

# Comprehensive Annual Financial Report



City of Redondo Beach, California  
For the year ending June 30, 2018

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CITY OF REDONDO BEACH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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December 27, 2018

Honorable Mayor, City Council and  
Residents of the City of Redondo Beach:

The Financial Principles of the City of Redondo Beach require we issue the Comprehensive Annual Financial Report by the second Council meeting in December of each year. Pursuant to this requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Redondo Beach, California (City), for the fiscal year ended June 30, 2018. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

The primary purpose in providing this report, as defined by the City Charter, is to inform the Mayor and City Council of all financial and administrative activities of the previous fiscal year. In addition, this report is directed to two other groups: the residents of Redondo Beach, and the financial community. For the residents, the report provides an opportunity to correlate City services and accomplishments with the expenditure of financial resources. For the financial community, this report provides information necessary to evaluate financial practices of the City, assure their soundness in accordance with GAAP, and determine the financial capacity of the City to incur and service debt for long-range capital planning.

Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including disclosures, rests with the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. GAAP requires that management provide a narrative introduction, i.e., overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

## PROFILE OF THE CITY OF REDONDO BEACH

The City of Redondo Beach, incorporated in 1892, is located in the South Bay part of Los Angeles County and spans 6.3 square miles. According to the State of California's Department of Finance, Redondo Beach has a population of 68,677 as of January 1, 2018, remaining relatively flat with 2017. The City remains a highly residential, non-industrial community. It is a highly educated, upscale community where the median cost of a home is \$1,170,000.

Redondo Beach has significant concentrations of employment and retail activity in the northern industrial complex anchored by Northrop Grumman, while the South Bay Galleria anchors the east end of the City. The Harbor/Pier area also contributes to the City's economy, and an eclectic mix of specialty shops, restaurants and services known as the Riviera Village is located at the south end of the City. Based on the number of full-time employees, the top ten employers in Redondo Beach are Northrop Grumman, Redondo Beach Unified School District, City of Redondo Beach, Cheesecake Factory, United States Post Office, DHL Global Forwarding, Target Stores, Macy's, Frontier, and HT Grill.

The City is divided into five districts and operates under a Council-Manager form of government. One councilperson is elected from each district and serves a term of four years, with a limit of two full terms. The Mayor is elected by the City at large, also limited to serving two full terms of four years each. Other elected officials are the City Treasurer, City Attorney and City Clerk - all serving terms of four years, but can be re-elected an unlimited number of times. The City Council is responsible for, among other things, passing ordinances, adopting the budget, establishing policy, appointing committees/commissions and appointing a City Manager.

In addition to sitting as the governing board of the City, the Mayor and City Council act as the Board of Directors for various component units of the City: the Redondo Beach Housing Authority, the Redondo Beach Public Financing Authority, the Redondo Beach Community Financing Authority, the Parking Authority of the City of Redondo Beach, and the Redevelopment/Successor Agency of the City of Redondo Beach. The City Manager is responsible for carrying out the policies and ordinances of the City Council and for appointing the heads of the City's various departments. In May 2008, the Mayor and City Council established an audit committee to enhance the City's communication with its independent accounting firm, ensuring increased involvement by the governing board in the City's accounting processes. And, in September 2015, the City Council adopted a resolution to expand the membership of the audit committee to include the elected City Clerk and the elected City Treasurer.

The City provides a full range of municipal services. These include public safety (police and fire protection), recreation and community services, library, parks, maintenance and improvement of streets and infrastructure, planning and zoning, housing, economic development, transit, and general government. The City also operates and maintains a harbor under a trust agreement with the State of California.

The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt an annual budget on or before June 30 of each year for the General Fund, Special Revenue Funds, Enterprise Funds, Capital Projects Fund and Internal Service Funds. The City also adopts a five-year capital improvement program and a Redevelopment/Successor Agency budget.

The level of appropriated budgetary control is the total adopted budget, which is defined as the total budget for all funds and divisions, and all revisions and amendments approved by the City Council subsequent to the initial budget adoption. The City Manager may authorize transfers within each fund and between line items or programs within each department; however, supplemental appropriations and transfers between funds or departments during the budget year must be approved by four affirmative votes of the City Council. Unexpended or unencumbered appropriations expire at the end of each fiscal year. Encumbered appropriations and appropriations related to grants and donations are re-appropriated in the ensuing year's budget by action of the City Council. The City utilizes an encumbrance system, whereby commitments, such as purchase orders and unperformed contracts, are recorded as assigned fund balances at year end.



## **FACTORS AFFECTING FINANCIAL CONDITION**

### ***Significant Events, Accomplishments and Economic Development Activities***

Over the years, Redondo Beach has remained fiscally sound through proactive management, disciplined oversight of expenditures, continued encouragement of a diversified revenue base, and the cultivation of public/private partnerships that reduce City costs, create new public amenities and increase revenue. These financial practices have enabled the City to maintain healthy capital and operating funding reserves and achieve an Aa1 credit rating.

During FY 2017-2018, the City's economic development efforts focused on two key neighborhood commercial zones within the City – the Artesia/Aviation Commercial Corridor and the Riviera Village Business District. As part of the FY 2017-2018 Budget, the City Council allocated \$100,000 for a Storefront Improvement Program for the Artesia/Aviation Commercial Corridor to stimulate local investment and enhance the Corridor's appearance. Ten projects were approved as part of the program and are currently in various stages of completion. In addition to the Storefront Program, the City initiated a \$500,000 streetscape improvement project for Artesia Blvd. This effort included new lighting fixtures, street signage, and upgrades to the landscaped medians.

At the end of the Artesia Commercial Corridor, planning for the redevelopment of the South Bay Galleria continued throughout the year. Outreach with the community and various stakeholders resulted in a concept plan that served as the basis for the preparation of an Environmental Impact Report that was issued in July 2018. The proposed development was approved by the Planning Commission and is currently on appeal to the City Council. In response to the appeal, the property owner has committed to further designing the project and anticipates presenting the updated concept to the City Council in Winter/Spring of 2019. Additionally, the Galleria redevelopment effort will be complemented by the City's construction of a new transit center on Kingsdale Avenue, which will serve local and regional bus systems for many years to come and improve mobility to and from the South Bay Galleria and South Bay South Market Place centers.

Within the Riviera Village Business District, the City undertook several initiatives to improve the experience of the visitors and patrons to the area. These efforts include the installation of new pavers, landscaping and street furnishings for a large section of Catalina Avenue between Vista Del Mar and Palos Verdes Boulevard, new overhead streetlights throughout the Village and a new electronic directory for the businesses. Additionally, the City concluded a pilot program for Dining Decks within the Village and approved a robust sidewalk dining program that better meets the needs of the residents and businesses. Several dining establishments have utilized the program and have completed a variety of outdoor dining enhancements. Outside of the commercial zones, two significant mixed-use projects made significant strides forward in FY 2017-18. Construction continued on a 52-unit condominium project with approximately 10,000 square feet of commercial space on Pacific Coast Highway (PCH) near the City's southern border. The project is poised to welcome new residents and businesses over the coming months. Additionally, the design concept for a 115-unit apartment project with a revitalized 110-room hotel (that is currently dormant) and approximately 20,000 square feet of commercial space was approved by the City Council on the corner of PCH and Palos Verdes Boulevard and is expected to begin construction/renovation within the year.

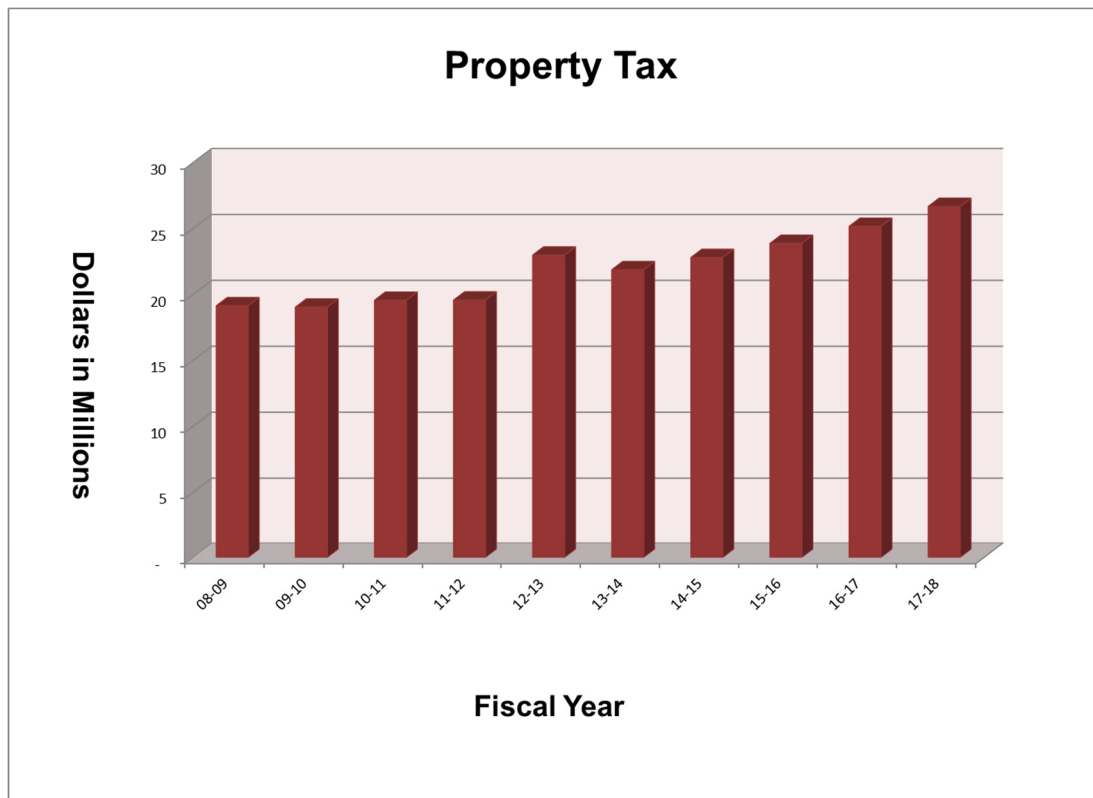
One long-term project that began to take shape during FY 2017-2018 was the redevelopment of the AES Power Plant site. The owner, AES, solicited proposals for prospective buyers of the property and narrowed the field to a single buyer with the sale expected to occur in phases during FY 2018-2019. In anticipation of the sale, the City embarked on three key actions to realize the goal of using a large portion of the property as parks and open space. First, the City made key contacts with State Legislators to ensure that funds for repurposing a retired, or soon to be retired, power plant for public park purposes be included in Proposition 68, which was approved by California voters in June. Second, the City Council authorized City staff to work with Los Angeles County to establish an Enhanced Infrastructure Financing District for the site that would allow for the reinvestment of tax dollars generated by any new development on new public amenities or infrastructure improvements that support the site. Third, the City commissioned a feasibility study with Southern California Edison to determine the cost for removing the 220Kv and 66Kv electrical transmission lines that run from the Power Plant to the City boundary at Beryl Street. The study is expected to be complete in late FY 2018-19.

The regional economy has also been a positive for Redondo Beach. Property values (and tax revenue) in the City continue to grow at substantial rates driven in large part by the City's close proximity to LAX, the Silicon Beach jobs center, the community's high quality of life, and the continued excellence and success of the Redondo Beach Unified School District. The only negative General Fund revenue trend that occurred in the City in FY 2017-18 was the decline of sales tax revenue, which was driven in large part by the continued deterioration of the South Bay Galleria.

## Property Tax

The City's largest revenue source, property tax, is imposed on real property (land and permanently attached improvements, such as buildings) and tangible personal property (moveable property) located within the City. Property is initially assessed by the County Assessor at a tax rate of 1.0% of the assessed value and rising no more than 2.0% each year. The City receives revenues equal to 16.5% of the tax rate from the County of Los Angeles - Auditor/Controller's Office, or the equivalent of 16.5 cents out of each dollar of property tax collected through the property tax bills.

The City's property tax valuations continue to be positive. With Redondo Beach being a desirable location, coupled with continued low mortgage interest rates, the FY 2017-2018 citywide assessed valuation experienced a positive change of \$863 million, or 5.7%, to \$15.9 billion. The City's assessed valuation amount is derived 81.5% from residential properties, 8.7% from commercial properties, 3.5% from industrial properties, and the remaining 6.3% from vacant, institutional, and other properties. During FY 2017-2018, property tax revenue (including homeowners' exemptions) increased \$1,511,257, or 6.0%, to \$26.7 million. This increase reflects the continued improving economy and housing market. Improvements are seen in the median sale price of a single-family home in Redondo Beach at an all-time high of \$1,170,000 (a \$137,500, or 13.3%, increase from 2016), foreclosure levels back to historical norms, and median prices and numbers of sale transactions up throughout California.

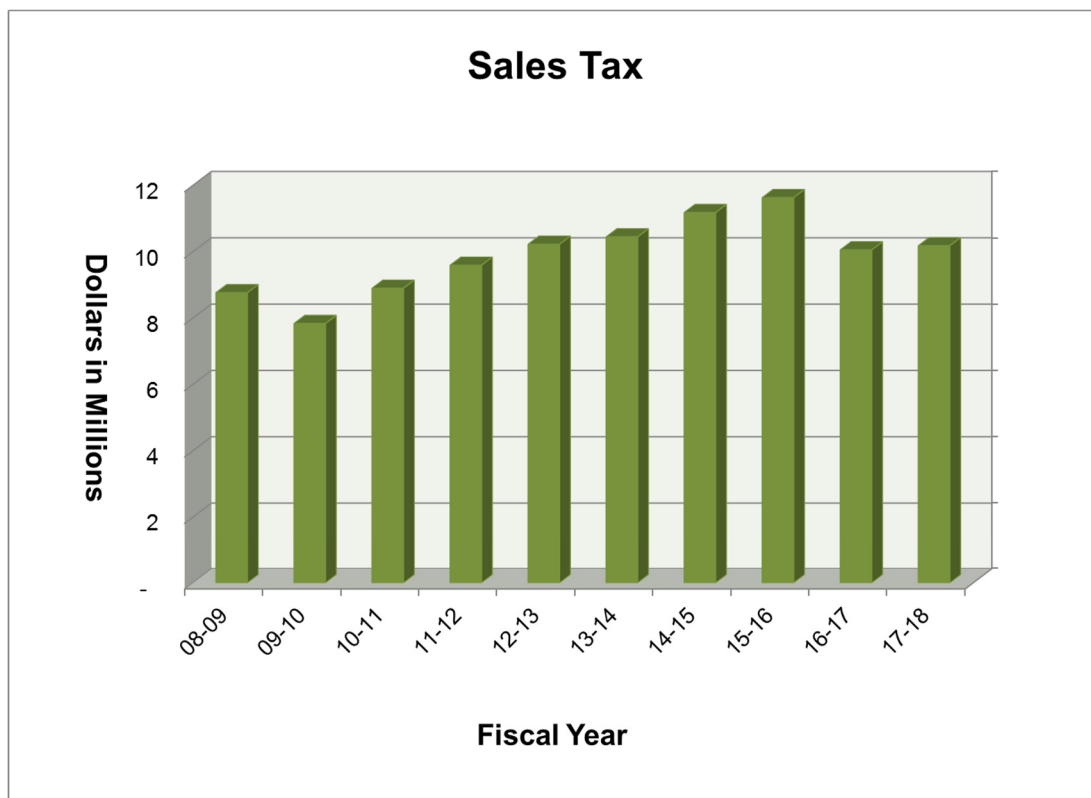


## Sales Tax

The City's second largest revenue source is sales tax. The sales tax rate in Los Angeles County was 9.25% for the first quarter of FY 2017-2018 and 9.50% for the remainder of the fiscal year applied to the sale price of taxable goods and services sold at retail. Redondo Beach receives 1% of taxable sales from the State Board of Equalization. FY 2015-2016 was the final year of the revenue swapping procedure commonly referred to as the "triple flip". With the triple flip, twenty-five percent of the City's traditional sales tax base was committed to the State for deficit reduction bonds and backfilled with the same amount but distributed on the same basis as property tax revenue to the City.

The departure of Nordstrom from Redondo Beach to a neighboring city at the end of calendar year 2015 has greatly impacted sales tax revenue, including FY 2016-2017 one-time negative adjustments made by the State Board of Equalization. Another negative impact to FY 2017-2018 sales tax revenue was the State's transition to a new software and reporting system which caused a delay in the processing of payments.

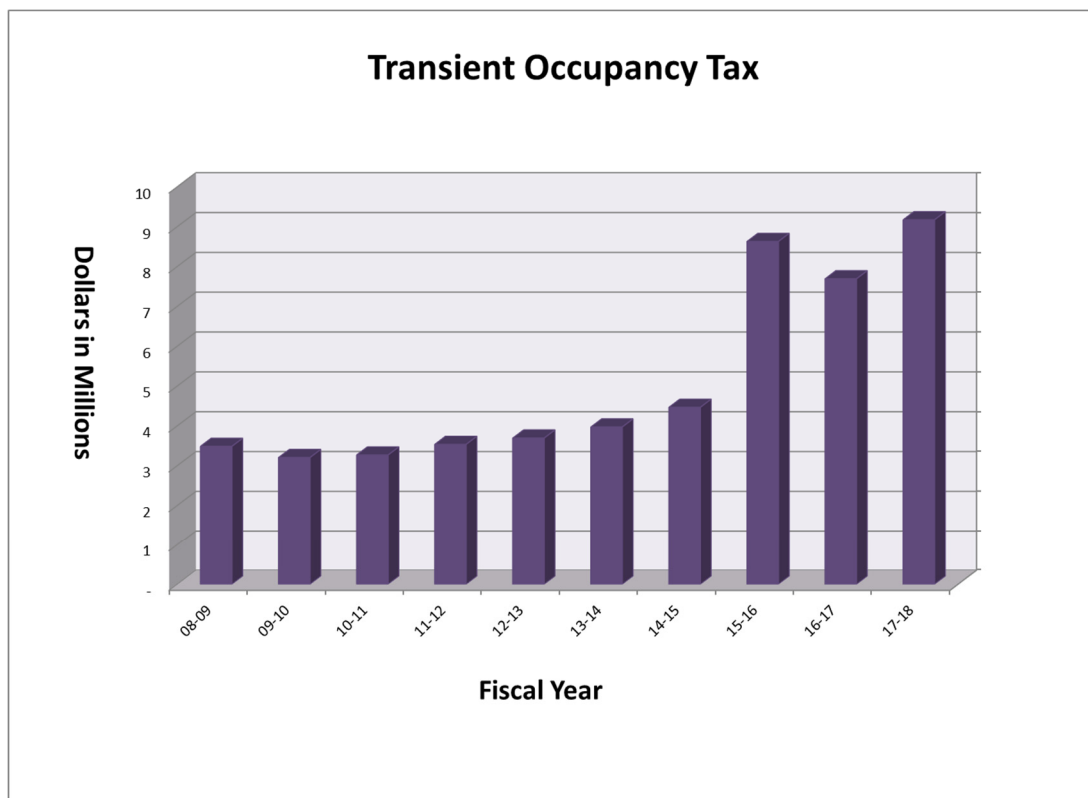
Although sales tax revenue increased only minimally in FY 2017-2018, the City is committed to re-establishing a strong local economy through both business retention and business expansion.



