%	3.9%	5.7%
Low		14,671	1,007			37.7%	22.6%	11.0%	2.1%	3.1%
High Visitation / Non-Beach										
22 Pasadena	212,338,420	143,400	1,481	City	City	44.3%	26.3%	18.0%	4.6%	5.8%
23 West Hollywood	50,673,264	36,102	1,404	3rd Party	3rd Party	32.9%	32.9%	0.0%	8.5%	11.2%
24 Palm Springs	57,451,720	47,906	1,199	City	City	56.7%	38.1%	18.6%	4.7%	6.2%

COMPARABLE CITY SERVICES ANALYSIS
Draft: 10/05/2008
GROSS GENERAL FUND DRAW
Excludes Revenues from Activities

City Name	Size of General Fund Draw	Population 2007 Est.	General Fund / Population	Parks / Recreation / Community Services Budget	Community Development Budget	Other Budget	Public Works Budget	City Library Budget	Marine Services Budget
Hermosa Beach	$ 26,229,034	19,414	$ 1,351	4.6%	5.8%	2.3%	11.4%	0.0%	0.0%
Percentile									
1 Pismo Beach	14,578,169	8,514	1,712	2.3%	8.6%	14.1%	17.7%	0.0%	0.8%
2 Morro Bay	10,052,966	10,272	979	14.6%	0.0%	4.7%	16.2%	0.0%	0.0%
3 Solana Beach	13,719,200	12,782	1,073	4.5%	8.5%	2.3%	13.0%	0.0%	6.9%
4 Malibu	19,520,795	13,041	1,497	10.0%	24.2%	10.1%	11.0%	0.0%	0.0%
5 Pacific Grove	15,330,553	14,671	1,045	6.3%	7.0%	0.0%	13.6%	8.1%	0.0%
6 Coronado	32,709,069	22,845	1,432	11.8%	4.1%	0.8%	15.1%	7.3%	2.6%
7 Laguna Beach	43,829,950	24,007	1,826	9.4%	8.1%	1.7%	21.7%	0.0%	5.2%
8 Seal Beach	20,466,917	24,144	848	4.5%	4.5%	3.2%	15.5%	0.0%	3.3%
9 Imperial Beach	15,087,100	26,411	571	1.8%	4.5%	1.6%	18.5%	0.0%	8.3%
10 Monterey	55,220,983	28,478	1,939	13.5%	4.4%	11.1%	20.1%	5.8%	0.0%
11 Dana Point	28,249,524	35,678	792	15.9%	11.2%	3.6%	25.4%	0.0%	0.0%
12 Manhattan Beach	48,585,093	36,536	1,330	11.0%	6.7%	1.6%	13.4%	0.0%	0.0%
13 Pacifica	24,942,979	37,282	669	14.0%	4.2%	8.4%	6.2%	0.0%	0.0%
14 Santa Cruz	78,677,029	55,322	1,422	16.2%	6.9%	4.1%	8.2%	13.1%	0.0%
15 Encinitas	45,653,290	59,978	761	9.5%	18.7%	8.3%	5.7%	0.1%	1.7%
16 San Clemente	48,631,920	61,229	794	18.5%	9.9%	1.3%	19.2%	0.0%	2.9%
17 Redondo Beach	67,491,239	67,019	1,007	8.2%	7.9%	2.0%	5.3%	5.6%	0.0%
18 Newport Beach	137,020,902	79,554	1,722	4.6%	5.4%	1.4%	21.6%	4.3%	2.8%
19 Santa Barbara	103,378,493	86,204	1,199	14.3%	10.7%	3.9%	6.6%	4.4%	0.0%
20 Santa Monica	215,773,217	87,212	2,474	11.6%	9.5%	5.6%	16.3%	4.9%	0.0%
21 Carlsbad	114,255,760	95,439	1,197	6.7%	7.4%	11.9%	20.2%	8.4%	0.0%
OVERALL									
High	215,773,217	95,439	2,474	18.5%	24.2%	14.1%	25.4%	13.1%	8.3%
Median	38,269,510	32,078	1,198	9.7%	7.2%	3.4%	15.3%	0.0%	0.0%
Mean	53,609,281	41,183	1,256	9.7%	8.1%	4.7%	14.6%	2.8%	1.6%
Low	10,052,966	8,514	571	1.8%	0.0%	0.0%	5.3%	0.0%	0.0%
CITY PROVIDED PUBLIC SAFETY SERVICES									
High		95,439	2,474	16.2%	10.7%	11.9%	21.7%	13.1%	5.2%
Median		45,929	1,387	10.2%	7.0%	2.1%	14.4%	5.3%	0.0%
Mean		51,392	1,495	9.9%	7.0%	3.9%	14.5%	5.2%	0.9%
Low		14,671	1,007	4.6%	4.1%	0.0%	5.3%	0.0%	0.0%
High Visitation / Non-Beach									
22 Pasadena	212,338,420	143,400	1,481	4.3%	4.6%	19.8%	12.1%	4.3%	0.0%
23 West Hollywood	50,673,264	36,102	1,404	15.3%	14.2%	4.5%	13.3%	0.0%	0.0%
24 Palm Springs	57,451,720	47,906	1,199	5.2%	3.4%	0.9%	18.1%	4.8%	0.0%