### ***Transient Occupancy Tax (TOT)***

The City's third largest revenue source, transient occupancy tax (TOT), is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities, unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill at a rate of 12%, which was increased 2% in July 2005, and substantially enhanced revenues. Through FY 2016-2017, generally 10% of the TOT received by the City was contributed to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City. This amount was not netted against revenues, but rather reflected in the City's expenditures. For the hotels on Marine Avenue, 8.33% of the TOT received by the City was contributed to a reserve account and netted against revenues until the reserve account became fully funded in FY 2016-2017.

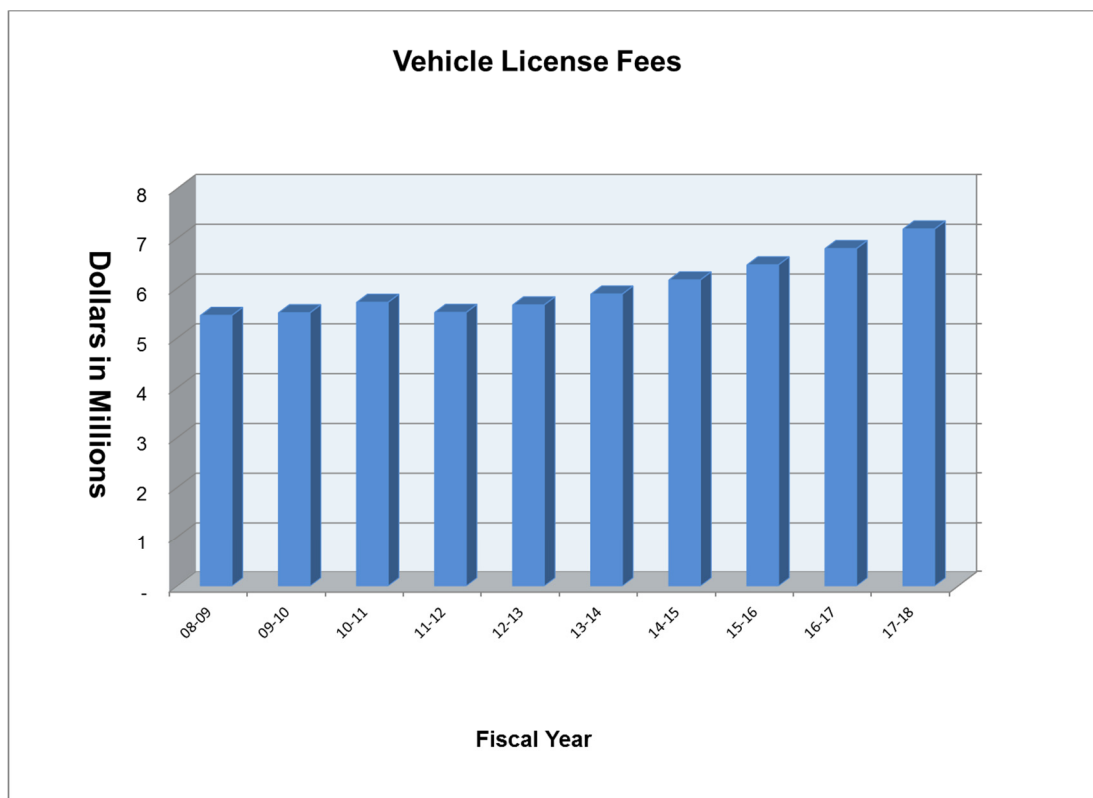
The City's TOT revenue has been experiencing positive growth. In FY 2015-2016, the Marine Avenue hotel reserve account requirement was reduced from \$8.5 million to \$3.0 million which allowed the City to begin receiving, in March 2016, the TOT revenue. Additionally, in FY 2015-2016, the \$3.0 million reserve account was recorded for the first time on the City's books as a one-time revenue with the fund balance impact classified as restricted. FY 2016-2017 revenue included the first full year's TOT from the first two Marine Avenue hotels, and FY 2017-2018 revenue included the first full year's TOT from the new Homewood Suites Hotel on Marine Avenue and the Shade Hotel in the waterfront.



### **Vehicle License Fees (VLF)**

The City's fourth largest revenue source is vehicle license fees (property tax in lieu of VLF and motor vehicle in-lieu tax) and is imposed by the State on owners of registered vehicles for the privilege of operating a vehicle on public highways. A portion of the tax is disbursed to cities based on the proportion that the population of each city bears to the total population of all cities in the State (a per capita formula). The license fee paid to the State by vehicle owners is 0.65% of the market value of the motor vehicle; however, cities are due 2% of the market value of the motor vehicle. Since there is a discrepancy of 1.35% in what the State collects and what cities are due, the State backfills the additional 1.35% from its General Fund in the form of property tax revenue.

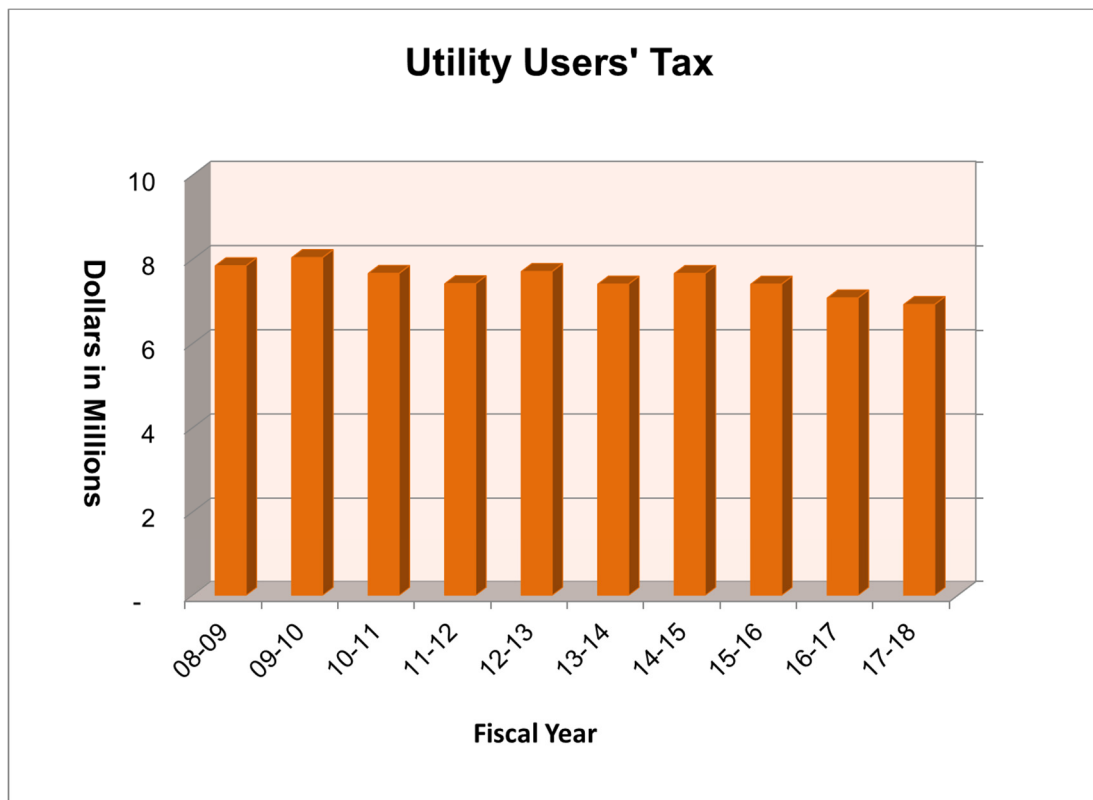
Since FY 2006-2007, the City has seen increased VLF revenue due to the growth in property tax in lieu of VLF with relatively flat motor vehicle in-lieu tax. In FY 2017-2018, VLF revenue totaled \$7.2 million, increasing \$393,001, or 5.8%, from the prior year. This increase comprises gains in both property tax in lieu of VLF and motor vehicle in-lieu tax revenues of \$387,861 and \$5,140, respectively.



### **Utility Users' Tax (UUT)**

The City's fifth largest revenue source, utility users' tax (UUT), is imposed on consumers of electric, gas, cable services, water and telephone services. Federal and state governmental agencies and pay telephone users are exempt. Each city sets its UUT rate, and Redondo Beach's is 4.75%. The City successfully protected this UUT rate by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance. This important measure was strongly endorsed by the citizens, passing it by 75%. Therefore, the long-term viability of telecommunications-based UUT revenue (approximately 20% of the UUT tax) has been secured. Additionally, in response to AB 1717 and as approved by the State Board of Equalization, the City began collecting UUT from the sale of prepaid wireless devices in in FY 2015-2016.

UUT revenue for FY 2016-2017 totaled \$7.1 million, reflecting a decrease from the prior year of \$326,867 or 4.4%. The UUT revenue decrease is primarily from a decrease in utility usage with a wet winter and continued conservation efforts.



## **CAPITAL IMPROVEMENT PROJECT PLANNING, ACOMPLISHMENTS AND ACTIVITIES**

Over the past year, the City focused on maintaining and improving its core infrastructure and completing several high-profile projects. Notable projects included Phase 12 of the Residential Resurfacing Project, the 2017 Sanitary Sewer Facilities Rehabilitation Project, and the Pier Parking Structure Repair Project. The City's established process for evaluating, reviewing, and prioritizing future capital efforts concentrates on enhancing the quality of existing public facilities, streets, sewers, and open spaces. The FY 2018-2019 capital budget continues the reinvestment in current infrastructure and includes significant funding for traffic mitigation projects, street rehabilitation, transit center reconstruction, Artesia Boulevard and North Redondo Beach Bike Path enhancements, and, due to new mandates, stormwater drainage and treatment projects.

In FY 2017-2018, the City continued to plan, design, and construct a significant program of capital improvement projects. Street improvement projects, with the greatest variety of funding sources, continued to represent much of the work plan. However, several other projects were completed throughout the City as well.

The City continued to make progress on its five Regional Measure R funded transportation-related capital projects. The City recently completed construction of the right-turn lane project at Palos Verdes Boulevard and Pacific Coast Highway. A similar project at Pacific Coast Highway and Torrance Boulevard received a Caltrans encroachment permit and was out for bids at the end of the fiscal year. Another right-turn lane project located on Aviation Boulevard at Artesia Boulevard has been conceptually designed and the City is negotiating with the property owner to secure the right-of-way necessary for construction. Additionally, a consultant was retained to study arterial traffic improvements along Pacific Coast Highway (PCH) and complete construction documents for a southbound right-turn lane at Torrance Boulevard. The City also retained an engineering firm to complete plans and specifications for the southbound right-turn lane on Inglewood Avenue at Manhattan Beach Boulevard and 65% plans have been completed.

Construction was completed on Phase 12 of the Residential Street Resurfacing Project and the Public Facility Storage and Parking Lot Improvements Project (\$2,500,000) and on Traffic Calming projects on Paulina and Maria. Construction began on Phase 2 of the Bus Bench & Shelter Replacement Program at 49 locations throughout the City. Plans and Specifications for the North Redondo Beach Commercial Streets Project were approved and the project was out to bid at the end of the fiscal year. A design contract was awarded to prepare plans and specifications for the Inglewood Avenue – Grant Avenue to 190<sup>th</sup> Street Resurfacing Project and the Flagler Lane Resurfacing – 190<sup>th</sup> to Beryl Street Project.

The Police Station Security and Parking Lot Improvements Project (\$220,000) was completed and significant improvements were completed at the Ensenada Parkette (\$406,000) in FY 2017-2018. Demolition work for the Anderson Park Improvements Project was completed and construction plans and specifications were approved.

The City continues to devote significant resources to the maintenance and improvement of its wastewater infrastructure. Construction was completed on the 2017 Sanitary Sewer Facilities Rehabilitation Project (\$3,100,000) including construction of a new Camino Real Sewer Main Line. The City Council also awarded a \$2 million contract for construction of the new Ridge Sewer Pump Station. Design of the Yacht Club Way and Portofino Sewer Pump Stations is also nearly complete. Construction of the waterfront pump stations is scheduled to begin in FY 2018-2019.

Several Pier Parking Structure repairs were completed in FY 2017-2018 and the next phase of the project is currently in design. The project included repaired joints, leaks, damaged floors, and other structural members of the pier parking structure. Work began on the Pier Parking Structure Elevators 1 & 2 Project and is scheduled to be completed early in FY 2018-2019. Construction on the \$725,000 Riviera Village Streetscape Improvement Project, Phase IV began and will be completed in FY 2018-2019. Design of the new Transit Center was completed and the project was out to bid at the end of the fiscal year.



In summary, the City completed 13 CIP projects in FY 2017-2018 and designed an additional 14 projects for execution in FY 2018-2019 for a total capital expenditure of approximately \$13.4 million. The FY 2018-2019 capital budget contains \$41.1 million of carryover funding for 57 previously approved projects and \$13.3 million of appropriations for 28 new and existing projects for a total FY 2018-2019 capital budget of approximately \$54.4 million and 85 projects. The combined effect of the City's continuing capital project planning and execution efforts will impact the community for generations to come.

## **CASH MANAGEMENT POLICIES AND PRACTICES**

The City invests all idle cash in various investment instruments, as authorized within the City's Statement of Investment Policy. The City Treasurer employs a buy and hold philosophy of cash management, ensuring the full return of all investment principal. In February of 2013, the City commenced utilization of FTN Financial Main Street Advisors in providing non-discretionary investment management services to the City Treasurer. Composition of the City's investment portfolio consists of a well-diversified mix of Federal Agency instruments, complimented by a blend of AA rated Corporate Medium Term Notes, both investment types of which are structured along a five-year ladder maturity schedule. In addition, sufficient portfolio liquidity is maintained through continued maintenance of a significant portion of the investment portfolio's position in the State managed Local Agency Investment Fund, or LAIF.

The City maintains an Investment Policy which has been certified for reporting excellence by the Association of Public Treasurers – United States & Canada (APT – US&C) and the City has established both a written investment policy and investment procedures manual. The Investment Policy is reviewed and approved by both the City Council and the Budget and Finance Commission on an annual basis. The investment policy's established performance benchmark is the one-year moving average of the Two-Year Constant Maturity Treasury index (CMT). In the periodic purchase of investments, both the rate of return provided by LAIF and the yield on the US Treasury security of closest maturity to the purchased investment serve also as investment performance benchmarks.

The level of investments maintained with LAIF fluctuates in accordance with variations in both the City's operational and capital improvement program cash flow requirements. The LAIF balance is generally maintained at a level of \$5 to \$25 million, or approximately 10% of the general portfolio's assets on average, ensuring maintenance of sufficient investment portfolio liquidity. The yield provided by LAIF has increased over the past year in line with overall short-term market interest rates. Idle investment funds above the liquidity threshold have been placed primarily in Federal Agency investments within the two to five year investment maturity range. The change in market interest rates experienced over the past year has been both anticipated and well managed, proactively responding to both the City's operating and capital improvement cash flow requirements. The rate of return on the City's investment portfolio consistently meets or exceeds the level of the established investment portfolio performance benchmark.

As of June 30, 2018, the City's general portfolio was invested as follows:

Market Value Comparison of Investment Portfolio Positions FY 2017-2018								
Investment Type	1 <sup>st</sup> Quarter		2 <sup>nd</sup> Quarter		3 <sup>rd</sup> Quarter		4 <sup>th</sup> Quarter	
	\$MM	%	\$MM	%	\$MM	%	\$MM	%
Cash in Banks & Money Markets	\$ 10.35	11.3%	\$ 7.89	8.5%	\$ 3.99	4.3%	\$ 6.70	6.7%
Local Agency Investment Fund (LAIF)	\$ 9.00	9.9%	\$ 12.00	13.0%	\$ 6.00	6.5%	\$ 7.00	7.0%
Federal Agency Issues	\$ 45.08	49.3%	\$ 43.05	46.6%	\$ 46.97	50.9%	\$ 44.96	44.8%
Corporate Medium Term Notes	\$ 12.00	13.1%	\$ 12.97	14.1%	\$ 14.94	16.2%	\$ 14.95	14.9%
Commercial Paper	\$ 0.00	0.0%	\$ 2.97	3.2%	\$ 5.97	6.4%	\$ 8.99	9.0%
Bank Certificates of Deposit	\$ 2.98	3.3%	\$ 3.48	3.8%	\$ 2.48	2.7%	\$ 1.74	1.7%
Treasuries	\$ 11.99	13.1%	\$ 9.99	10.8%	\$ 11.98	13.0%	\$ 15.92	15.9%
Total Investment Portfolio	\$ 91.40	100.0%	\$ 92.35	100.0%	\$ 92.33	100.0%	\$100.26	100.0%
Weighted Average Maturity (Years)	1.73		1.73		1.72		1.45	
Portfolio Yield %	1.34%		1.33%		1.41%		1.47%	
LAIF Yield	1.07%		1.23%		1.52%		1.85%	
Yield on Two-Year CMT Benchmark	1.19%		1.27%		1.37%		1.49%	

As required by GASB 31, the City recorded the unrealized gain/loss on certain investments to account for the market value at June 30, 2018. The portfolio market value, \$100,255,914, fell below the book value of \$99,143,802 by \$1,112,112 of the current market value of the investments within the City's investment portfolio. This unrealized loss in the value of investments results from structural factors and interest rate movements within the financial marketplace over the past year impacting the market valuation of the City's investments in both Federal Agency issues and Corporate Medium Term Notes.

## RISK MANAGEMENT

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For FY 2017-18, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$50 million for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$30 million for each occurrence is covered by the California State Association of Counties – Excess Insurance Authority (CSAC-EIA).

The CSAC-EIA is a joint powers authority for 95% of California counties as well as 68% of California municipalities where risks and losses are pooled together to keep annual premiums low. Both the workers' compensation and liability claims programs are managed by a third-party claims administrator under the direction of the Risk Management Division of the Human Resources Department.

The amounts included in the Self-Insurance Program internal service fund are significant, partly due to requirements of Government Accounting Standards Board (GASB) Statement No.10. In complying with GASB 10, the City must record as a liability and expenditure not only actual risk/loss experienced in the areas of workers' compensation and liability, but also claims incurred but not reported (IBNR). IBNR claims include exposure for losses of which a city is not yet aware, as well as any statistically probable increase in costs for accidents that are already known to the City. The appropriate amount to include on the financial statements for IBNR claims is typically developed by an actuary.

As of June 30, 2018, the City recorded the following:

### **Workers' Compensation Claims**

Claims payable totaled \$17.57 million representing an increase of approximately \$900,000, or 6.0%, from the prior period. This increase is attributable to higher estimated reserves and the settlement of claims in previous years.

### **Liability Claims**

Claims payable totaled \$5.79 million representing an increase of approximately \$250,000, or 9.8%, from the prior period. This increase is attributable to higher estimated reserves and the settlement of claims in previous years.

## ***Unemployment Insurance***

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department (EDD) to provide salary continuance for terminated employees. For FY 2017-2018, reimbursement to EDD was \$36,123.

## **PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

The City provides three Tier 1 defined benefit pension plans – two for safety employees (3% at 55 for Fire and 3% at 50 for Police) and one for miscellaneous employees (2% at 55). Beginning July 2012, two additional Tier 2 defined benefit pension plans were provided – one for safety employees (3% at 55 for both Fire and Police) and one for miscellaneous employees (2% at 60). Beginning January 2013, pursuant to the California Public Employee's Pension Reform Act of 2013 (PEPRA), Tier 3 defined benefit pension plans were added, 2.7% at 57 for safety employees and 2% at 62 for miscellaneous employees. These plans are part of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. Employees of some bargaining groups paid a portion of the employee and/or employer contribution to CalPERS.

CalPERS began to separate the City's employer contributions into their "normal cost" and "unfunded liability" portions in FY 2017-18. The normal cost portion continued to be paid as a percentage of payroll, while the unfunded liability portion was paid as a flat dollar amount. With the separation, the percentage-based portion of the rate was reduced from 51.67% to 21.11% for safety employees and 20.61% to 8.23% for miscellaneous employees. The balance of the CalPERS rate was made up with an unfunded liability payment of \$8,095,493 (\$5,438,117 for safety employees and \$2,657,376 for miscellaneous employees). Rates will increase from FY 2017-2018 levels for the 2018-2019 fiscal year to 21.66% for safety employees and 8.65% for miscellaneous employees together with an unfunded liability payment of \$9,844,171 (\$6,541,047 for safety employees and \$3,303,124 for miscellaneous employees). Although increases in the coming years for the normal cost portion are expected to be relatively small, the increases for the unfunded liability portion are expected to be significant.

The total contribution paid by the City toward pension benefits was \$13.6 million, which includes the employer and employer-paid member contributions. Approximately 83.9%, or \$11.4 million, was charged to the General Fund. The budgeted total City contribution for FY 2017-2018 was approximately \$14.6 million, and pension costs are expected to increase again in FY 2018-2019.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY 2017-2018 total cost for Social Security and Medicare coverage was \$2.1 million, of which \$1.4 million, or 67.9%, was from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, who are required to participate in Medicare.

The City also provides post-retirement health care benefits to its employees in accordance with agreements reached with various employee bargaining groups. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. All post-retirement healthcare benefits end at age 65. These payments are paid through an Other Post-Employment Benefits (OPEB) trust, which was established by the City in FY 2009-2010 to comply with GASB 45. The OPEB trust allows the City to prefund actuarially derived OPEB costs that are expected to be incurred in future periods. In FY 2017-2018, the City contributed \$2.2 million to the OPEB trust to cover current and future retiree medical benefits; however, future contributions may vary based on future actuarial studies. As of June 30, 2018, the City was providing benefits to 123 participants.

## AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017. This makes 25 consecutive years that the City has been awarded this achievement. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

For FY 2017-2018, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet and exceed the criteria to receive this certificate, and we will be submitting it to GFOA for consideration.

## ACKNOWLEDGMENTS

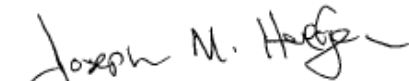
The timely preparation of this report has been accomplished with the efficient and dedicated services of the staff of the Financial Services Department. We also thank the City's independent auditors, Lance, Soll, & Lunghard, LLP, Certified Public Accountants, for their assistance and expertise, and all City departments for their cooperation during the audit engagement and their participation in preparing this report. We would like to express our appreciation to the Mayor and City Council, the City's Audit Committee, and the Budget and Finance Commission for their interest and support in planning and conducting the City's financial affairs in a responsible and progressive manner.

Respectfully submitted,



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MARNI RUHLAND  
Finance Director



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JOSEPH HOEFGEN  
City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Redondo Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# CITY OF REDONDO BEACH

## MAYOR AND CITY COUNCIL



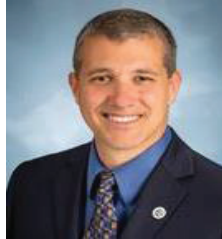
**Bill Brand**  
Mayor



**Nils Nehrenheim**  
Councilmember  
District 1



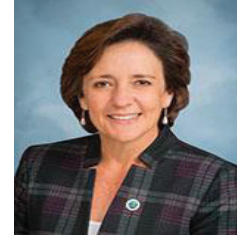
**Todd Loewenstein**  
Councilmember  
District 2



**Christian Horvath**  
Councilmember  
District 3



**John Gran**  
Councilmember  
District 4



**Laura Emdee**  
Councilmember  
District 5

## CITY OFFICIALS

**Joseph Hoefgen**  
City Manager

**Michael Witzansky**  
Assistant City Manager



**Michael Webb**  
City Attorney



**Eleanor Manzano**  
City Clerk



**Steven Diels**  
City Treasurer

**John LaRock**  
Community Services Director

**Robert Metzger**  
Fire Chief

**Stephen Proud**  
Waterfront and Economic Development Director

**Chris Benson**  
Information Technology Director

**Marni Ruhland**  
Finance Director

**Aaron Jones**  
Community Development Director

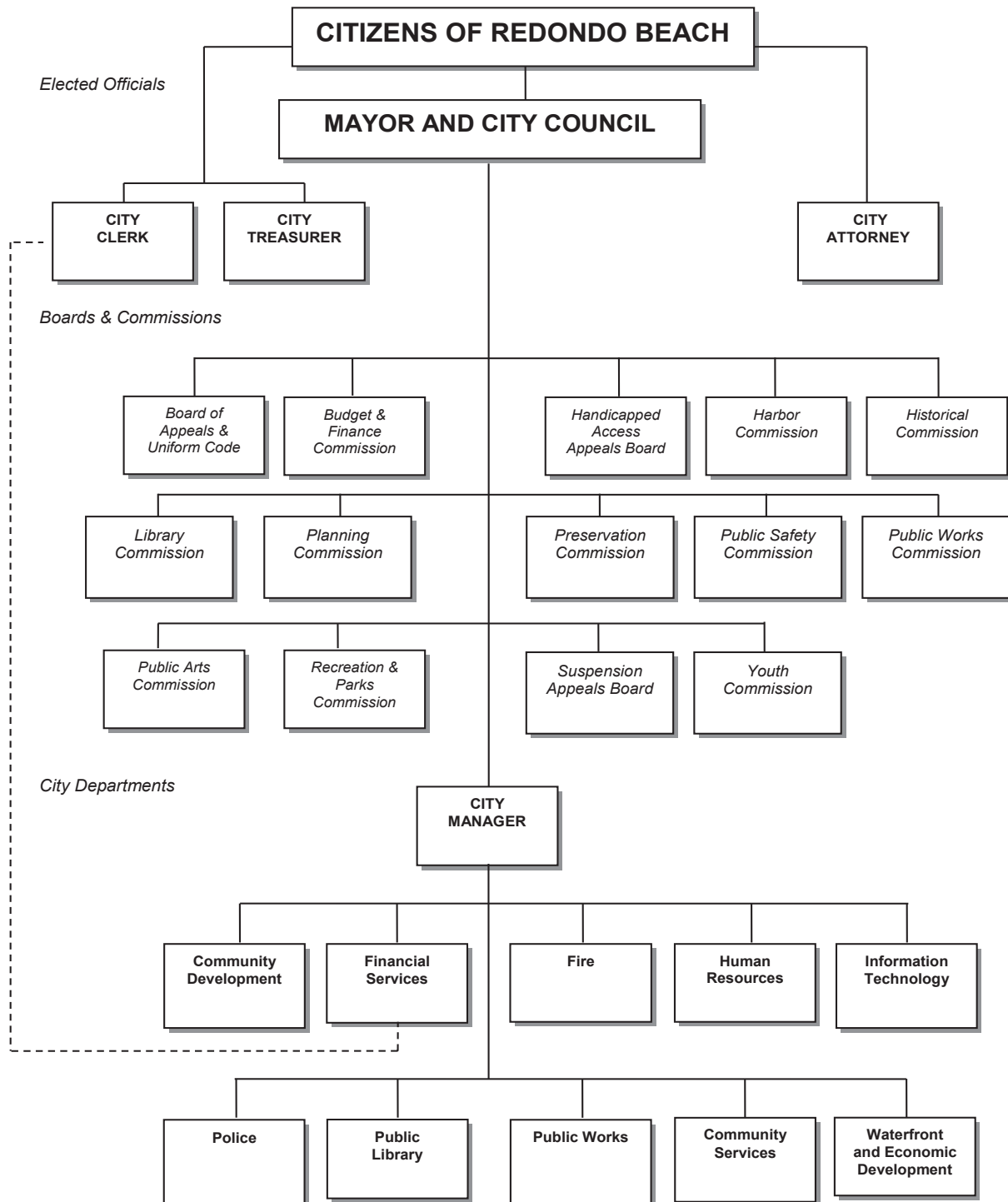
**Keith Kauffman**  
Chief of Police

**Susan Anderson**  
Library Director

**Ted Semaan**  
Public Works Director

**Diane Strickfaden**  
Human Resources Director

# ORGANIZATIONAL CHART FY 2017-18



**ORGANIZATIONAL  
CHART FY 2017-18**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Redondo Beach, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Honorable Mayor and Members of the City Council  
City of Redondo Beach, California

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2018 the City adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the general fund, other intergovernmental grants special revenue fund, and low-mod income housing special revenue fund, the modified approach for the City's infrastructure assets, the schedules of changes in net pension liability and related ratio, the schedules of employer contributions, the schedule of changes in net OPEB and related ratio, and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Honorable Mayor and Members of the City Council  
City of Redondo Beach, California

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea, California  
December 27, 2018

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## CITY OF REDONDO BEACH

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Redondo Beach (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net position, changes in net position, and fund disclosures are discussed in more detail later in the report.

#### ***Financial Highlights - Primary Government***

- *Government-Wide Highlights*

*Net Position* - Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2018 by \$121.2 million - assets and deferred outflows for governmental activities exceeded liabilities and deferred inflows by \$53.4 million and assets and deferred outflows for business-type activities exceeded liabilities and deferred inflows by \$67.8 million.

*Changes in Net Position* - The City's net position decreased \$(22.8) million in fiscal year 2017-2018. Net position of governmental activities decreased \$(24.9) million, and net position of business-type activities increased \$2.1 million.

- *Fund Highlights*

*Governmental Funds* - At the close of fiscal year 2017-2018, the City's total governmental funds reported a fund balance of \$51.3 million, a decrease of \$(3.0) million from the prior year. Highlighted below are this year's major funds included in this grouping.

*General Fund* - The fund balance of the General Fund (including Special Revenue – CalPERS Reserve Fund of \$7.4 million) on June 30, 2018 was \$17.8 million, a decrease of \$(0.7) million from the prior year.

*Special Revenue - Other Intergovernmental Grants Fund* – The fund balance of the Special Revenue – Other Intergovernmental Grants Fund on June 30, 2018 was negative \$3.0 million, an increase to the negative fund balance by \$1.6 million from the prior year.

*Special Revenue - Low-Mod Income Housing Fund* - The fund balance of the Special Revenue - Low-Mod Income Housing Fund on June 30, 2018 was \$4.3 million, an increase of \$0.1 million from the prior year.

*Capital Projects – Capital Improvement Projects Fund* - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2018, was \$10.1 million, a decrease of \$(2.3) from the prior year.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

- *Statement of Net Position*

The Statement of Net Position presents summarized information of all the City's assets, deferred outflows, liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This financial statement combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations.

- *Statement of Activities*

The Statement of Activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, cultural and leisure services and housing and community development. Business type activities include operations of the harbor, sewer (wastewater), solid waste, and transit.

The government-wide financial statements include not only the City itself (known as the primary government), but also the activities of legally separate component units: the Parking Authority of the City of Redondo Beach, the Redondo Beach Public Financing Authority (PFA), the Redondo Beach Community Financing Authority (CFA), and the Redondo Beach Housing Authority. Because the City Council acts as the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

The government-wide financial statements can be found behind the tab section titled Government-Wide Financial Statements.

## ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

- ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has 23 governmental funds, of which four are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's four major funds are: General Fund, Other Intergovernmental Grants Special Revenue Fund, Low-Mod Income Housing Special Revenue Fund, and Capital Improvement Projects Capital Projects Fund. Data from the non-major governmental funds (e.g., State Gas Tax Fund, Proposition A Fund, Storm Drain Fund, Disaster Recovery Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Non-Major Governmental Funds.

- *Proprietary Funds*

The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for harbor activities, solid waste (i.e., collection, recycling and hazardous waste disposal), operations and maintenance of City sewers, and transit activities. Internal service funds are used to accumulate and account for the City's vehicles, building maintenance and repair, major facilities repair, information technology, emergency communications, and insurance. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds' financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds' financial statements use the accrual basis of accounting. Separate financial statements are provided for Harbor Uplands, Harbor Tidelands, Solid Waste, Wastewater, and Transit. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for each internal service fund is provided in the form of combining statements in the Internal Service Funds section of this report.

The basic proprietary funds financial statements can be found behind the tab section titled Fund Financial Statements.

- *Fiduciary Funds*

Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found behind the tab section titled Notes to the Financial Statements.

### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes disclosure of the modified approach for the city pavement infrastructure and budgetary, pension plan information, and other post-employment benefit (OPEB) information. This information can be found behind the tab section titled Required Supplementary Information.



City of Redondo Beach's Statement of Net Position  
Fiscal Year Ended June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017
Current and Other Assets	\$ 85,568,121	\$87,549,795	\$41,893,906	\$43,167,968	\$127,462,027	\$ 130,717,763
Capital Assets, Net Depreciation	148,794,279	141,354,746	50,563,662	45,067,288	199,357,941	186,422,034
Total Assets	234,362,400	228,904,541	92,457,568	88,235,256	326,819,968	317,139,797
Deferred Outflows of Resources	38,834,535	28,950,330	4,501,519	3,336,023	43,336,054	32,286,353
Long-Term Liabilities Outstanding	208,959,418	169,395,334	25,656,919	23,789,897	234,616,337	193,185,231
Other Liabilities	6,571,955	6,873,587	3,007,232	1,667,168	9,579,187	8,540,755
Total Liabilities	215,531,373	176,268,921	28,664,151	25,457,065	244,195,524	201,725,986
Deferred Inflows of Resources	4,278,717	3,265,583	447,540	395,560	4,726,257	3,661,143
Net Investment in Capital Assets	147,515,377	139,053,697	43,285,102	37,169,598	190,800,479	176,223,295
Restricted	24,348,682	22,833,987	-	-	24,348,682	22,833,987
Unrestricted	(118,477,214)	(83,567,317)	24,562,294	28,549,056	(93,914,920)	(55,018,261)
Total Net Position	\$ 53,386,845	\$ 78,320,367	\$ 67,847,396	\$ 65,718,654	\$ 121,234,241	\$ 144,039,021

*Current and Other Assets include: Cash and investments; Accounts receivable; Receivables for interest, taxes, and notes and loans; Internal balances (due to/from and advances between business activities and governmental activities); Due from other governments; Advances to other governments; Prepaid items; and Restricted cash and investments with fiscal agents.*

*Capital Assets include: Assets net of depreciation as well as assets not being depreciated (e.g., Streets, Land, and Construction in progress).*

*Deferred Outflows of Resources include: Deferred loss on debt refunding, pension related items, and OPEB related items.*

*Long-Term Liabilities Outstanding include: Compensated absences payable, Claims and judgments payable, and Long-term debt payable.*

*Other Liabilities include: Accounts payable, Accrued liabilities; Pollution remediation liability; Accrued interest; Unearned revenue; and Deposits payable.*

*Deferred Inflows of Resources include: Pension related items and OPEB related items.*

### ***Net Position***

The chart above reflects the City's combined net position (governmental and business-type activities) of \$121.2 million at the close of fiscal year ending June 30, 2018.

The largest portion of the City's total net position (157.4%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net position represents resources that are either subject to external restrictions (e.g., certain capital projects, debt service) or unrestricted. The unrestricted net position is negative as a result of pension related reporting first implemented in Fiscal Year 2014-2015 pursuant to GASB Statement No. 68.

### ***Changes in Net Position***

Also noted in the chart above, the City's Fiscal Year 2017-2018 total net position decreased by \$(22.8) million, or (15.8)%, from the prior year. The governmental activities net position decreased \$(24.9) million, or (31.8)%, and business-type activities net position increased \$2.1 million, or 3.2%.

Within total assets, the increase in capital assets, net of accumulated depreciation by \$12.9 million, or 6.9%, was primarily attributable to the recent completion of infrastructure and park projects throughout the City. This increase in capital assets also resulted in a corresponding increase in Net Investments in Capital Assets. However, the increase in net position is primarily due to a decrease in deferred inflows of resources related to pensions of \$(2.2) million with a difference between projected and actual earnings on the pension plan.