COMPARABLE CITY SERVICES ANALYSIS
Draft: 10/05/2008
SUMMARY AND IMPLICATIONS FOR EXPENSE REDUCTION

Per Capita Spending	GF Expenses Police	+	Fire	=	Public Safety	Net of Depart. Revenue Public Safety
Hermosa Beach	625		266		891	666
City Provided Public Safety						
Mean of Group	453		248		701	611
Implied Expense Reduction Potential	172		18		190	55
Aggr. Expense Reduction Potential	3,342,927		341,265		3,684,192	1,062,101
Third Party Provided Public Safety						
Mean of Group	264		167		430	NA
Implied Expense Reduction Potential	361		99		460	NA
Aggr. Expense Reduction Potential	7,014,306		1,923,887		8,938,193	NA
Select Comparable Cities[1]						
Mean of Group	503		301		NA	642
Implied Expense Reduction Potential	122		NA		NA	24
Aggr. Expense Reduction Potential	2,377,721		NA		NA	468,635

(1) Select Comparable Cities include Coronado, Laguna Beach, Manhattan Beach and Newport Beach.

Fund Summary
Reflects End of Period Figures for FY 2009

Acct. #	Fund Name	FYE09 Balance Unrestricted	FYE09 Balance Restricted	Revenue	Estimated Appropriations	Delta	Comment
1	General Fund	-		27,812,928	27,733,193	79,735	<< Prior to designations and reserves the General Fund balance was $379K
105	Light / Landscaping	-		461,759	559,128	(97,369)	<< Operating expenses currently draw the balance to zero
109	Downtown Enhancement Fund	30,124		1,089,304	1,088,914	390	<< Operating at break-even; carrying a loan ($1.6M) from other funds for the purchase of the storage facility; fixed assets represent $10.2M of the estimated fund balance of $8.6M.
115	State Gas Tax		12,592	567,780	244,377	323,403	<<Transfers out to street maintenance reduce the balance; restricted to spending on streets, the strand walkway and bicycle paths.
117	AB 939		212,770	75,679	102,163	(26,484)	<< Funded with fees from solid waste collection; used to fund Source Reduction and Recycling Element and a Household waste program
119	**Compensated Absences**	272,655		-	-	-	<< Established to provision for variances in future compensated absences by city employees
121	Prop A Open Space Fund		-	361,357	340,800	20,557	<< Funds for improving parks and open spaces
122	**Tyco Fund**	270,966		313,786	213,547	100,239	<< Transfers out to capital improvement fund ($175K)
123	Tyco Wetlands Fund		18,232	17,020	194,260	(177,240)	<< Funding new beach bathrooms and improvements to existing
125	Park / Recreation Facilty Tax Fund		-	232,920	346,750	(113,830)	<<Capital improvements ($295K) represents the bulk of the expenditures
140	Community Development Block Grant Fund		5	206,575	206,575	-	<<Capital improvements ($197K) represents the bulk of the expenditures
145	Proposition A		1,046,463	368,344	183,339	185,005	<< Restricted to transportation projects
146	Proposition C		883,358	374,627	1,508,816	(1,134,189)	<< Restricted to transportation projects; bulk of expenses are CIP
150	Grants Fund		-	1,359,763	1,359,763	-	<< Houses grants provided for specific projects
152	Air Quality Improvement Fund		160,963	29,603	1,000	28,603	<< Funds distributed by South Coast Air Quality Management district; restricted to programs with promote the reduction of air pollution
153	Supplemental Law Enforcement Services Fund (COPS)		139,832	111,948	88,699	23,249	<< Restricted to supplemental law enforcement spending and must not replace funding for existing services
160	Sewer Fund	1,217		106,814	986,011	(879,197)	<< This deficit is funded primarily ($700K) from a transfer from the General Fund. Otherwise balance would be negative.
170	Asset Seizure and Forfeiture Fund		89,637	14,163	-	14,163	<< Restricted to supplemental law enforcement spending and must not replace funding for existing services
180	Fire Protection Fund	262		100,262	-	100,262	<< Surplus funded a transfer out to the General Fund to fund equipment replacement charges
198	**Retirement Stabilization Fund**	535,660		54,540	-	54,540	<< Funds used as a buffer to stabilize retirement costs over time
199	**Contingency Fund**	3,737,829		234,697	-	234,697	<< Funded a transfer of $500K to the Insurance fund which is absorbing the est. costs of litigation; reserved $65K for advances to Unility Districts; Has a receivable loan outstanding for the storage facility ($303K)
301	Capital Improvement Fund	-		115,040	1,170,425	(1,055,385)	<< Expenditures funded by BOP balance ($1.1M); reserved $200K as an advance to the Utility Districts
309	Bayview Dr. Utility Undergrounding Fund		55,849	12,378	130,686	(118,308)	<< Houses funds from bonds sold specifically for the undergrounding project
311	Beach Dr. Utility Undergrounding Fund		94,707	5,050	-	5,050	<< Houses funds from bonds sold specifically for the undergrounding project
618	Loma Dr. Assessment Fund		102,585	3,227	-	3,227	<< Accounts for all administrative expenditures associated with the Loma Undergrounding project
	SUBTOTAL	4,848,713	2,816,993	34,029,564	36,458,446		
705	Insurance Fund	275,943		2,150,866	2,592,823	(441,957)	<< Deficit funded with transfers from general fund, contingency fund and existing balance; Has a receivable loan outstanding for the storage facility ($556K)
715	Equipment Replacement Fund	1,975,090		1,451,660	2,519,242	(1,067,582)	<< Deficit funded with existing fund balance ($6.5M); Investments in fixed assets totaled $4.1M); Prior to the Storage Lot Loan ($556K) the balance is $2.5M; Acc. Depreciation of $2.4M and replacement costs of $4.3M
	Subtotal	7,099,746.0	2,816,993.0	37,632,090.0	41,570,511.0	(4,018,156.0)	
	Other Funds			59,036.0	22,061.0	36,975.0	
	Total (Memorandum Only)			37,691,126.0	41,592,572.0	(3,981,181.0)	