City of Redondo Beach's Change in Net Position

Fiscal Year Ended June 30, 2017 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017
Revenues:						
Program revenues:						
Charges for services	\$26,243,018	\$25,329,764	\$21,582,976	\$21,756,925	\$47,825,993	\$ 47,086,689
Operating grants and contributions	8,090,195	8,563,072	2,247,490	1,888,902	10,337,685	10,451,974
Capital grants and contributions	1,872,910	492,146	-	-	1,872,910	492,146
Total program revenues	<u>36,206,123</u>	<u>34,384,982</u>	<u>23,830,466</u>	<u>23,645,827</u>	<u>60,036,588</u>	<u>58,030,809</u>
General revenues:						
Property taxes	36,847,562	34,375,818	-	-	36,847,562	34,375,818
Transient occupancy taxes	9,172,934	7,689,889	-	-	9,172,934	7,689,889
Sales taxes	10,185,208	10,059,087	-	-	10,185,208	10,059,087
Franchise taxes	1,896,809	1,706,371	-	-	1,896,809	1,706,371
Business license taxes	1,322,333	1,201,068	-	-	1,322,333	1,201,068
Utility users' taxes	6,928,129	7,085,063	-	-	6,928,129	7,085,063
Other taxes	632,084	731,571	-	-	632,084	731,571
Motor vehicle in-lieu - unrestricted	36,272	31,132	-	-	36,272	31,132
Use of money and property	3,134,966	3,038,633	237,280	99,085	3,372,246	3,137,718
Other	1,407,243	1,521,902	282,370	212,030	1,689,613	1,733,932
Total general revenues	<u>71,563,540</u>	<u>67,440,534</u>	<u>519,650</u>	<u>311,115</u>	<u>72,083,190</u>	<u>67,751,649</u>
Total revenue	<u>107,769,663</u>	<u>101,825,516</u>	<u>24,350,116</u>	<u>23,956,942</u>	<u>132,119,778</u>	<u>125,782,458</u>
Expenses:						
General government	14,142,348	10,846,646	-	-	14,142,348	10,846,646
Public safety	60,845,022	55,489,827	-	-	55,489,827	55,489,827
Public works	16,496,964	14,135,326	-	-	16,496,964	14,135,326
Cultural and leisure services	14,539,255	12,496,716	-	-	14,539,255	12,496,716
Housing and community development	11,797,299	9,769,288	-	-	11,797,299	9,769,288
Interest on long-term debt	51,658	80,782	-	-	51,658	80,782
Harbor Tidelands	-	-	7,035,921	6,395,134	7,035,921	6,395,134
Harbor Uplands	-	-	3,224,093	4,479,269	3,224,093	4,479,269
Wastewater	-	-	3,667,593	2,917,527	3,667,593	2,917,527
Solid Waste	-	-	3,968,186	3,973,666	3,968,186	3,973,666
Transit	-	-	3,844,008	3,626,075	3,844,008	3,626,075
Total expenses	<u>117,872,546</u>	<u>102,818,585</u>	<u>21,739,801</u>	<u>21,391,671</u>	<u>139,612,347</u>	<u>124,210,256</u>
Change in net position before transfers	(10,102,883)	(993,069)	2,610,315	2,565,271	(7,492,568)	1,572,202
Transfers	<u>(1,106,621)</u>	<u>(1,474,147)</u>	<u>1,106,621</u>	<u>1,474,147</u>	<u>-</u>	<u>-</u>
Change in net position	(11,209,504)	(2,467,216)	3,716,936	4,039,418	(7,492,568)	1,572,202
Net position, beginning of year, as restated	64,596,349	80,787,583	64,130,460	61,679,236	128,726,809	142,466,819
Net position, end of year	<u>\$53,386,845</u>	<u>\$78,320,367</u>	<u>\$67,847,396</u>	<u>\$65,718,654</u>	<u>\$121,234,241</u>	<u>\$144,039,021</u>

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net position. As reflected above, total revenues increased in fiscal year 2017-2018 by \$6.3 million, or 5.0%. Increases in program revenues are primarily reflected in capital grants and contributions. General revenue increased overall as a result of higher property tax revenue and higher transient occupancy tax reflecting the first full year of the City's two newest hotels.

Citywide total expenses increased \$15.4, or 12.4%, when compared to fiscal year 2016-2017. The increase in expenses was primarily related to increased personnel costs with compensation adjustments, higher CalPERS rates and an increase in hiring for vacant positions and fiscal year 2017-2018 significant increases in expenditures for liability claims, based on actuarial projections.

### **Governmental Activities**

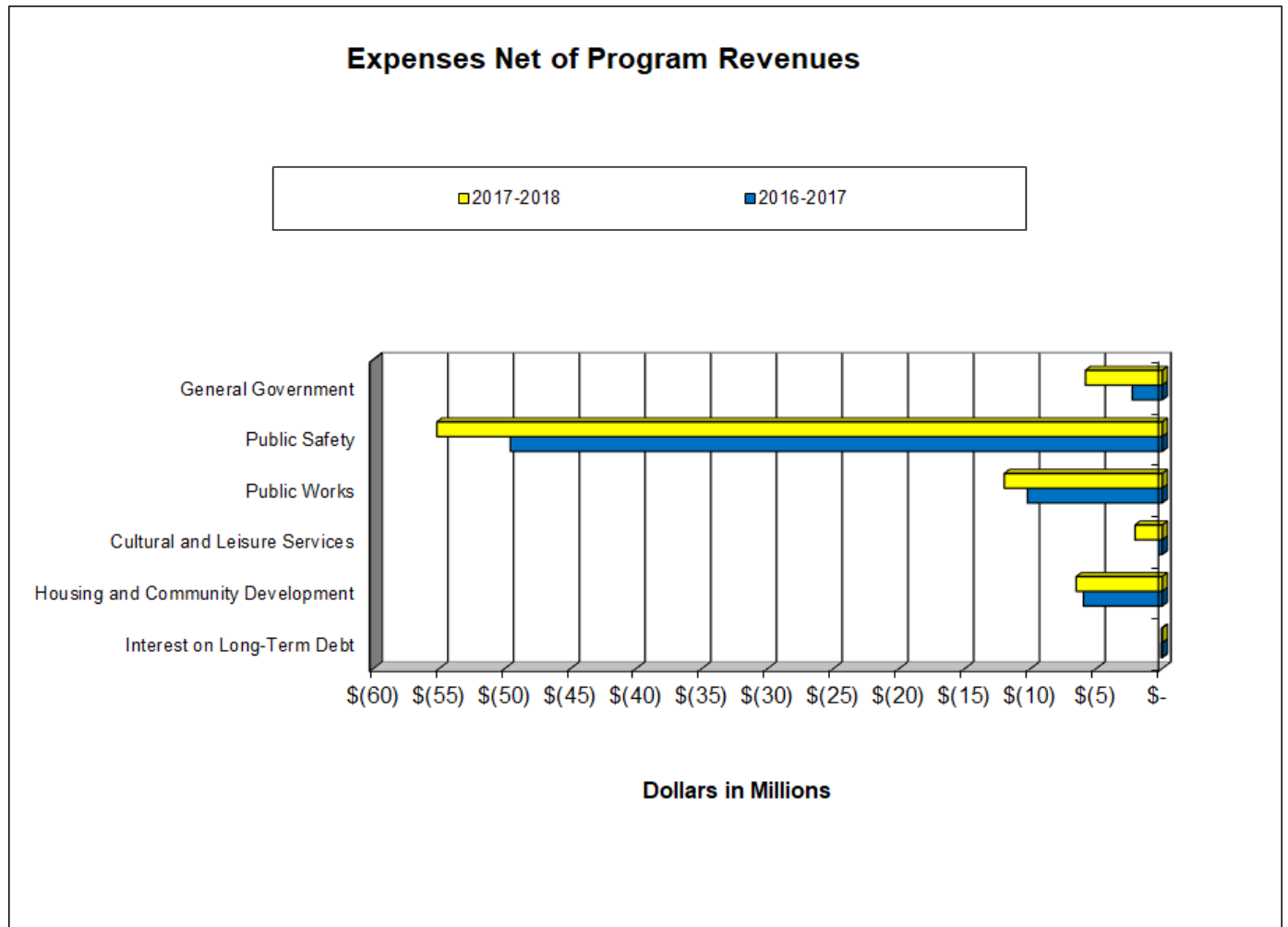
As reflected in the Changes in Net Position schedule above, the total governmental activity expenses were \$117.9 million in fiscal year 2017-2018; and total revenues from governmental activities were \$(107.8) million, of which 33.8% were derived from program revenues primarily consisting of charges for services and grants.

As shown on the following chart, the governmental activity expenses net of program revenues, decreased \$(13.2) million, or (19.3)%, in fiscal year 2017-2018. As with the decrease in citywide total expenses, the decrease reflects reductions in expenditures for liability claims and pension-related items. A reclassification of program revenues between the cultural and leisure services and housing and community development categories accounts for the large increase and decrease, respectively in those categories.

Governmental Activities:	Impact to Net Position		Percent Increase (Decrease)
	2017-2018	2016-2017	
Expenses Net of Program Revenues*			
General government	\$ (5,836,479)	\$ (2,276,140)	156.42%
Public safety	(55,164,973)	(49,578,435)	11.27%
Public works	(12,011,016)	(10,244,782)	17.24%
Cultural and leisure services	(2,064,948)	(268,018)	670.45%
Housing and community development	(6,537,349)	(5,985,446)	9.22%
Interest on long term debt	(51,658)	(80,782)	(36.05)%
<b>Total Governmental Activity Expenses</b>			
<b>Net of Program Revenues</b>	<u><u>\$(81,666,423)</u></u>	<u><u>\$ (68,433,603)</u></u>	19.34%

*\*Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues.*

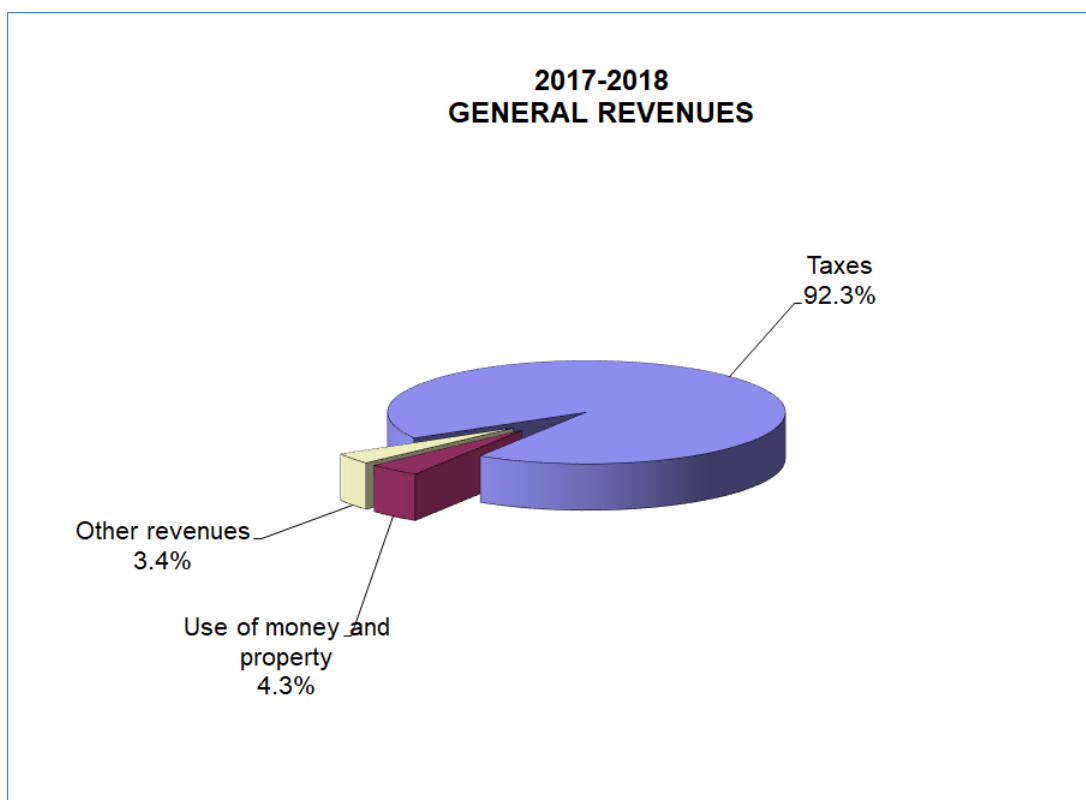
The chart below is a graphical representation of the schedule above.



### General Revenues Related to Governmental Activities

General Revenues	2017-2018	2016-2017	Increase / (Decrease)
Taxes	\$ 66,985,059	\$ 62,848,867	6.6%
Use of money and property	3,134,966	3,038,633	3.2%
Other revenues	1,443,515	1,553,034	(7.1)%
Total General Revenues	<u>\$ 71,563,540</u>	<u>\$ 67,440,534</u>	6.1%

General revenues are all other revenues not attributable to a specific program and, therefore, not categorized as program revenues. These revenues include taxes, use of money and property, and other revenues and decreased 6.1% over prior year.



### ***Business-Type Activities***

The City has five business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, Wastewater, and Transit. The total net position of the business-type activities increased by \$2.1 million from the prior year.

Harbor Tidelands is used for the operations of small boat harbor facilities available to the general public, including related pier activities. This fund is restricted under the City Tidelands Trust Agreement with the State of California. In fiscal year 2017-2018, the total net position of the Harbor Tidelands decreased \$(1.4) million from prior year.

Harbor Uplands is also used for the operations of small boat harbor facilities available to the general public, including related pier activities. However, the use of these funds is subject only to the decisions of the City Council. In fiscal year 2017-2018, the total net position of Harbor Uplands increased by \$1.7 million from prior year.

Wastewater is funded by a capital facility charge, more commonly referred to as a sewer user fee. These funds are used to support the City's sewer infrastructure operations and improvements. In fiscal year 2017-2018, the total net position of Wastewater increased \$1.8 million from the prior year.

Solid Waste is the City's comprehensive solid waste program, which includes refuse collection, recycling, and hazardous waste disposal services. The solid waste program is supported through user service fees. In fiscal year FY 2017-2018, the total net position of Solid Waste increased by \$0.1 million from the prior year.

Transit operations provide transportation services mainly to the cities of Redondo Beach, Hermosa Beach, and Manhattan Beach. The transit system is supported through bus passes, passenger fares, contributions from other local jurisdictions, Transportation Development Act Article 4 funding, and Propositions A and C discretionary funding. In fiscal year 2017-2018, the total net position of Transit decreased \$(0.1) million from the prior year.

### **INTERNAL SERVICE FUNDS**

The City has six internal service funds, as well as overhead. The internal service funds are: Vehicle Replacement, Building Occupancy, Information Technology, Self-Insurance Program, Emergency Communications, and Major Facilities Repair. These funds are used to account for interdepartmental operations where service providers (e.g., fleet, IT, building maintenance) recoup costs by charging user departments.

### **FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS**

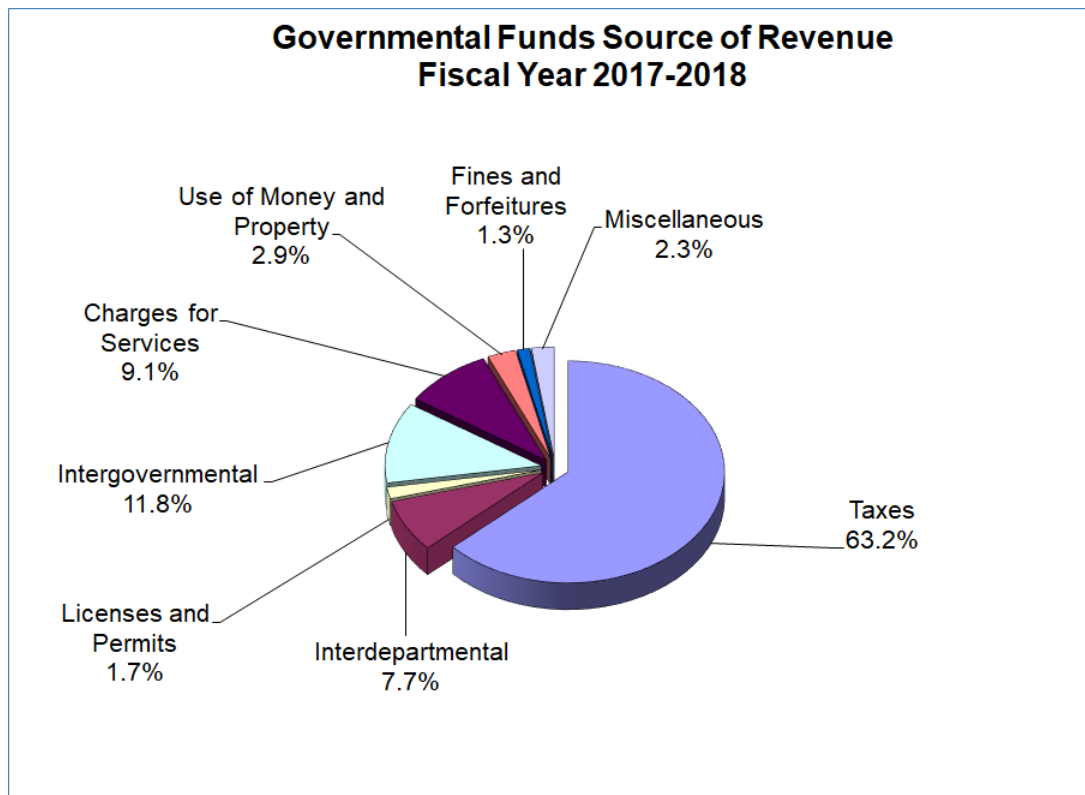
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, amounts reflected in the fund financial statements versus the Government-Wide statements may differ due to this change in accounting methodology.

## Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Governmental Funds** - The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2018, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue compared to the prior year.

Source of Revenue	Amount FY 17-18	Percent of Total	Increase (Decrease) FY 16-17	Percent Increase (Decrease)
Taxes	\$ 67,323,695	63.2 %	\$ 4,474,828	7.1 %
Interdepartmental	8,170,297	7.7 %	(121,881)	(1.5) %
Licenses & permits	1,801,502	1.7 %	46,383	2.6 %
Intergovernmental	12,574,428	11.8 %	215,380	1.7 %
Charges for services	9,732,500	9.1 %	603,912	6.6 %
Use of money & property	3,134,966	2.9 %	96,279	3.2 %
Fines & forfeitures	1,368,615	1.3 %	(155,313)	(10.2) %
Miscellaneous	2,498,976	2.3 %	(41,392)	(1.6) %
Total	<u>\$106,604,979</u>	<u>100.0 %</u>	<u>\$5,118,196</u>	5.0 %



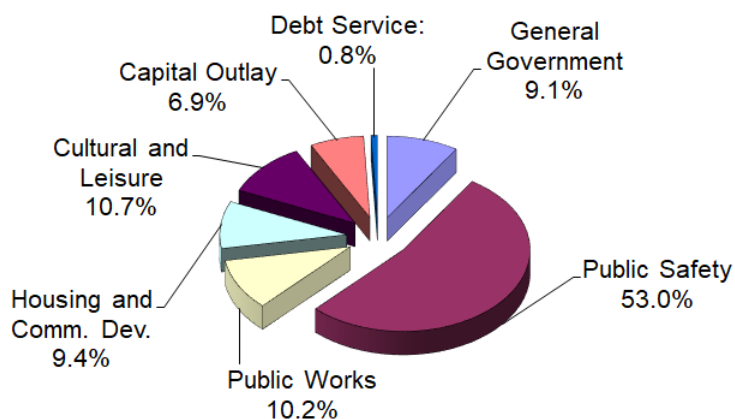


Total governmental fund revenues increased \$5.1 million, or 5.0%, from fiscal year 2016-2017. Taxes decreased \$4.5 million, or 7.1%, primarily from transient occupancy tax revenue. The fiscal year 2016-2017 revenue amount included \$3 million from the initial recording of the Marine Avenue hotel reserve account. Charges for services decreased \$0.6 million, or 6.6%, primarily due to one-time fiscal year 2016-2017 construction activity.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2018, and includes both Major and Non-Major Funds. It reflects the amount and percent of increase or decrease for each functional category of expenditures compared to the prior year.

Expenditures	Amount FY 17-18	Percent of Total	Increase (Decrease) FY 16-17	Percent Increase (Decrease)
Current:				
General government	\$ 9,920,879	9.1 %	\$ (615,104)	(5.8) %
Public safety	57,451,797	53.0 %	4,575,916	8.7 %
Public works	11,016,488	10.2 %	(219,193)	(2.0) %
Housing and community development	10,156,777	9.4 %	396,944	4.0 %
Cultural and leisure services	11,598,804	10.7 %	333,425	3.0 %
Capital outlay	7,442,754	6.9 %	2,759,772	58.9 %
Debt service	864,856	0.8 %	(2,143)	(0.2) %
	<u>\$ 108,452,355</u>	<u>100.0 %</u>	<u>\$ 7,229,617</u>	<u>7.1 %</u>

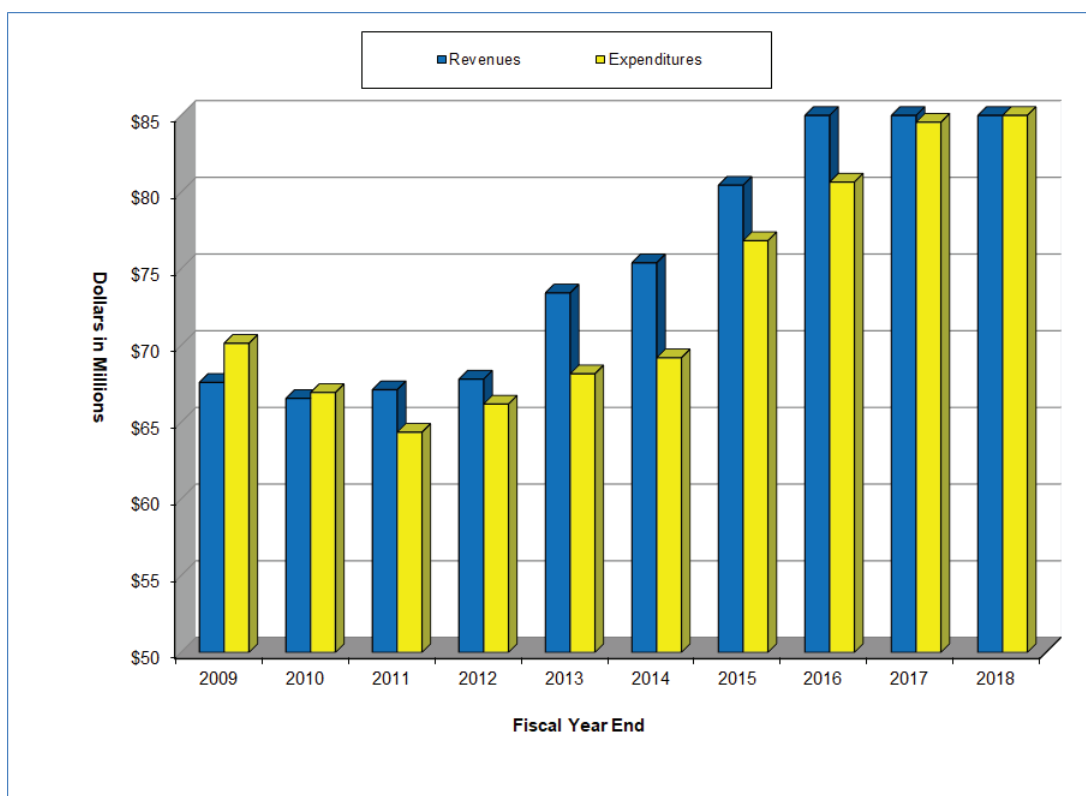
### Governmental Funds Expenditures by Category Fiscal Year 2017-2018



Total governmental fund expenditures increased \$7.2 million, or 7.1%, from fiscal year 2016-2017. As mentioned earlier, the variances are attributable to:

- Current expenditures increased by \$4.5 million, or 4.7%, with higher personnel costs, reflecting compensation adjustments, higher CalPERS rates, and an increase in hiring for vacant positions, and increased internal service fund/overhead costs, reflecting higher liability and workers' compensation costs as well as large maintenance projects in fiscal year 2017-2018.
- Capital outlay expenditures substantially increased by \$2.8 million, or 58.9%, primarily from more capital improvement project expenses.
- Debt service expenditures decreased by \$(2,143) or (0.2)% in accordance with the debt payment schedules.

Although there are four major funds in the City of Redondo Beach (the General Fund, the Other Intergovernmental Grants Fund, the Low-Mod Income Housing Fund, and the Capital Improvement Projects Fund), the following discussions focus on the General Fund, which is the major operating fund of the City.



Since fiscal year 2010-2011, revenues have consistently exceeded expenditures in the General Fund. When compared to fiscal year 2016-2017, revenues decreased \$4.9 million, or 5.7%, while expenditures increased 4.5 million, or 5.3%

### **General Fund Balance**

The fund balance of the General Fund as of June 30, 2018 was \$17.8 million (includes Special Revenue – CalPERS Reserve Fund of \$6.8 million), a decrease of \$(4.1) million, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

	FY 15-16	FY 16-17	FY 17-18
General Fund Contingency	\$ 7,154,237	\$ 7,409,689	\$ 7,605,573
Compensated Absences	477,621	658,694	616,299
Carryover Assignments	1,827,110	1,020,340	441,715
Encumbrances	510,068	1,452,623	1,456,722
Petty Cash	14,850	12,850	12,850
CalPERS	5,977,307	7,441,407	6,841,751
Future Year's Appropriations	496,580	1,225	11,670
Library Collection	-	-	50,000
Unassigned Balance	1,694,671	418,474	653,649

As part of year-end activities, the City Council reviews the General Fund balance and determines how the City should commit/assign the unrestricted portion. As illustrated above, Council constraints of General Fund balance over the past several years reflect the City's Strategic Plan. Aside from policy-designated amounts (i.e., General Fund Contingency and Compensated Absences), much of the money is committed or assigned to accomplish strategic goals.

### **Other Intergovernmental Grants Fund Balance**

The fund balance of the Other Intergovernmental Grants Fund as of June 30, 2018 was \$(3.0) million, an increase to the negative fund balance of \$(1.6) million, when compared to the prior year. Revenues and expenditures of the fund, where monies from Federal, State and other governmental agencies are used primarily for capital improvement projects, tend to fluctuate from year to year depending on resources received from other governmental agencies.

### **Low-Mod Income Housing Fund Balance**

The fund balance of the Low-Mod Income Housing Fund as of June 30, 2018 was \$4.3 million, an increase of \$0.1 million, when compared to the prior year. Housing assets transferred from the dissolved Redevelopment Agency and funds generated from those assets are used to assist with housing needs for low- and moderate- income individuals.

### **Capital Improvement Projects Fund Balance**

The fund balance of the Capital Improvements Projects Fund as of June 30, 2018 was \$10.1 million, an decrease of \$2.3 million, when compared to the prior year. Revenues and expenditures of the fund, and transfers to and from the fund are used for capital improvement projects, tend to fluctuate from year to year depending on the size and status of current capital improvement projects.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended fiscal year 2017-2018 budget totaled \$92.7 million, excluding transfers out and including net amendments of \$3.2 million to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Funding of prior-year encumbrances of \$1,452,623.
- Funding of carry-over appropriations of \$1,020,340.
- Increased mid-year appropriations by \$691,352.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$0.7 million and expenditures were \$3.7 million less than budgetary estimates, primarily due to personnel vacancies and contractual services that were not completed by year-end.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2018, net capital assets of the governmental and business-type activities totaled \$148.8 million and \$50.6 million, respectively. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB 34 for infrastructure reporting for its paving system (streets). Under GASB 34, eligible infrastructure capital assets are not required to be depreciated as long as:

- 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 the results using a measurement scale, and 3) estimated annual amounts budgeted to maintain and preserve an established condition assessment level.
- The City documents the eligible infrastructure capital assets being preserved approximately at the established and disclosed condition assessment level.

Prior to fiscal year 2008-2009, the City's PQI rating, an amalgam of the PCR and the International Roughness Index (IRI) established by the World Bank, was based on a 10.0 scale. In fiscal year 2008-2009, the PQI rating was converted to a 100 point scale to make it comparable to alternative pavement rating methods. In fiscal year 2017-2018, the City moved to the PCI rating, an alternate paving rating method, which is most frequently used by adjacent cities for an easier comparison. City policy was to achieve an average rating of PQI 80 for all streets by fiscal year 2008-2009 and maintain this rating on a go-forward basis. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of June 30, 2018 the City's street system was rated at a PCI of 68, which is equivalent to a PQI of 81.

The City's budget for street maintenance for the fiscal year ended June 30, 2018 was \$25.4 million. Actual expenditures were \$5.3 million, with the remaining budget carried forward as continuing appropriations. The City is judiciously 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. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2018 through June 30, 2019 is a minimum of \$2.6 million.

More information on the modified approach for City streets infrastructure capital assets is behind the tab section titled Required Supplementary Information.

	Original Cost	Accumulated Depreciation	Book Value
<b>Capital Assets - Governmental Activities</b>			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Construction in Progress	7,842,698	-	7,842,698
Building and Improvements	48,476,878	(22,810,144)	25,666,734
Furniture and Equipment	10,106,830	(7,569,547)	2,537,283
Automotive Equipment	19,615,073	(11,212,532)	8,402,541
Leased Equipment	1,439,277	(999,444)	439,833
Infrastructure	140,790,790	(53,408,547)	87,382,243
<b>Total</b>	<b>\$ 244,794,493</b>	<b>\$ (96,000,214)</b>	<b>\$ 148,794,279</b>
<b>Capital Assets - Business-Type Activities</b>			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Construction in Progress	9,943,744	-	9,943,744
Building and Improvements	31,402,770	(18,573,842)	12,828,928
Furniture and Equipment	779,704	(657,683)	122,021
Automotive Equipment	3,432,698	(1,964,277)	1,468,421
Leased Equipment	277,949	(189,932)	88,017
Infrastructure	27,285,800	(12,496,524)	14,789,276
<b>Total</b>	<b>\$ 84,445,920</b>	<b>\$ (33,882,258)</b>	<b>\$ 50,563,662</b>

For more information on the City's capital assets, refer to Note 6 of the Notes to Financial Statements.

## DEBT ADMINISTRATION

Debt service funds are used to account for the accumulation of resources for payment of interest and principal on bonds issued by the City. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita for the fiscal year 2017-2018 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	Amount	Ratio of Debt to Assessed Value of Property	Debt per Capita
Net Direct Bonded Debt	\$ 7,490,000	0.05%	\$ 108.70

Bonds issued by the Public Financing Authority (PFA), also a component unit of the City, were originally issued to provide funds to acquire the 1996 Tax Allocation Bonds of the Redevelopment Agency, to finance certain redevelopment activities with respect to the South Bay Center project area and to provide new monies for certain public capital improvements within the City. In addition, bonds were issued to finance various improvements to, and to remedy a variety of deficiencies in the facilities of the Wastewater Enterprise. The City has no general obligation bond indebtedness.

For a complete listing of the City's long-term debt obligations, refer to Note 8 of the Notes to Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering Fiscal Year 2018-2019, the local economy is experiencing limited growth with no additional hotels or new revenue-producing developments coming on line.

- Property Tax revenue for fiscal year 2018-2019 is projected to increase by \$1.0 million to \$26.4 million, reflecting an incremental improvement in property values. Redondo Beach's housing market has remained fairly stable due to its coastal location. Property tax revenue is the City's number one source of operating revenue.
- Sales and Use Tax revenue is projected to increase \$191,000 to \$10.6 million. This small increase is due to normal increases in sales.
- Utility Users' Tax (UUT) revenue is projected to decrease to \$7.0 million. This estimate is based upon analysis of the projected performance from each of the categorical components of the City's UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. UUT revenue provides support for essential City operational services.
- Transient Occupancy Tax (TOT) revenue is projected to remain flat at \$9.0 million with no new hotels expected to come on line in fiscal year 2018-2019.
- Investment Earnings for the General Fund for fiscal year 2018-2019 are projected to remain flat at \$500,000.

General Fund appropriations for fiscal year 2018-2019 are projected at \$91.3 million. Personnel costs are projected to increase primarily with CalPERS employer contribution rate increases. Only the highest priority changes to departmental base budgets were added as many more departmental needs exist than available funding permits.

During fiscal year 2017-2018, Redondo Beach experienced a 5.7% change in real property assessed valuations, compared to last year's 5.4%. Transient occupancy tax saw a 19.3% revenue increase primarily as fiscal year 2017-2018 was the first full year of transient occupancy tax from the City's two newest hotels. Redondo Beach continues to exceed the countywide median in total taxable retail sales, ranking 32 out of 88 cities in Los Angeles County. The unemployment rate for Redondo Beach in 2018 remained flat at 3.9%, which is well below the Los Angeles County and State of California 2018 unemployment rates of 4.8% and 4.2%, respectively.

In order to continue to retain and attract business and stimulate tourism, the City must strive to maintain a business friendly attitude and to provide the highest quality in municipal services.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Financial Services Department at 415 Diamond Street, Redondo Beach CA 90277, phone 310-318-0683, or e-mail [FinanceMail@redondo.org](mailto:FinanceMail@redondo.org).

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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## CITY OF REDONDO BEACH

STATEMENT OF NET POSITION  
JUNE 30, 2018

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 63,118,750	\$ 40,505,991	\$ 103,624,741
Receivables:			
Accounts	881,482	751,044	1,632,526
Taxes	5,029,691	167,327	5,197,018
Notes and loans	3,531,724	21,508	3,553,232
Accrued interest	195,381	124,932	320,313
Internal balances	(144,204)	144,204	-
Prepaid costs	73,795	-	73,795
Due from other governments	7,676,039	53,118	7,729,157
Advances to Successor Agency	535,731	-	535,731
Restricted assets:			
Cash and investments	-	125,662	125,662
Cash with fiscal agent	4,669,732	120	4,669,852
Capital assets not being depreciated	78,419,681	21,266,999	99,686,680
Capital assets, net of depreciation	70,374,598	29,296,663	99,671,261
<b>Total Assets</b>	<b>234,362,400</b>	<b>92,457,568</b>	<b>326,819,968</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	-	411,324	411,324
Deferred pension related items	35,925,706	3,750,024	39,675,730
Deferred OPEB related items	2,908,829	340,171	3,249,000
<b>Total Deferred Outflows of Resources</b>	<b>38,834,535</b>	<b>4,501,519</b>	<b>43,336,054</b>
<b>Liabilities:</b>			
Accounts payable	3,332,010	2,660,949	5,992,959
Accrued liabilities	2,183,835	-	2,183,835
Accrued interest	24,863	-	24,863
Unearned revenue	737,087	116,044	853,131
Deposits payable	144,160	230,239	374,399
Pollution remediation liability	150,000	-	150,000
Noncurrent liabilities:			
Net pension liability	164,291,581	15,506,929	179,798,510
Net OPEB liability	16,663,323	1,948,677	18,612,000
Due within one year	3,175,506	761,783	3,937,289
Due in more than one year	24,829,008	7,439,530	32,268,538
<b>Total Liabilities</b>	<b>215,531,373</b>	<b>28,664,151</b>	<b>244,195,524</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	1,310,797	100,460	1,411,257
Deferred OPEB related items	2,967,920	347,080	3,315,000
<b>Total Deferred Inflows of Resources</b>	<b>4,278,717</b>	<b>447,540</b>	<b>4,726,257</b>
<b>Net Position:</b>			
Net investment in capital assets	147,515,377	43,285,102	190,800,479
Restricted for:			
Housing and community development	11,206,021	-	11,206,021
Public safety	790,635	-	790,635
Public works	1,652,559	-	1,652,559
Debt service	5,551,660	-	5,551,660
Low and moderate income housing	5,147,807	-	5,147,807
Unrestricted	(118,477,214)	24,562,294	(93,914,920)
<b>Total Net Position</b>	<b>\$ 53,386,845</b>	<b>\$ 67,847,396</b>	<b>\$ 121,234,241</b>

## CITY OF REDONDO BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Contributions and Grants	Contributions and Grants
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 14,142,348	\$ 8,305,869	\$ -	\$ -
Public safety	60,845,022	5,310,033	370,016	-
Housing and community development	11,797,299	3,458,586	-	1,801,364
Cultural and leisure services	14,539,255	6,709,262	5,693,499	71,546
Public works	16,496,964	2,459,268	2,026,680	-
Interest on long-term debt	51,658	-	-	-
<b>Total Governmental Activities</b>	<b>117,872,546</b>	<b>26,243,018</b>	<b>8,090,195</b>	<b>1,872,910</b>
Business-Type Activities:				
Harbor Tidelands	7,035,921	6,565,619	-	-
Harbor Uplands	3,224,093	5,267,564	-	-
Wastewater	3,667,593	5,575,855	-	-
Solid Waste	3,968,186	3,836,976	36,257	-
Transit	3,844,008	336,962	2,211,233	-
<b>Total Business-Type Activities</b>	<b>21,739,801</b>	<b>21,582,976</b>	<b>2,247,490</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 139,612,347</b>	<b>\$ 47,825,994</b>	<b>\$ 10,337,685</b>	<b>\$ 1,872,910</b>