Source: Preliminary FY09 Budget

Potential Settlement Calculation
Low Value Scenario
($ in millions)

			Year 1	2	3	4	→	10	→	20	→	30
	Funds on Hand[1]											
1	Add: Excess Contingency Fund[2]		$ 1.000									
2	Add: Excess Funds from Compensated Absences[3]		-									
3	Add: Excess Funds from Tyco Fund[4]		0.271									
4	Add: Excess Funds from Retirement Stabilization Fund[5]		-									
5	Add: Excess Funds from Equipment Replacement Fund		-									
6	Total	A	$ 1.271									
	Proceeds from Asset Sales											
7	Proceeds from Sale of Storage Lot[8]		$ 4.132									
8	Other		-									
9	Total	B	$ 4.132									
	Installment Payments or Proceeds from Bond Issuance											
10	Add: Surplus (Deficit) of General Fund[7]		$ 0.500	$ 0.500	$ 0.500	$ 0.500		$ 0.500		$ 0.500		$ 0.500
11	Less: Unfunded Capital Improvement Expenditures in Excess of Current Levels[8]		(1.350)	(1.350)	(1.350)	(1.350)		(1.350)		(1.350)		(1.350)
12	Less: Equipment Replacement Expenditures in Excess of Charges		-	-	-	-		-		-		-
13	Add: Savings from Public Safety Departments[9]		1.062	1.062	1.062	1.062		1.062		1.062		1.062
14	Add: Savings from Fire Department[10]		-	-	-	-	→	-	→	-	→	-
15	Add: Savings from Public Works		-	-	-	-		-		-		-
16	Add: Savings from Management / Support		-	-	-	-		-		-		-
17	Add: Stream of Tyco Funds[10]		-	0.314	0.314	0.314		0.314		0.314		-
18	Add: Stream of Income from North Parking Lot[11]		-	-	-	-		-		-		-
19	Less: Corresponding Loss of Income from Service Changes		-	-	-	-		-		-		-
20	Subtotal of Potential Ongoing Installment Payments		$ 0.212	$ 0.526	$ 0.526	$ 0.526		$ 0.526		$ 0.526		$ 0.212
21	Add: Savings from Avoided Legal Expenses	C	-	-	-	-		-		-		-
		D	$ 0.212	$ 0.526	$ 0.526	$ 0.526		$ 0.526		$ 0.526		$ 0.212
22	Indicative Installment Payment Settlement Potential (A + B + D)		$ 5.615	$ 0.526	$ 0.526	$ 0.526		$ 0.526		$ 0.526		$ 0.212
23	Cummulative							$ 10.347		$ 15.605		$ 17.725
	Alternatively:											
24	Proceeds from Bond Issuance[12]	E						$ 4.048		$ 6.164		$ 7.502
25	Alternative Indicative Settlement Potential (A + B + E)							$ 9.451		$ 11.567		$ 12.905