**General Revenues:**

## Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Utility users tax

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

**Transfers****Total General Revenues,  
and Transfers**

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (5,836,479)	\$ -	\$ (5,836,479)
(55,164,973)	-	(55,164,973)
(6,537,349)	-	(6,537,349)
(2,064,948)	-	(2,064,948)
(12,011,016)	-	(12,011,016)
(51,658)	-	(51,658)
<b>(81,666,423)</b>	<b>-</b>	<b>(81,666,423)</b>
-	(470,302)	(470,302)
-	2,043,471	2,043,471
-	1,908,262	1,908,262
-	(94,953)	(94,953)
-	(1,295,813)	(1,295,813)
<b>-</b>	<b>2,090,665</b>	<b>2,090,665</b>
<b>(81,666,423)</b>	<b>2,090,665</b>	<b>(79,575,758)</b>
36,847,562	-	36,847,562
9,172,934	-	9,172,934
10,185,208	-	10,185,208
1,896,809	-	1,896,809
1,322,333	-	1,322,333
6,928,129	-	6,928,129
632,084	-	632,084
36,272	-	36,272
3,134,966	237,280	3,372,246
1,407,243	282,370	1,689,613
(1,106,621)	1,106,621	-
<b>70,456,919</b>	<b>1,626,271</b>	<b>72,083,190</b>
(11,209,504)	3,716,936	(7,492,568)
78,320,367	65,718,654	144,039,021
(13,724,018)	(1,588,194)	(15,312,212)
<b>\$ 53,386,845</b>	<b>\$ 67,847,396</b>	<b>\$ 121,234,241</b>

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## **FUND FINANCIAL STATEMENTS**

*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

## CITY OF REDONDO BEACH

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

		Special Revenue Funds	
	General	Other Intergovernmental Grants	Low-Mod Income Housing
<b>Assets:</b>			
Pooled cash and investments	\$ 8,638,657	\$ -	\$ 1,154,415
Receivables:			
Accounts	662,862	-	-
Taxes	4,977,488	-	-
Notes and loans	19,910	-	3,117,485
Accrued interest	165,334	-	-
Prepaid costs	73,795	-	-
Due from other governments	415,829	2,337,042	-
Due from other funds	2,790,711	-	-
Advances to other funds	860,066	-	-
Advances to Successor Agency	-	-	535,731
Restricted assets:			
Cash and investments with fiscal agents	3,000,000	-	-
<b>Total Assets</b>	<b>\$ 21,604,652</b>	<b>\$ 2,337,042</b>	<b>\$ 4,807,631</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 862,693	\$ 403,001	\$ 743
Accrued liabilities	2,183,835	-	-
Unearned revenues	409,903	327,184	-
Deposits payable	144,160	-	-
Due to other funds	6,210	2,416,607	-
Advances from other funds	-	-	-
Pollution remediation liability	150,000	-	-
<b>Total Liabilities</b>	<b>3,756,801</b>	<b>3,146,792</b>	<b>743</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	63,917	2,222,022	519,992
<b>Total Deferred Inflows of Resources</b>	<b>63,917</b>	<b>2,222,022</b>	<b>519,992</b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid costs	73,795	-	-
Notes and loans	19,910	-	-
<b>Restricted for:</b>			
Housing and community development	-	-	-
Public safety	-	-	-
Public works	-	-	-
Debt service	-	-	-
Low and moderate income housing	-	-	4,286,896
<b>Committed to:</b>			
Contingency	7,605,573	-	-
<b>Assigned to:</b>			
Encumbrances	1,456,722	-	-
Capital projects	-	-	-
Carryover assignments	441,715	-	-
Compensated absences	616,299	-	-
Petty cash	12,850	-	-
Future year's appropriations	11,670	-	-
CalPERS	6,841,751	-	-
Library collection	50,000	-	-
<b>Unassigned</b>	<b>653,649</b>	<b>(3,031,772)</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>17,783,934</b>	<b>(3,031,772)</b>	<b>4,286,896</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 21,604,652</b>	<b>\$ 2,337,042</b>	<b>\$ 4,807,631</b>

## CITY OF REDONDO BEACH

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Capital Projects Funds		
	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Pooled cash and investments	\$ 10,342,501	\$ 17,283,519	\$ 37,419,092
Receivables:			
Accounts	123,533	10,415	796,810
Taxes	-	52,203	5,029,691
Notes and loans	-	394,329	3,531,724
Accrued interest	-	30,047	195,381
Prepaid costs	-	-	73,795
Due from other governments	-	4,923,168	7,676,039
Due from other funds	-	6,210	2,796,921
Advances to other funds	-	-	860,066
Advances to Successor Agency	-	-	535,731
Restricted assets:			
Cash and investments with fiscal agents	-	1,669,732	4,669,732
<b>Total Assets</b>	<b>\$ 10,466,034</b>	<b>\$ 24,369,623</b>	<b>\$ 63,584,982</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 408,435	\$ 335,726	\$ 2,010,598
Accrued liabilities	-	-	2,183,835
Unearned revenues	-	-	737,087
Deposits payable	-	-	144,160
Due to other funds	-	518,308	2,941,125
Advances from other funds	-	860,066	860,066
Pollution remediation liability	-	-	150,000
<b>Total Liabilities</b>	<b>408,435</b>	<b>1,714,100</b>	<b>9,026,871</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	446,536	3,252,467
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>446,536</b>	<b>3,252,467</b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid costs	-	-	73,795
Notes and loans	-	-	19,910
<b>Restricted for:</b>			
Housing and community development	-	11,206,021	11,206,021
Public safety	-	790,635	790,635
Public works	-	1,652,559	1,652,559
Debt service	-	5,551,660	5,551,660
Low and moderate income housing	-	860,911	5,147,807
<b>Committed to:</b>			
Contingency	-	-	7,605,573
<b>Assigned to:</b>			
Encumbrances	-	-	1,456,722
Capital projects	10,057,599	2,152,347	12,209,946
Carryover assignments	-	-	441,715
Compensated absences	-	-	616,299
Petty cash	-	-	12,850
Future year's appropriations	-	-	11,670
CalPERS	-	-	6,841,751
Library collection	-	-	50,000
<b>Unassigned</b>	<b>-</b>	<b>(5,146)</b>	<b>(2,383,269)</b>
<b>Total Fund Balances</b>	<b>10,057,599</b>	<b>22,208,987</b>	<b>51,305,644</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 10,466,034</b>	<b>\$ 24,369,623</b>	<b>\$ 63,584,982</b>

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**CITY OF REDONDO BEACH**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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Fund balances of governmental funds		\$ 51,305,644
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		138,896,579
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (1,250,000)	
Net OPEB liability	(15,814,615)	
Net pension liability	(155,915,472)	
Compensated absences	<u>(3,014,802)</u>	(175,994,889)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(24,863)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		3,252,467
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Deferred outflows of resources - pension related items		33,929,573
Deferred inflows of resources - pension related items		(1,290,054)
Deferred outflows of resources - OPEB related items		2,760,674
Deferred inflows of resources - OPEB related items		<u>(2,816,757)</u>
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>3,368,471</u>
<b>Net Position of Governmental Activities</b>		<b><u>\$ 53,386,845</u></b>

## CITY OF REDONDO BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Special Revenue Funds	
		Other Intergovernmental Grants	Low-Mod Income Housing
<b>Revenues:</b>			
Taxes	\$ 67,115,547	\$ -	\$ -
Interdepartmental	8,170,297	-	-
Licenses and permits	1,801,502	-	-
Intergovernmental	52,230	886,045	-
Charges for services	7,795,165	-	50
Use of money and property	2,278,423	-	43,989
Fines and forfeitures	1,360,282	-	-
Miscellaneous	1,649,788	-	41,314
<b>Total Revenues</b>	<b>90,223,234</b>	<b>886,045</b>	<b>85,353</b>
<b>Expenditures:</b>			
Current:			
General government	9,920,879	-	-
Public safety	56,565,491	447,959	-
Housing and community development	3,909,355	-	6,602
Cultural and leisure services	11,590,846	7,958	-
Public works	6,701,108	75,675	-
Capital outlay	325,926	1,791,923	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<b>89,013,605</b>	<b>2,323,515</b>	<b>6,602</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,209,629	(1,437,470)	78,751
<b>Other Financing Sources (Uses):</b>			
Transfers in	197,465	2,442	-
Transfers out	(2,126,509)	-	-
<b>Total Other Financing Sources (Uses):</b>	<b>(1,929,044)</b>	<b>2,442</b>	<b>-</b>
Net Change in Fund Balances	(719,415)	(1,435,028)	78,751
Fund Balances, Beginning of Year, as previously reported	18,503,349	(1,453,532)	4,208,145
Restatements	-	(143,212)	-
Fund Balances, Beginning of Year, as restated	18,503,349	(1,596,744)	4,208,145
<b>Fund Balances, End of Year</b>	<b>\$ 17,783,934</b>	<b>\$ (3,031,772)</b>	<b>\$ 4,286,896</b>

## CITY OF REDONDO BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Capital Projects Funds Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 208,148	\$ -	\$ 67,323,695
Interdepartmental	-	-	8,170,297
Licenses and permits	-	-	1,801,502
Intergovernmental	-	11,636,153	12,574,428
Charges for services	279,667	1,657,618	9,732,500
Use of money and property	-	812,554	3,134,966
Fines and forfeitures	-	8,333	1,368,615
Miscellaneous	-	807,874	2,498,976
<b>Total Revenues</b>	<b>487,815</b>	<b>14,922,532</b>	<b>106,604,979</b>
<b>Expenditures:</b>			
Current:			
General government	-	-	9,920,879
Public safety	-	438,347	57,451,797
Housing and community development	-	6,240,820	10,156,777
Cultural and leisure services	-	-	11,598,804
Public works	144,614	4,095,091	11,016,488
Capital outlay	3,631,503	1,693,402	7,442,754
Debt service:			
Principal retirement	-	775,000	775,000
Interest and fiscal charges	-	89,856	89,856
<b>Total Expenditures</b>	<b>3,776,117</b>	<b>13,332,516</b>	<b>108,452,355</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,288,302)	1,590,016	(1,847,376)
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,000,000	1,126,509	2,326,416
Transfers out	(27,000)	(1,218,808)	(3,372,317)
<b>Total Other Financing Sources (Uses):</b>	<b>973,000</b>	<b>(92,299)</b>	<b>(1,045,901)</b>
Net Change in Fund Balances	(2,315,302)	1,497,717	(2,893,277)
Fund Balances, Beginning of Year, as previously reported	12,372,901	20,711,270	54,342,133
Restatements	-	-	(143,212)
Fund Balances, Beginning of Year, as restated	12,372,901	20,711,270	54,198,921
<b>Fund Balances, End of Year</b>	<b>\$ 10,057,599</b>	<b>\$ 22,208,987</b>	<b>\$ 51,305,644</b>

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CITY OF REDONDO BEACH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ (2,893,277)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 7,593,552	
Depreciation	(3,532,987)	
Loss on sale of assets	(43,487)	
Transfer to internal service fund	(44,406)	3,972,672

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments	775,000	
Amortization of bond premiums/discounts	22,784	797,784

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 15,414

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (207,313)

Governmental funds report all contributions in relation to the annual required contribution for pensions as expenditures, however, in the Statement of Activities, pension expense is actually determined and certain pension related adjustments are deferred to future periods. (13,014,860)

Governmental funds report all contributions in relation to the annual required contribution for OPEB as expenditures, however, in the Statement of Activities, OPEB expense is actually determined and certain pension related adjustments are deferred to future periods. (2,981,599)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 1,128,565

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 1,973,110

**Change in Net Position of Governmental Activities \$ (11,209,504)**

## CITY OF REDONDO BEACH

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste
<b>Assets:</b>				
Current:				
Cash and investments	\$ 16,221,020	\$ 5,697,377	\$ 16,331,466	\$ 2,256,128
Receivables:				
Accounts	369,482	205,917	30,920	117,670
Taxes	-	-	108,484	58,843
Notes and loans	21,508	-	-	-
Accrued interest	53,180	18,368	53,384	-
Due from other governments	-	-	-	60
Due from other funds	362,898	-	-	-
Restricted:				
Cash and investments	-	-	125,662	-
Cash with fiscal agent	-	-	120	-
<b>Total Current Assets</b>	<b>17,028,088</b>	<b>5,921,662</b>	<b>16,650,036</b>	<b>2,432,701</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	19,787,549	13,623,462	15,669,136	37,007
<b>Total Noncurrent Assets</b>	<b>19,787,549</b>	<b>13,623,462</b>	<b>15,669,136</b>	<b>37,007</b>
<b>Total Assets</b>	<b>36,815,637</b>	<b>19,545,124</b>	<b>32,319,172</b>	<b>2,469,708</b>
<b>Deferred Outflows of Resources:</b>				
Deferred charge on refunding	-	-	411,324	-
Deferred pension related items	1,821,834	943,790	548,423	230,879
Deferred OPEB related items	192,991	74,077	44,186	16,895
<b>Total Deferred Outflows of Resources</b>	<b>2,014,825</b>	<b>1,017,867</b>	<b>1,003,933</b>	<b>247,774</b>
<b>Liabilities:</b>				
Current:				
Accounts payable	353,822	427,203	868,805	486,685
Unearned revenues	-	-	-	52,804
Deposits payable	144,634	85,605	-	-
Due to other funds	-	-	-	-
Accrued compensated absences	42,656	22,386	30,099	6,778
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	369,492	-	280,000	-
<b>Total Current Liabilities</b>	<b>910,604</b>	<b>535,194</b>	<b>1,178,904</b>	<b>546,267</b>
Noncurrent:				
Accrued compensated absences	151,620	79,571	106,979	24,096
Accrued claims and judgments	-	-	-	-
Net pension liability	7,102,412	4,290,273	2,202,482	970,342
Net OPEB liability	1,105,553	424,354	253,123	96,782
Bonds, notes, and capital leases	660,298	-	6,380,094	-
<b>Total Noncurrent Liabilities</b>	<b>9,019,883</b>	<b>4,794,198</b>	<b>8,942,678</b>	<b>1,091,220</b>
<b>Total Liabilities</b>	<b>9,930,487</b>	<b>5,329,392</b>	<b>10,121,582</b>	<b>1,637,487</b>
<b>Deferred Inflows of Resources:</b>				
Deferred pension related items	59,843	30,429	5,454	2,403
Deferred OPEB related items	196,912	75,582	45,083	17,238
<b>Total Deferred Inflows of Resources</b>	<b>256,755</b>	<b>106,011</b>	<b>50,537</b>	<b>19,641</b>
<b>Net Position:</b>				
Net investment in capital assets	18,757,759	9,420,366	13,623,462	37,007
Unrestricted	9,885,461	5,707,222	9,527,524	1,023,347
<b>Total Net Position</b>	<b>\$ 28,643,220</b>	<b>\$ 15,127,588</b>	<b>\$ 23,150,986</b>	<b>\$ 1,060,354</b>

## CITY OF REDONDO BEACH

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Transit	Totals	
<b>Assets:</b>			
Current:			
Cash and investments	\$ -	\$ 40,505,991	\$ 25,699,658
Receivables:			
Accounts	27,055	751,044	84,672
Taxes	-	167,327	-
Notes and loans	-	21,508	-
Accrued interest	-	124,932	-
Due from other governments	53,058	53,118	-
Due from other funds	-	362,898	-
Restricted:			
Cash and investments	-	125,662	-
Cash with fiscal agent	-	120	-
<b>Total Current Assets</b>	<b>80,113</b>	<b>42,112,600</b>	<b>25,784,330</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	1,446,508	50,563,662	9,897,700
<b>Total Noncurrent Assets</b>	<b>1,446,508</b>	<b>50,563,662</b>	<b>9,897,700</b>
<b>Total Assets</b>	<b>1,526,621</b>	<b>92,676,262</b>	<b>35,682,030</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	-	411,324	-
Deferred pension related items	205,098	3,750,024	1,996,133
Deferred OPEB related items	12,022	340,171	148,155
<b>Total Deferred Outflows of Resources</b>	<b>217,120</b>	<b>4,501,519</b>	<b>2,144,288</b>
<b>Liabilities:</b>			
Current:			
Accounts payable	524,434	2,660,949	1,321,412
Unearned revenues	63,240	116,044	-
Deposits payable	-	230,239	-
Due to other funds	218,694	218,694	-
Accrued compensated absences	10,372	112,291	75,496
Accrued claims and judgments	-	-	1,604,154
Bonds, notes, and capital leases	-	649,492	28,902
<b>Total Current Liabilities</b>	<b>816,740</b>	<b>3,987,709</b>	<b>3,029,964</b>
Noncurrent:			
Accrued compensated absences	36,872	399,138	268,350
Accrued claims and judgments	-	-	21,762,810
Net pension liability	941,420	15,506,929	8,376,109
Net OPEB liability	68,865	1,948,677	848,708
Bonds, notes, and capital leases	-	7,040,392	-
<b>Total Noncurrent Liabilities</b>	<b>1,047,157</b>	<b>24,895,136</b>	<b>31,255,977</b>
<b>Total Liabilities</b>	<b>1,863,897</b>	<b>28,882,845</b>	<b>34,285,941</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	2,331	100,460	20,743
Deferred OPEB related items	12,265	347,080	151,163
<b>Total Deferred Inflows of Resources</b>	<b>14,596</b>	<b>447,540</b>	<b>171,906</b>
<b>Net Position:</b>			
Net investment in capital assets	1,446,508	43,285,102	9,868,798
Unrestricted	(1,581,260)	24,562,294	(6,500,327)
<b>Total Net Position</b>	<b>\$ (134,752)</b>	<b>\$ 67,847,396</b>	<b>\$ 3,368,471</b>

## CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste
<b>Operating Revenues:</b>				
Sales and service charges	\$ 1,194,685	\$ 2,355,002	\$ 5,575,855	\$ 3,836,976
Harbor rentals	5,370,934	2,912,562	-	-
Miscellaneous	4,392	9,100	259	267,799
<b>Total Operating Revenues</b>	<b>6,570,011</b>	<b>5,276,664</b>	<b>5,576,114</b>	<b>4,104,775</b>
<b>Operating Expenses:</b>				
Administration and general	745,407	584,120	167,457	61,784
Personnel services	4,045,599	525,999	1,919,024	599,345
Contractual services	504,998	453,656	495,634	2,950,371
Internal service charges	1,259,772	1,261,035	601,022	343,415
Depreciation expense	417,893	399,283	205,467	13,271
<b>Total Operating Expenses</b>	<b>6,973,669</b>	<b>3,224,093</b>	<b>3,388,604</b>	<b>3,968,186</b>
Operating Income (Loss)	(403,658)	2,052,571	2,187,510	136,589
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	-	-	-	36,257
Interest revenue	100,540	38,509	98,231	-
Interest expense	(62,252)	-	(278,989)	-
Gain (loss) on disposal of capital assets	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>38,288</b>	<b>38,509</b>	<b>(180,758)</b>	<b>36,257</b>
Income (Loss) Before Transfers	(365,370)	2,091,080	2,006,752	172,846
Transfers in	-	-	-	-
Transfers out	(90,745)	-	(19,000)	-
Changes in Net Position	(456,115)	2,091,080	1,987,752	172,846
<b>Net Position:</b>				
Beginning of Year, as previously reported	30,000,374	13,382,362	21,369,532	966,386
Restatements	(901,039)	(345,854)	(206,298)	(78,878)
Beginning of Fiscal Year, as restated	29,099,335	13,036,508	21,163,234	887,508
<b>End of Fiscal Year</b>	<b>\$ 28,643,220</b>	<b>\$ 15,127,588</b>	<b>\$ 23,150,986</b>	<b>\$ 1,060,354</b>

## CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Transit	Totals	
<b>Operating Revenues:</b>			
Sales and service charges	\$ 336,962	\$ 13,299,480	\$ 23,500,773
Harbor rentals	-	8,283,496	-
Miscellaneous	820	282,370	71,350
<b>Total Operating Revenues</b>	<b>337,782</b>	<b>21,865,346</b>	<b>23,572,123</b>
<b>Operating Expenses:</b>			
Administration and general	550,313	2,109,081	10,112,628
Personnel services	622,729	7,712,696	5,772,982
Contractual services	2,379,415	6,784,074	2,026,587
Internal service charges	205,845	3,671,089	2,157,471
Depreciation expense	85,706	1,121,620	1,504,744
<b>Total Operating Expenses</b>	<b>3,844,008</b>	<b>21,398,560</b>	<b>21,574,412</b>
Operating Income (Loss)	(3,506,226)	466,786	1,997,711
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	2,211,233	2,247,490	-
Interest revenue	-	237,280	-
Interest expense	-	(341,241)	-
Gain (loss) on disposal of capital assets	-	-	36,119
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,211,233</b>	<b>2,143,529</b>	<b>36,119</b>
Income (Loss) Before Transfers	(1,294,993)	2,610,315	2,033,830
Transfers in	1,216,366	1,216,366	-
Transfers out	-	(109,745)	(60,720)
Changes in Net Position	(78,627)	3,716,936	1,973,110
<b>Net Position:</b>			
Beginning of Year, as previously reported	-	65,718,654	2,087,068
Restatements	(56,125)	(1,588,194)	(691,707)
Beginning of Fiscal Year, as restated	(56,125)	64,130,460	1,395,361
<b>End of Fiscal Year</b>	<b>\$ (134,752)</b>	<b>\$ 67,847,396</b>	<b>\$ 3,368,471</b>

## CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 6,495,221	\$ 5,290,570	\$ 5,559,785	\$ 4,103,125
Cash paid to suppliers for goods and services	(1,318,734)	(1,581,444)	(366,295)	(3,063,573)
Cash paid to employees for services	(4,975,269)	(2,110,877)	(1,531,159)	(776,223)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>201,218</b>	<b>1,598,249</b>	<b>3,662,331</b>	<b>263,329</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	(90,745)	-	(19,000)	-
Cash transfers in	-	-	-	-
Repayment received from other funds	9,789	-	-	-
Payment made to other funds	-	-	-	-
Cash received from notes and loans receivable	21,165	-	-	-
Cash received from other governments	-	-	-	36,257
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(59,791)</b>	<b>-</b>	<b>(19,000)</b>	<b>36,257</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(677,300)	(1,930,019)	(3,910,156)	(17,444)
Principal paid on capital debt	(353,582)	-	(265,000)	-
Interest paid on capital debt	(62,252)	-	(279,537)	-
Proceeds from sale of capital assets	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,093,134)</b>	<b>(1,930,019)</b>	<b>(4,454,693)</b>	<b>(17,444)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	93,057	35,837	90,831	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>93,057</b>	<b>35,837</b>	<b>90,831</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(858,650)</b>	<b>(295,933)</b>	<b>(720,531)</b>	<b>282,142</b>
Cash and Cash Equivalents at Beginning of Year	17,079,670	5,993,310	17,177,779	1,973,986
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 16,221,020</b>	<b>\$ 5,697,377</b>	<b>\$ 16,457,248</b>	<b>\$ 2,256,128</b>

## CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (403,658)	\$ 2,052,571	\$ 2,187,510	\$ 136,589
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Restatement related to GASB 75	(901,039)	(345,854)	(206,298)	(78,878)
Depreciation	417,893	399,283	205,467	13,271
(Increase) decrease in accounts receivable	(81,500)	(12,094)	(4,184)	(1,918)
(Increase) decrease in taxes receivable	-	-	(12,145)	-
(Increase) decrease in deferred outflow pension related items	(431,152)	(329,733)	(44,066)	(51,552)
(Increase) decrease in deferred outflow OPEB related items	(192,991)	(74,077)	(44,186)	(16,895)
(Increase) decrease in prepaid expense	-	-	-	-
Increase (decrease) in accounts payable	85,890	293,013	644,695	195,215
Increase (decrease) in due from other governments	-	-	-	268
Increase (decrease) in deposits payable	6,710	26,000	-	-
Increase (decrease) in unearned revenue	-	-	-	-
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in net pension liability	480,972	(848,283)	631,064	(19,004)
Increase (decrease) in OPEB liability	1,105,553	424,354	253,123	96,782
Increase (decrease) in deferred inflow pension related items	(145,307)	(87,346)	(27,170)	(21,259)
Increase (decrease) in deferred inflow OPEB related items	196,912	75,582	45,083	17,238
Increase (decrease) in compensated absences	62,935	24,833	33,438	(6,528)
<b>Total Adjustments</b>	<b>604,876</b>	<b>(454,322)</b>	<b>1,474,821</b>	<b>126,740</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 201,218</b>	<b>\$ 1,598,249</b>	<b>\$ 3,662,331</b>	<b>\$ 263,329</b>

## CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Transit	Totals	
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 373,002	\$ 21,821,703	\$ 23,665,447
Cash paid to suppliers for goods and services	(2,986,584)	(9,316,630)	(11,940,715)
Cash paid to employees for services	(483,403)	(9,876,931)	(6,134,056)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(3,096,985)</b>	<b>2,628,142</b>	<b>5,590,676</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	-	(109,745)	(60,720)
Cash transfers in	1,216,366	1,216,366	-
Repayment received from other funds	-	9,789	-
Payment made to other funds	(247,539)	(247,539)	-
Cash received from notes and loans receivable	-	21,165	-
Cash received from other governments	2,211,233	2,247,490	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>3,180,060</b>	<b>3,137,526</b>	<b>(60,720)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(83,075)	(6,617,994)	(4,962,244)
Principal paid on capital debt	-	(618,582)	(224,363)
Interest paid on capital debt	-	(341,789)	(16,881)
Proceeds from sale of capital assets	-	-	43,639
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(83,075)</b>	<b>(7,578,365)</b>	<b>(5,159,849)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	-	219,725	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>219,725</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-</b>	<b>(1,592,972)</b>	<b>370,107</b>
Cash and Cash Equivalents at Beginning of Year	-	42,224,745	25,329,551
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ -</b>	<b>\$ 40,631,773</b>	<b>\$ 25,699,658</b>



## CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Transit	Totals	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (3,506,226)	\$ 466,786	\$ 1,997,711
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Restatement related to GASB 75	(56,125)	(1,588,194)	(691,707)
Depreciation	85,706	1,121,620	1,504,744
(Increase) decrease in accounts receivable	36,178	(63,518)	93,324
(Increase) decrease in taxes receivable	-	(12,145)	-
(Increase) decrease in deferred outflow pension related items	5,470	(851,033)	(391,818)
(Increase) decrease in deferred outflow OPEB related items	(12,022)	(340,171)	(148,155)
(Increase) decrease in prepaid expense	-	-	-
Increase (decrease) in accounts payable	80,124	1,298,937	64,315
Increase (decrease) in due from other governments	(9,375)	(9,107)	-
Increase (decrease) in deposits payable	-	32,710	-
Increase (decrease) in unearned revenue	8,417	8,417	-
Increase (decrease) in claims and judgments	-	-	1,150,045
Increase (decrease) in net pension liability	212,285	457,034	1,149,398
Increase (decrease) in OPEB liability	68,865	1,948,677	848,708
Increase (decrease) in deferred inflow pension related items	(14,018)	(295,100)	(117,627)
Increase (decrease) in deferred inflow OPEB related items	12,265	347,080	151,163
Increase (decrease) in compensated absences	(8,529)	106,149	(19,425)
<b>Total Adjustments</b>	<b>409,241</b>	<b>2,161,356</b>	<b>3,592,965</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (3,096,985)</b>	<b>\$ 2,628,142</b>	<b>\$ 5,590,676</b>

## CITY OF REDONDO BEACH

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2018

		Private-Purpose Trust Fund
	Agency Funds	Redevelopment Obligation Retirement Fund
<b>Assets:</b>		
Pooled cash and investments	\$ 309,372	\$ 915,772
Receivables:		
Accrued interest	-	150
Deposits	87,406	-
<b>Total Assets</b>	<b>\$ 396,778</b>	<b>\$ 915,922</b>
<b>Liabilities:</b>		
Accounts payable	\$ 218,766	-
Deposits payable	178,012	-
Long-term liabilities:		
Due in one year	-	519,000
Due in more than one year	-	18,407,786
Advances from City	-	535,731
<b>Total Liabilities</b>	<b>\$ 396,778</b>	<b>19,462,517</b>
<b>Net Position:</b>		
Held in trust for other purposes		(18,546,595)
<b>Total Net Position</b>		<b>\$ (18,546,595)</b>

## CITY OF REDONDO BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust Fund
	Redevelopment Obligation Retirement Fund
<b>Additions:</b>	
Charges for services	\$ 237,651
RPTTF distributions	1,142,457
Investment earnings	524
Miscellaneous	1,135
<b>Total Additions</b>	<b>1,381,767</b>
<b>Deductions:</b>	
Administrative expenses	250,000
Interest expense	463,953
<b>Total Deductions</b>	<b>713,953</b>
<b>Changes in Net Position</b>	<b>667,814</b>
Net Position - Beginning of the Year	(19,214,409)
<b>Net Position - End of the Year</b>	<b>\$ (18,546,595)</b>

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NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies**

The basic financial statements of the City of Redondo Beach, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**a. Financial Reporting Entity**

The City was incorporated on April 29, 1892, under the laws of the State of California and enjoys all the rights and privileges applicable to a Charter City. It is governed by an elected Mayor and a five-member council.

As required by GAAP, the financial statements present the City and its component units, entities for which the City is substantively the same governing body of the component unit's governing body and there is either a financial benefit or burden relationship between the City and the component units. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

The Parking Authority of the City of Redondo Beach (Parking Authority) was established on March 3, 1969, pursuant to the provisions of the Streets and Highway Code of the State of California. The principal purpose of the Parking Authority is to provide public off-street parking within the City. The Parking Authority serves all the citizens of the government and is governed by a board comprised of the government's elected council. The Parking Authority is considered a blended component unit due to the financial benefit or burden relationship the Parking Authority shares with the City as its financial transactions are reported in a Debt Service Fund. Separate financial statements are not prepared for this blended component unit.

The Redondo Beach Housing Authority (Housing Authority) was formed on June 2, 1975, for the purpose of providing affordable, decent housing for lower income residents of the City. The Housing Authority operates the Fair Housing and Section 8 housing programs. The Housing Authority serves all the citizens of the government and is governed by a board comprised of the government's elected council. The Housing Authority is considered a blended component unit due to the financial benefit or burden relationship the Housing Authority shares with the City as its financial transactions are reported in a Special Revenue Fund. Separate financial statements are not prepared for this blended component unit.

The Redondo Beach Public Financing Authority (Public Financing Authority), a joint powers authority, was formed on June 25, 1996, to provide financing for capital improvement projects. The Redevelopment Agency joined with the City to form the Public Financing Authority to operate rental property and issues bonds to provide funds for public capital improvements. The Public Financing Authority has the same governing board as the City, which also performs all accounting and administrative functions for the Public Financing Authority. The Public Financing Authority is considered a blended component unit due to the financial benefit or burden relationship the Public Financing Authority shares with the City as its financial transactions are reported in a Debt Service Fund. Separate financial statements are not prepared for this blended component unit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The Redondo Beach Community Financing Authority (Community Financing Authority), a joint powers authority was formed on January 31, 2012, to provide financing for capital improvement projects as the State's elimination of the Redevelopment Agency, which was a member of the Public Financing Authority, created the need for a new financing authority. The Parking Authority joined with the City to form the Community Financing Authority. The Community Financing Authority has the same governing board as the City, which also performs all accounting and administrative functions for the Community Financing Authority. The Community Financing Authority is considered a blended component unit due to the financial benefit or burden relationship the Community Financing Authority shares with the City as its financial transactions are combined with the Public Financing Authority and reported in a Debt Service Fund. The Community Financing Authority does not issue separate financial statements.

Financial information relating to the component units can be obtained from the City Clerk's Office or Financial Services Department located at City Hall.

**b. Basis of Accounting and Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, including capital assets (as well as infrastructure assets) and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses reported for specific functions.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

Certain eliminations have been made in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

*Governmental Fund Financial Statements*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The City has presented all major funds that have met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end), which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, franchise taxes, special assessments, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable or unearned revenue is removed and revenue is recognized.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The City reports the following major governmental funds:

- General Fund - The City's primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.
- Other Intergovernmental Grants Special Revenue Fund - To account for federal, state and other governmental agencies grant funding that supplements local funding.
- Low-Mod Income Housing Asset Special Revenue Fund - To account for all transferred housing assets of the dissolved Redevelopment Agency and funds generated from those housing assets.
- Capital Improvement Projects Capital Projects Fund - To account for capital improvements of the City.

*Proprietary Fund Financial Statements*

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following enterprise funds as major proprietary funds:

- Harbor Tidelands Fund - accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted under the City Tideland Trust Agreement with the State of California.
- Harbor Uplands Fund - accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is subject only to the decisions of the City Council.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

- Wastewater Fund - accounts for the capital facility charge and a sewer use fee. The charges are designed to reimburse the City's wastewater system for the capital and maintenance and operations costs necessary for providing wastewater capacity to system users. These charges are associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.
- Solid Waste Fund – accounts for the revenues and expenses related to the City's comprehensive solid waste program, which includes refuse collection, recycling and hazardous waste disposal.
- Transit Fund – accounts for public transportation programs and projects of the City.

*Fiduciary Fund Financial Statements*

The City maintains two fiduciary fund types. The first is a private-purpose trust fund which uses the economic resources measurement focus and the accrual basis of accounting. Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The second is an agency fund which has no measurement focus. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

**c. Cash, Cash Equivalents and Investments**

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, certain disclosure requirements, if applicable, are provided for deposit and investment risk in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

**d. Restricted Cash and Investments**

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt, for acquisition and construction of capital projects, or to serve as collateral for debt. Cash and investments are also restricted for deposits held for others within the enterprise funds.

**e. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**f. Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans)." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

**g. Capital Assets**

In the Government-Wide Financial Statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated.

City policy has set the capitalization threshold for reporting capital assets at the following:

General Capital Assets	\$ 5,000
Infrastructure Capital Assets	25,000
Buildings, Paring Structures and Parking Lots	100,000

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 1: Summary of Significant Accounting Policies (Continued)**

The City has chosen the Modified Approach for reporting of the Street Pavement Subsystem infrastructure assets, and as a result no depreciation is recorded for that system; instead, all expenditures made for these assets, except for additions and improvements, are expensed in the year incurred. For all other assets, depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	5-45
Equipment	5-20
Vehicles	4-20
Infrastructure	5-60

The City defines infrastructure as the physical assets that allow the City to function. These assets include:

- Streets system
- Site amenities such as parking and landscaped areas used by the City in the conduct of its business
- Underground utilities

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 financial statements; however, the City maintains detailed information on these subsystems.

In June 2018, a physical assessment 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 Condition Index (PCI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 100. A PCI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PCI 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.

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	70-100
Good	50-69
Poor	25-49
Very Poor	0-24

In line with the Capital Improvement Program and as presented to the City Council on December 17, 2002, City policy is to achieve an average PQI rating of 80 for all streets beginning in fiscal year 2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. For 2016, 2017 and 2018, the City's street system was rated at a PQI of 85 and a PCI of 70 and 68 on the average, respectively.

For a detailed description of the Modified Approach, see the Required Supplementary Information section of this report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

For all other infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting. As such, the City records the assets at historical cost and depreciates them over their useful lives, and regularly evaluates them for impairment. Expenditures that extend the life of the asset are capitalized.

Interest accrued during capital assets construction, if any, is capitalized for the governmental and proprietary funds as part of the asset cost.

In the fund financial statements, capital assets are not presented. Consequently, capital assets are a reconciling item and are shown in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.

**h. Interest Payable**

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, governmental fund types do not recognize interest payable, while proprietary fund types recognize the interest payable when the liability is incurred.

**i. Unearned/Unavailable Revenue**

In the financial statements, unearned revenue is recognized for transactions in which revenue has not yet been earned, and unavailable revenue is recognized for transactions in which revenue is measurable but not available. Typical transactions recorded as unearned revenues in the financial statements are prepaid charges for services, and grants received but not yet earned. Typical transactions recorded as unavailable revenues in the financial statements are long term loans receivable, and reimbursable grants that are not collected in the City's availability period.

**j. Compensated Absences Payable**

Only the short-term liability for compensated absences (the amount due to employees for future absences, such as vacation and compensatory time, which are attributable to services already rendered) is reported as a current liability in the governmental funds and only if they have matured, for example, as a result of employee resignations and retirements; the long-term liability is reported in the government-wide financial statements. The short-term liability is the amount that will be liquidated with current financial resources and is expected to be paid during the next fiscal year. All of the liability for compensated absences applicable to proprietary funds is reported in those funds.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Employees may accrue from two to three times their annual accrual rate. Upon termination an employee will be paid for any unused accrued vacation pay. Sick leave is payable when an employee is unable to work because of illness. Unused sick leave is forfeited upon termination.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**k. Claims and Judgments Payable**

The short-term and long-term claims are reported as liabilities in the Self-Insurance Program Internal Service Fund. The short-term liability which will be liquidated with *current financial resources* is the amount of the settlement reached, but unpaid, related to claims and judgments entered.

**l. Long-Term Debt**

*Government-Wide Financial Statements*

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Fund Financial Statements*

The fund financial statements do not present long-term debt. Consequently, long-term debt is a reconciling item and is shown in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount.

**m. Pension Plans**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**n. Net Position**

In the Government-Wide Financial Statements, net position is classified in the following categories:

*Net Investment in Capital Assets* - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

*Unrestricted Net Position* - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**o. Fund Balances**

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

*Nonspendable* - Nonspendable fund balances are items that are not expected to be converted to cash, such as prepaid items and inventories, or items that are required to be maintained intact, such as principal of an endowment or revolving loan funds.