Footnotes:

(1) Based on FY09 Estimated Ending Balances per the the FY09 budget.
(2) Reflects a portion of the balance of the Contingency Fund at FY08. The Contingency Fund would have a remaining balance of $2.634M for unforeseen expenses.
(3) Assumes that the balance of the Compensated Absences Fund reflects the associated liabilities and that no excess funds are available.
(4) Reflects the FY08 balance of the Tyco Fund less budgeted transfers during FY09. The ongoing stream of funds into the Tyco Fund will be dedicated to supporting ongoing installment payments.
(5) Assumes that the Retirement Stabilization Fund has no excess funds and that the existing balance is necessary to fund ongoing expenses.
Retirement expenses are expected to stabilze. In FY09 the Stabilization Fund is expected to contribute $270,472 to the General Fund in order to subsidize retirement expenses.
(6) Assumes that the sale of the Storage Lot facility generates proceeds equal to the carrying book value. In addition, assumes that the internal funds that provided the loans forgive those obligations.
(7) Assumes that the City commits $500K to support the payment stream from its unexpended balance.
(8) Reflects increased spending on sewers ($8.5m over 10 years, not adjusted for inflation) and streets ($0.5M), in excess of trend spending. The FY07 account balance was $2.1M. Assumes these spending levels are necessary going forward.
(9) Reflects preliminary figures. Assumes the Public Safety Departments reduce net spending (gross general fund draw less department attached revenue) to comparable per capita levels as compared to select city-managed police departments. See the Comparable City Analysis for additional detail.
(10) Reflects the stream of funds from Tyco Fund. Removes the Tyco fund as a source of funds for CIPs or other expenses. In Year 1 the funds are dedicated to beach bathroom improvements and this figure reflects the excess. The contract is set to expire in approximately 20 years.
(11) Assumes that these funds are necessary to balance the Downtown Enhancement Fund.
(12) Illustrative case only. Based on constant payments of $0.526M, maturities of 10 years, 20 years and 30 years, a coupon rate of the cooredsponding treasury rate plus 150 bps and semi-annual payments.

Potential Settlement Calculation
Discussion Scenario
($ in millions)

			Year 1	2	3	4	→	10	→	20	→	30
	Funds on Hand[1]											
1	Add: Excess Contingency Fund[2]		$ 2.000									
2	Add: Excess Funds from Compensated Absences[3]		0.273									
3	Add: Excess Funds from Tyco Fund[4]		0.271									
4	Add: Excess Funds from Retirement Stabilization Fund[5]		0.481									
5	Add: Balance of Unrestricted Funds (Excluding Insurance and Equip. Replacement)		-									
6	Total	A	$ 3.025									
	Proceeds from Asset Sales											
7	Proceeds from Sale of Storage Lot[6]		$ 4.132									
8	Other		-									
9	Total	B	$ 4.132									
	Installment Payments or Proceeds from Bond Issuance											
10	Add: Surplus (Deficit) of General Fund[7]		$ 0.650	$ 0.650	$ 0.650	$ 0.650		$ 0.650		$ 0.650		$ 0.650
11	Less: Unfunded Capital Improvement Expenditures in Excess of Current Levels[8]		(1.350)	(1.350)	(1.350)	(1.350)		(1.350)		(1.350)		(1.350)
12	Less: Equipment Replacement Expenditures in Excess of Charges		-	-	-	-		-		-		-
13	Add: Savings from Police Department[9]		1.800	3.600	3.600	3.600		3.600		3.600		3.600
14	Add: Savings from Fire Department[10]		-	-	-	-	→	-	→	-	→	-
15	Add: Savings from Public Works		-	-	-	-		-		-		-
16	Add: Savings from Management / Support		-	-	-	-		-		-		-
17	Add: Stream of Tyco Funds[11]		-	0.314	0.314	0.314		0.314		0.314		-
18	Add: Stream of Income from North Parking Lot[12]		0.135	0.135	0.135	0.135		0.135		0.135		0.135
19	Less: Corresponding Loss of Income from Service Changes		-	-	-	-		-		-		-
20	Subtotal of Potential Ongoing Installment Payments		$ 1.235	$ 3.349	$ 3.349	$ 3.349		$ 3.349		$ 3.349		$ 3.035
21	Add: Savings from Avoided Legal Expenses	C	0.500	1.000	1.000	-		-		-		-
		D	$ 1.735	$ 4.349	$ 4.349	$ 3.349		$ 3.349		$ 3.349		$ 3.035
22	Indicative Installment Payment Settlement Potential (A + B + D)		$ 8.892	$ 4.349	$ 4.349	$ 3.349		$ 3.349		$ 3.349		$ 3.035
23	Cummulative							$ 41.035		$ 74.526		$ 104.880
	Alternatively:											
24	Proceeds from Bond Issuance[13]	E						$ 25.774		$ 39.243		$ 47.766
25	Alternative Indicative Settlement Potential (A + B + E)							$ 32.931		$ 46.400		$ 54.923

Footnotes:

(1) Based on FY09 Estimated Ending Balances per the the FY09 budget.
(2) Reflects a portion of the balance of the Contingency Fund at FY08. The Contingency Fund would have a remaining balance of $1.634M for unforeseen expenses.
(3) Reflects the entire balance of the Compensated Absences Fund and leaves no reserve going forward and no identifiable means by which to replenish the fund.
(4) Reflects the FY08 balance of the Tyco Fund less budgeted transfers during FY09. The ongoing stream of funds into the Tyco Fund will be dedicated to supporting ongoing installment payments.
(5) Assumes that the Retirement Stabilization Fund has no excess funds and that the existing balance is necessary to fund ongoing expenses.
Retirement expenses are expected to stablize. In FY09 the Stabilization Fund is expected to contribute $270,472 to the General Fund in order to subsidize retirement expenses.
(6) Assumes that the sale of the Storage Lot facility generates proceeds equal to the carrying book value. In addition, assumes that the internal funds that provided the loans forgive those obligations.
(7) Assumes that the City generates an unexpended balance of $650K, which is 50% of the historical average. Any incremental unexpended balances in excess of this commitment would replenish those funds drawn down in the Cash on Hand portion of the analysis.
(8) Reflects increased spending on sewers ($8.5m over 10 years, not adjusted for inflation) and streets ($0.5M), in excess of trend spending. The FY07 account balance was $2.1M. Assumes this level of spending will be necessary going forward.
(9) Reflects preliminary figures. Assumes the Police Department reduces spending to comparable per capita levels as compared to select city-managed police departments.
See the Comparable City Analysis for additional detail.
(10) Assumes that the Fire Department is operating effeciently, based on the Comparable City Analysis. The City's per capita spending for fire services is in line with other cities that provide those services in-house.
See the Comparable City Analysis for additional detail.
(11) Reflects the stream of funds from Tyco Fund. Removes the Tyco fund as a source of funds for CIPs or other expenses. In Year 1 the funds are dedicated to beach bathroom improvements and this figure reflects the excess. The contract is set to expire in approximately 20 years.
(12) Reflects the City's portion of the Income from the North Parking lot. These funds previously flowed into the Downtown Enhancement Fund but would no longer replenish that Enterprise fund.
(13) Illustustrative case only. Based on constant payments of $3.35M, maturities of 10 years, 20 years and 30 years, a coupon rate of the cooredsponding treasury rate plus 150 bps and semi-annual payments.

Potential Settlement Calculation
High Value Scenario
($ in millions)

			Year 1	2	3	4	→	10	→	20	→	30
	Funds on Hand[1]											
1	Add: Excess Contingency Fund[2]		$ 3.738									
2	Add: Excess Funds from Compensated Absences[3]		0.273									
3	Add: Excess Funds from Tyco Fund[4]		0.271									
4	Add: Excess Funds from Retirement Stabilization Fund[5]		0.536									
5	Add: Balance of Unrestricted Funds (Excluding Insurance and Equip. Replacement)		0.032									
6	Total	A	$ 4.849									
	Proceeds from Asset Sales											
7	Proceeds from Sale of Storage Lot[6]		$ 4.132									
8	Other		-									
9	Total	B	$ 4.132									
	Installment Payments or Proceeds from Bond Issuance											
10	Add: Surplus (Deficit) of General Fund[7]		$ 1.730	$ 1.730	$ 1.730	$ 1.730		$ 1.730		$ 1.730		$ 1.730
11	Less: Unfunded Capital Improvement Expenditures in Excess of Current Levels[8]		(1.350)	(1.350)	(1.350)	(1.350)		(1.350)		(1.350)		(1.350)
12	Less: Equipment Replacement Expenditures in Excess of Charges		-	-	-	-		-		-		-
13	Add: Savings from Police Department[9]		7.000	7.000	7.000	7.000		7.000		7.000		7.000
14	Add: Savings from Fire Department[10]		1.900	1.900	1.900	1.900	→	1.900	→	1.900	→	1.900
15	Add: Savings from Public Works		-	-	-	-		-		-		-
16	Add: Savings from Management / Support		-	-	-	-		-		-		-
17	Add: Stream of Tyco Funds[11]		-	0.314	0.314	0.314		0.314		0.314		-
18	Add: Stream of Income from North Parking Lot[12]		0.135	0.135	0.135	0.135		0.135		0.135		0.135
19	Less: Corresponding Loss of Income from Service Changes		-	-	-	-		-		-		-
20	Subtotal of Potential Ongoing Installment Payments		$ 9.415	$ 9.729	$ 9.729	$ 9.729		$ 9.729		$ 9.729		$ 9.415
21	Add: Savings from Avoided Legal Expenses (Non-Ongoing)	C	0.500	1.000	1.000	-		-		-		-
22	Subtotal of Potential Installment Payments	D	$ 9.915	$ 10.729	$ 10.729	$ 9.729		$ 9.729		$ 9.729		$ 9.415
23	Indicative Installment Payment Settlement Potential (A + B + D)		$ 18.896	$ 10.729	$ 10.729	$ 9.729		$ 9.729		$ 9.729		$ 9.415
24	Cummulative							$ 108.459		$ 205.750		$ 299.904
	Alternatively:											
25	Proceeds from Bond Issuance[13]	E						$ 74.875		$ 114.003		$ 138.763
26	Alternative Indicative Settlement Potential (A + B + E)							$ 83.856		$ 122.984		$ 147.744

Footnotes:

(1) Based on FY09 Estimated Ending Balances per the the FY09 budget.
(2) Reflects the available balance of the Contingency Fund at FYE09 adjusted to exclude the Storage Lot Loan receivable ($303,804) and the advance to the utility districts ($65,520). This would leave the City with no centingency funds. Any repayment of the loan receivable from sale proceeds will be included as part of the asset disposition. With surpluses of the General Fund going towards funding some structured payment, the City will not replenish the Contingency Fund.
(3) Reflects the entire balance of the Compensated Absences Fund and leaves no reserve going forward and no identifiable means by which to replenish the fund.
(4) Reflects the FYE09 balance of the Tyco Fund less budgeted transfers during FY09. The ongoing stream of funds into the Tyco Fund will be dedicated to supporting ongoing installment payments.
(5) Reflects the entire balance of the Retirement Stabilization Fund and leaves no reserve to support future expenses. During FY09, the fund is projected to provide $270,472 in a transfer to the General Fund.
(6) Assumes the sale of the Storage Lot facility with proceeds equaling the carrying value.. The internal funds that provided the loans forgive those obligations.
(7) Assumes that the surplus levels observed in FY07 continue for the foreseeable future. The average surplus for the past 10 years has been $1.7M.
(8) Reflects increased spending on sewers ($8.5m over 10 years, not adjusted for inflation) and streets ($0.5M), in excess of trend spending. The FY07 account balance was $2.1M. Assumes this level of spending will be necessary going forward.
(9) Reflects preliminary figures. Assumes the City can outsource its fire services to the LA Sheriff's Department. Based on the mean of the per capita spending levels of coastal cities that outsource police services ($264K). See the Comparable City Analysis for additional detail.
(10) Reflects preliminary figures. Assumes the City can outsource its fire services to the LA County Fire Department. Based on the mean of the per capita spending levels of coastal cities that outsource fire services ($167K). See the Comparable City Analysis for additional detail.
(11) Reflects the stream of funds from Tyco Fund. Removes the Tyco fund as a source of funds for CIPs or other expenses. In Year 1 the fund balance is included in the Cash on Hand calculation and the ongoing stream is included here. The contract is set to expire in approximately 20 years.
(12) Reflects the City's portion of the income from the North Parking lot. These funds previously flowed into the Downtown Enhancement Fund but would no longer replenish that Enterprise fund.
(13) Illustustrative case only. Based on constant payments of $9.729M, maturities of 10 years, 20 years and 30 years, a coupon rate of the cooredsponding treasury rate plus 150 bps and semi-annual payments.

Indicative Bond Example
Proceeds Given a Range of Annual Payments and Maturities
($ in millions)

		Payments as a % of FY08 General Fund Expenditures[1]					
		3.8%	7.6%	11.4%	15.3%	19.1%	22.9%
		Annual Payments					
Maturity	Rate[2]	$ 1.000	$ 2.000	$ 3.000	$ 4.000	$ 5.000	$ 6.000
5	4.37%	4.448	8.896	13.344	17.793	22.241	26.689
10	5.27%	7.696	15.392	23.088	30.784	38.480	46.177
20	5.83%	11.718	23.436	35.154	46.871	58.589	70.307
30	5.72%	14.263	28.526	42.789	57.051	71.314	85.577

		Payments as a % of FY08 GF Expenditures[1]					
		37.1%	12.8%	2.0%			
		Cases					
		High Value	Discussion	Low Value			
Maturity	Rate[2]	$ 9.729	$ 3.349	$ 0.526			
5	4.37%	43.276	14.897	2.340	-	-	-
10	5.27%	74.875	25.774	4.048	-	-	-
20	5.83%	114.003	39.243	6.164	-	-	-
30	5.72%	138.763	47.766	7.502	-	-	-

(1) General fund expenditures for FY08 total $26.229
(2) Rates based on T + 150 bps. Treasure rates are as of October 1, 2009. Rates are for illustrative purposes only.
Note: Excludes fees and other expenses. Typicall underwriting fees for small municipal offerings typically range between 75 bps and 125 bps

Exhibit A: City Wide Cash Balance
($ in millions)

		FY08
1 Beginning of Period City Wide Cash Balance	$	21.921
2 Increases / (Decreases) in City Wide Cash		1.034
3 End of Period City Wide Cash Balance	$	22.955
4 Cash Balances in Non-Discretionary Accounts	$	14.735
5 Available Cash Balances in Discretionary Accounts		8.220
7 Ending City Wide Cash Balance	$	22.955

Exhibit B: Baseline Projected Discretionary Cash Analysis – No Operational Changes
($ in millions)

	FY08	FY09 Est.	Projected FY10	Projected FY11	Period from FY12 through FY18
1 Beginning of Period Baseline Cash Balance[1]	$ 9.235	$ 8.220	$ 8.068	$ 7.917	$ 7.765
2 Add: Unexpended General Fund Balance[2]	1.333	1.333	1.333	1.333	9.330
3 Add: Net Cash Increases (Decreases) in Descretionary Accounts[3]	(2.326)	(1.485)	(1.485)	(1.485)	(10.392)
4 Add: Other Increases (Decreases) in Cash	(0.022)	-	-	-	-
5 End of Period Baseline Cash Balance	$ 8.220	$ 8.068	$ 7.917	$ 7.765	$ 6.703
6 **Change in Cash Balance**	$ (1.015)	$ (0.152)	$ (0.152)	$ (0.152)	$ (1.062)

(1) Funds included are the Contingency Fund, the Compensated Absences Fund, the Tyco Fund, the Retirement Stabilization Fund, the Insurance Fund, the Equipment Replacement Fund, the Capital Improvement Fund, the Sewer Fund, and the Downtown Enhancement Fund.
(2) Unexpended GF Balance transfers, which represent the difference between the budgeted and actual revenues and expenses, are not forecasted in the budget. This analysis projects future unexpended GF Balances based on historical figures and City guidance. In FY07, GF Transfers totaled $1.7M.
(3) Excluding the cash that would normally flow into these accounts from year-end Unexpended General Fund Balances.
Note: The City has established goals for several of these funds: Contingency Fund (15% of the General Fund operating budget), Insurance Fund ($3.0M), Equipment Replacement Fund (accumulated amount for all equipment) and Compensated Absences Fund (25% funding for accrued liabilit es for employee vacation, sick and compensatory time)

Exhibit C: Unbudget Expenditures
($ in millions)

1	Total Projected Sewer Update Expeditures	$8.500	
2	Divided By: Number of Years to Complete Project	10	
3	Projected Sewer Update Expenditures Per Year [1]		$0.850
4	Add: Estimated Annual Street Maintenance in Excess of Current Budget		0.500
5	Total Annual Unbudgeted Expenditures[1]		$1.350

(1) Assumes that the annual unbudgeted sewer and street expenditures will need to be maintained beyond the projected period.

Exhibit D: Adjustments to Projected Baseline Cash – Offsetting Fee and Tax Increases
($ in millions)

Adjustments	FY08	FY09 Est.	Projected FY10	Projected FY11	Period from FY12 through FY18
1 Beginning of Period Baseline Cash Balance[1]	$ 9.235	$ 8.220	$ 8.068	$ 7.917	$ 7.765
2 End of Period Baseline Cash Balance	$ 8.220	$ 8.068	$ 7.917	$ 7.765	$ 6.703
3 Less: Cumm. Unbudgeted Capital Expenditures	-	-	(1.350)	(2.700)	(12.150)
4 Add: Cumm. Revenue Raised through Taxes and Sewer and other Fees		0.152	1.653	3.155	13.667
5 End of Period Adjusted Baseline Cash Balance	$ 8.220	$ 8.220	$ 8.220	$ 8.220	$ 8.220
6 **Change In Baseline Cash Balance, Adjusted**	(1.015)	-	-	-	-

(1) Funds included are the Contingency Fund, the Compensated Absences Fund, the Tyco Fund, the Retirement Stabilization Fund, the Insurance Fund, the Equipment Replacement Fund, the Capital Improvement Fund, the Fire Protection Fund, the Sewer Fund, the Downtown Enhancement Fund and the Lighting/Lanscaping Fund.

Exhibit E: Public Safety Benchmarking
($ in millions)

	GF Expenses					
Per Capita Spending	Police	+	Fire	=	Public Safety	
Hermosa Beach	$ 625		$ 266		$ 891	
City Provided Public Safety						
Mean of Group	453		248		701	
Potential Cost Reduction as a % of Department Budget	27.6%		6.6%		21.3%	
Potential Cost Reduction as a % of PS Budget	19.3%		2.0%		21.3%	
Aggr. Expense Reduction Potential	$ 3.343		$ 0.341		$ 3.684	
Third Party Provided Public Safety						
Mean of Group	264		167		430	
Potential Cost Reduction as a % of Department Budget	57.8%		37.3%		51.7%	
Potential Cost Reduction as a % of PS Budget	40.6%		11.1%		51.7%	
Aggr. Expense Reduction Potential	$ 7.014		$ 1.924		$ 8.938	
Select City Provided Public Safety(1)						
Mean of Group	503		301			
Potential Cost Reduction as a % of Department Budget	56.4%		NONE			
Potential Cost Reduction as a % of PS Budget	13.8%		NONE			
Aggr. Expense Reduction Potential	$ 2.378		NONE			

(1) Select Comparable Cities include Coronado, Laguna Beach, Manhattan Beach and Newport Beach.

Exhibit F: Projected Cash with Operational Changes
($ in millions)

	FY08	FY09 Est.	Projected FY10	Projected FY11	Period from FY12 through FY18
1 End of Period Adjusted Baseline Cash Balance	$ 8.220	$ 8.220	$ 8.220	$ 8.220	$ 8.220
Cases: Potential Cost Saving					
2 Cost Saves Targeting Bond Amount	$ -	$ 0.520	$ 0.520	$ 0.520	$ 3.640
3 Third Party Provided Public Safety	$ -	$ 8.938	$ 8.938	$ 8.938	$ 62.567
Cases: Adj. Cash Balance With Cumm. Cost Savings					
4 Select City Provided Public Safety	$ 8.220	$ 8.740	$ 9.260	$ 9.780	$ 13.420
5 Third Party Provided Public Safety	$ 8.220	$ 17.158	$ 26.096	$ 35.035	$ 97.602

(1) Assumes that the City will not have to sell the Storage Lot and can retain it for future civic development.

Exhibit G: Potential Excess Cash
($ in millions)

	FY08	FY09 Est.	Projected FY10	Projected FY11	Projected Period from FY12 through FY18
Cases: Adj. Cash Balance With Cumm. Cost Savings					
1 Select City Provided Public Safety	$ 8.220	$ 8.740	$ 9.260	$ 9.780	$ 13.420
2 Third Party Provided Public Safety	$ 8.220	$ 17.158	$ 26.096	$ 35.035	$ 97.602
3 Less: Minimum Cash Balance Required to Function	$ 4.000	$ 4.000	$ 4.000	$ 4.000	$ 4.000
Cases: Implied Potential Cummulative Excess Cash					
4 Select City Provided Public Safety		$ 4.740	$ 5.260	$ 5.780	$ 9.420
5 Third Party Provided Public Safety		$ 13.158	$ 22.096	$ 31.035	$ 93.602