*Restricted* - Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resources providers, such as grant providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

*Committed* - Committed fund balances include amounts that can be used only for the specific purposes when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

*Assigned* - Assigned fund balances comprise amounts intended to be used by the government for specific purposes, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

*Unassigned* - Unassigned fund balance is a residual (surplus) classification used for the General Fund only and includes amounts not contained in the other classifications. Unassigned amounts in the General Fund are technically available for any purpose. If a governmental fund, other than the General Fund, has a fund balance deficit, it will be reported as a negative amount in the unassigned classification in that fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**p. Spending Policy**

*Government-Wide Financial Statements and the Proprietary Fund Financial Statements*

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

*Governmental Fund Financial Statements*

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the City's policy is to apply in the following order, except for instances wherein an ordinance specifies the source:

- Restricted
- Committed
- Assigned
- Unassigned

**q. Property Taxes**

Under California law, property taxes are assessed and collected by the counties on up to 1% of assessed property value, plus other increases approved by the voters. Property taxes collected are pooled and then allocated to the cities based on complex formulas.

January 1	Lien Date
June 30	Ley Date
November 1 and February 1	Due Dates
December 10 and April 10	Collection Date

**r. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**s. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunding debt. Secondly, The City also has deferred outflows related to pensions, which arises only under a full accrual basis of accounting. Accordingly, this item (pension related items), is reported only in the government-wide statement of net position.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 1: Summary of Significant Accounting Policies (Continued)**

This includes pension contributions subsequent to the measurement date of the net pension liability and other amounts (see Note 12), which are amortized by an actuarial determined period. Thirdly, the City has deferred outflows related to Other Post-Employment Benefits (OPEB), which include contributions subsequent to the measurement date of the Total OPEB liability and other amounts.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Firstly, the City also has deferred inflows of resources related to pensions, which arises only under a full accrual basis of accounting. Accordingly, this item (pension related items), is reported only in the government-wide statement of net position. These amounts (see Note 12) are amortized by an actuarial determined period. Secondly, the City also has deferred inflows of resources related to OPEB, which arise only under a full accrual basis of accounting.

**t. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), the assets of which are held by California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARL) (8.2 years at June 30, 2017)



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 1: Summary of Significant Accounting Policies (Continued)****u. New Accounting Pronouncement – GASB 75**

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Statement establishes new accounting and financial reporting for OPEB provided to the employees of state and local governments. Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

GASB Statement No. 75 is effective for periods beginning after June 15, 2017 and was implemented by the City for the fiscal year ending June 30, 2018.

**Note 2: Stewardship, Compliance, and Accountability**

Excess of expenditures over appropriations in individual funds was as follows:

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Non-Major Funds:			
Disaster Recovery	\$ 17,060	\$ 328,562	\$ (311,502)
Deficit Fund Balance			

The following funds had a deficit balance as of June 30, 2018:

Major Funds:	
Other Intergovernmental Grants	\$ (3,031,772)
Non-Major Funds:	
Community Development Block Grant	(5,146)
Internal Service Funds:	
Building Occupancy	(1,030,154)
Information Technology	(220,988)
Self-Insurance Program	(11,759,500)
Enterprise Funds:	
Transit	(134,752)

The deficit fund balances are expected to be recovered through grant and other reimbursement revenues.

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**Note 3: Cash and Investments**

Cash and investments are presented on the Statement of Net Position as follows at June 30, 2018:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 63,118,750	\$ 40,505,991	\$ 103,624,741	\$ 1,225,144	\$ 104,849,885
Restricted cash and investments	-	125,662	125,662	-	125,662
Restricted cash and investments with fiscal agents	4,669,732	120	4,669,852	-	4,669,852
Total	<u>\$ 67,788,482</u>	<u>\$ 40,631,773</u>	<u>\$ 108,420,255</u>	<u>\$ 1,225,144</u>	<u>\$ 109,645,399</u>

Cash, cash equivalents, and investments consisted of the following at June 30, 2018:

Cash and cash equivalents:	
Petty cash	\$ 12,850
Demand deposits - City	10,168,203
Demand deposits - Successor Agency	<u>2,038,723</u>
Total cash and cash equivalents	<u>12,219,776</u>
Investments:	
Local Agency Investment Fund (LAIF) - City	7,159,283
Local Agency Investment Fund (LAIF) - Successor Agency	31,464
Negotiable certificates of deposit	1,705,162
Corporate Bonds	14,726,980
US Government Securities	15,742,120
Federal Agency Securities	44,275,420
Commercial Paper	8,989,680
Money Market	<u>125,662</u>
Total investments	<u>92,755,771</u>
Total cash and investments	<u>104,975,547</u>
Cash and investments with fiscal agents	<u>4,669,852</u>
Total	<u>\$ 109,645,399</u>

**a. Cash Deposits**

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 3: Cash and Investments (Continued)**

**b. Investments**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

- United States Treasury Bills, Notes and Bonds
- Obligations issued by the Federal Government
- Bankers' Acceptances with a maturity of 180 days or less
- Time Certificates of Deposits
- Negotiable Certificates of Deposit
- Commercial Paper with a maturity of 270 days or less
- Local Agency Investment Fund (LAIF) limited to \$65,000,000 by LAIF
- Medium-Term Notes (5 year maturity or more) of Domestic Corporations or Depository Institutions
- Mutual Funds
- Guaranteed Investment Contracts not to exceed \$5 million annually
- Certificate of Deposit Placement Services
- Collateralized Bank Deposits
- Supranationals

The City investment policy applies to all financial assets, investment activities and debt issues of the City (including funds which are invested by trustees appointed under debt trust indentures, with direction from the City Treasurer).

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2018, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/ or that have embedded forwards or options.

Asset-Backed Securities Generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2018, the City and the Successor Agency had \$7,190,747 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 3: Cash and Investments (Continued)**

**c. Deposit and Investment Risk**

*Credit Risk*

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "A" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2018, all MTN's were rated "A" or higher by Moody's. As of June 30, 2018, the City's Federal Agency investments were rated "Aaa" by Moody's and S&P. All securities were investment grade and were in accordance with State and City law. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed. As of June 30, 2018, the City's investments in external investment pools are unrated.

*Custodial Credit Risk*

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The carrying amounts of the City's cash deposits were \$12,206,926 at June 30, 2018. Bank balances at June 30, 2018, were \$12,569,526 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

*Concentration of Credit Risk*

The City's investment policy imposes restrictions on the maximum percentage it can invest in a single type of investment. Investments in Federal Agencies have the implied guarantee of the United States government. While all the City's investments are in compliance with the City's investment policy as of June 30, 2018, in accordance with GASB Statement No. 40, if a City has invested more than 5% of its total investments in any one issuer, they are exposed to concentration of credit risk. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**Note 3: Cash and Investments (Continued)**

The City has invested more than 5% of the total investment value with the following issuers:

		% of Total Investments
Federal Home Loan Bank	\$ 7,857,440	8%
Federal Farm Credit Bank	5,885,580	6%
Federal National Mortgage Association	15,709,680	17%
Federal Home Loan Mortgage Corporation	14,822,720	16%
	<u>\$ 44,275,420</u>	<u>47%</u>

**Interest Rate Risk**

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 50% of the City's portfolio shall mature in three years or less; and at least 25% in one year or less. The only exception to these maturity limits shall be the investment of the gross proceeds of tax exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2018, the City had the following investments and remaining maturities:

Investment Types	Investment Maturities				Fair Value
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	
External Investment Pools -	\$ 7,190,747	\$ -	\$ -	\$ -	\$ 7,190,747
Local Agency Investment Fund					
Negotiable certificate of deposits	-	734,349	970,814	-	1,705,163
US Treasury Notes	3,986,240	5,893,220	5,862,660	-	15,742,120
Federal Agencies					
Federal Farm Credit Bank	1,989,480	1,970,000	-	1,926,100	5,885,580
Federal Home Loan Bank	1,985,480	1,966,160	1,961,620	1,944,180	7,857,440
Federal Home Loan Mortgage Corporatic	1,990,960	5,914,380	5,853,100	1,951,240	15,709,680
Federal National Mortgage Association	6,977,960	3,947,040	1,962,240	1,935,480	14,822,720
Money Market	125,661	-	-	-	125,661
Commercial Paper	8,989,680	-	-	-	8,989,680
Corporate Bonds	4,985,910	3,947,200	-	5,793,870	14,726,980
Total Investments	<u>\$ 38,222,118</u>	<u>\$ 24,372,349</u>	<u>\$16,610,434</u>	<u>\$ 13,550,870</u>	<u>\$ 92,755,771</u>

**Fair Value Measurements**

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

**CITY OF REDONDO BEACH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

**Note 3: Cash and Investments (Continued)**

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2018.

Investments by Fair Value Level	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
US Treasury Notes	\$ 15,742,120	\$ 15,742,120	\$ -	\$ -
Federal Farm Credit Bank	5,885,580	-	5,885,580	-
Federal Home Loan Bank	7,857,440	-	7,857,440	-
Federal Home Loan Mortgage Corporation	15,709,680	-	15,709,680	-
Federal National Mortgage Association	14,822,720	-	14,822,720	-
Corporate Bonds	14,726,980	-	14,726,980	-
Commercial Paper	8,989,680	-	8,989,680	-
Money Market	125,661	-	125,661	-
Local Agency Investment Fund	7,190,747	-	7,190,747	-
Negotiable Certificates of Deposit	1,705,163	-	1,705,163	-
Total Investments by Fair Value Level	<u>\$ 92,755,771</u>	<u>\$ 15,742,120</u>	<u>\$ 77,013,651</u>	<u>\$ -</u>

**Note 4: Receivables**

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2018:

	Government-Wide Statement of Net Position		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Position	
Accounts receivable	\$ 881,482	\$ 751,044	\$ -	\$ 1,632,526
Accrued interest receivable	195,381	124,932	150	320,463
Taxes receivable	5,029,691	167,327	-	5,197,018
Notes and loans receivable	3,531,724	21,508	-	3,553,232
Total	<u>\$ 9,638,278</u>	<u>\$ 1,064,811</u>	<u>\$ 150</u>	<u>\$ 10,703,239</u>

**CITY OF REDONDO BEACH****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

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**Note 4: Receivables (Continued)**

At June 30, 2018, the Fund Financial Statements show the following receivables:

**a. Accounts Receivable**

Accounts receivable consisted of amounts accrued in separate funds in the ordinary course of operations. The total amount of accounts receivable for each major fund and non-major fund in the aggregate as of June 30, 2018, was as follows:

## Governmental Funds:

General Fund	\$ 662,862
Capital Improvement Projects	123,533
Non-Major Funds	10,415
Total Governmental Funds	<u>796,810</u>

## Proprietary Funds:

Harbor Tidelands - Enterprise Fund	369,482
Harbor Uplands - Enterprise Fund	205,917
Wastewater - Enterprise Fund	30,920
Solid Waste - Enterprise Fund	117,670
Transit - Enterprise Fund	27,055
Internal Service Funds	84,672
Total Proprietary Funds	<u>835,716</u>
Total	<u>\$ 1,632,526</u>

**b. Accrued Interest Receivable**

Interest receivable consists of interest from investments pooled by the City and is distributed among the funds according to their ending cash balances. The interest receivable as of June 30, 2018, was as follows:

## Governmental Funds:

General Fund	\$ 165,334
Non-Major Funds	30,047
Total Governmental Funds	<u>195,381</u>

## Proprietary Funds:

Harbor Tidelands - Enterprise Fund	53,180
Harbor Uplands - Enterprise Fund	18,368
Wastewater - Enterprise Fund	53,384
Total Proprietary Funds	<u>124,932</u>

## Fiduciary Funds:

Redevelopment Obligation Retirement Fund	150
Total Fiduciary Funds	<u>150</u>
Total	<u>\$ 320,463</u>

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

## Note 4: Receivables (Continued)

## c. Taxes Receivable

At June 30, 2018, the City had the following taxes receivable:

Type of Taxes	Governmental Funds		Proprietary Funds		Total
	General Fund	Non-Major Governmental Funds	Wastewater Fund	Solid Waste Fund	
Property Taxes	\$ 1,175,147	\$ 52,203	\$ 108,484	\$ 58,843	\$ 1,394,677
Sales Taxes	1,743,900	-	-	-	1,743,900
Transient Occupancy Taxes	836,886	-	-	-	836,886
Utility Users Taxes	565,480	-	-	-	565,480
Franchise Taxes	312,051	-	-	-	312,051
Transfer Taxes	209,252	-	-	-	209,252
Other	134,772	-	-	-	134,772
Total Taxes	<u>\$ 4,977,488</u>	<u>\$ 52,203</u>	<u>\$ 108,484</u>	<u>\$ 58,843</u>	<u>\$ 5,197,018</u>

## d. Loans Receivable

At June 30, 2018, the City had the following loans receivable:

	Governmental Funds			Proprietary Funds	Total
	General Fund	Low-Mod Income Housing	Non-Major Governmental Funds	Harbor Tidelands Fund	
Home Rehabilitation Loans	\$ -	\$ 519,992	\$ -	\$ -	\$ 519,992
Housing Assistance Loans	-	-	394,329	-	394,329
Senior Housing Program	-	2,597,493	-	-	2,597,493
Computer Loan Program	19,910	-	-	-	19,910
Harbor Area Business Loans	-	-	-	21,508	21,508
Total	<u>\$ 19,910</u>	<u>\$ 3,117,485</u>	<u>\$ 394,329</u>	<u>\$ 21,508</u>	<u>\$ 3,553,232</u>

Home Rehabilitation Loans

At June 30, 2018, the City was owed, in its Low and Moderate Income Housing Asset Special Revenue Fund, \$519,992 for various home rehabilitation loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the revenue related to these loans as deferred inflow of resources in the governmental funds. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 4: Receivables (Continued)**Housing Assistance Loans

At June 30, 2018, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$394,329 for various housing assistance loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the revenue related to these loans as deferred inflow of resources related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Senior Housing Program

On June 21, 1995, the Agency loaned \$2,200,000 to the Corporate Fund for Housing (a California non-profit public benefit corporation), the McCandless senior housing complex. The loan term is for 45 years and bears interest at 2% per annum. Any portion of the Agency loan remaining unpaid upon the 45th anniversary of completion shall be forgiven. Repayments will be made from residual receipts of the housing complex. The loan is secured by the Agency Deed of Trust. At June 30, 2018, the loan receivable included accrued interest of \$397,493.

Computer Loan Program

The City has a computer loan program for employees to purchase computers. The maximum loan amount per employee is \$1,500 with a repayment term maximum of two years. Repayments from the employees are made through payroll deductions. At June 30, 2018, the loan receivable balance was \$19,910.

Harbor Area Business Loan

At June 30, 2018, the City's Harbor Tidelands Enterprise Fund was owed \$21,508 for repairs made on behalf of two harbor area businesses subsequent to the storms of 1988. The terms of the twenty-eight year \$488,871 contract call for interest at 1.6% per annum. Principal and accrued interest are payable annually with \$21,508 outstanding at June 30, 2018.

**Note 5: Interfund Transactions****a. Government-Wide Financial Statements**

Internal Balances: At June 30, 2018, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable Business-Type Activities
Internal Balances Payable Governmental Activities	
	<u>\$ 144,204</u>

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

## Note 5: Interfund Transactions (Continued)

Transfers: The City had the following transfers as of June 30, 2018:

	Transfers In Governmental Activities
Transfers Out Business-Type Activities	\$ 1,106,621

## b. Fund Financial Statements

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2018:

	Due from Other Funds			
	General Fund	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	Total
Due to Other Funds				
General Fund	\$ -	\$ 6,210	\$ -	\$ 6,210
Other Intergovernmental Grants Fund	2,416,607	-	-	2,416,607
Non-Major Governmental Funds	155,410	-	362,898	518,308
Transit	218,694	-	-	218,694
Total	\$ 2,790,711	\$ 6,210	\$ 362,898	\$ 3,159,819

The \$2,416,607 due to other funds in the Other Intergovernmental Grants funds was to cover the negative cash balance.

The \$6,210 due to other funds in the General Fund was to repay the over-reimbursement of expenditures made on the Housing Authority's behalf.

Of the \$518,308 due to other funds in the Non-Major Governmental Funds, \$155,410 was to cover negative cash balances and \$362,898 was for Kincaid's Restaurant rental income in excess of the Public Financing Authority's obligations passed through to the Harbor Tidelands Fund.

The \$218,694 due to other funds in the Transit Enterprise Fund was to cover the negative cash balances.

Advances to/from Other Funds

The City had the following long-term advance to other funds as of June 30, 2018:

	Advances to Other Funds Public Financing Authority
Advances from Other Funds	
General Fund	\$ 860,066
Total	\$ 860,066

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**Note 5: Interfund Transactions (Continued)**

During the 2009-2010 fiscal year, the City made a loan to the Financing Authority for the internal refinancing of the remaining loan principal to repay First California Bank for the South Bay Bank loan. As of June 30, 2018, the amount owed on the loan was \$860,066. The City will continue to receive repayments on the advance during the fiscal year ending June 30, 2019 totaling 66,831 in principal repayments, followed by the remaining outstanding balance becoming due in the fiscal year ending June 30, 2020.

*Due From Other Governments*

During the previous fiscal years, the Financing Authority made loans to the Redevelopment Agency for various bonds. However, due to the dissolution of the Agency in fiscal year 2011-2012, the balance of the loans previously made to the redevelopment agency was transferred to the Successor Agency of the former redevelopment agency, pursuant to ABx1 26 and AB 1484. Therefore, the balance was moved in from an Advance to Other Funds to a Due from Other Governments in the Public Financing Authority Debt Service Fund. The Successor Agency's remaining balances as of June 30, 2018 was \$4,640,000.

*Transfers*

The City had the following transfers as of June 30, 2018:

Transfers Out	Transfers In					Total
	General Fund	Other Intergovernmental Grants	Capital Improvement Projects	Non-Major Governmental Funds	Enterprise Funds Transit	
General Fund	\$ -	\$ -	\$ 1,000,000	\$ 1,126,509	\$ -	\$ 2,126,509
Capital Improvement Projects	27,000	-	-	-	-	27,000
Enterprise Funds:						
Harbor Tidelands	90,745	-	-	-	-	90,745
Wastewater	19,000	-	-	-	-	19,000
Non-Major Governmental Funds	-	2,442	-	-	1,216,366	1,218,808
Internal Service Funds	60,720	-	-	-	-	60,720
Total	\$ 197,465	\$ 2,442	\$ 1,000,000	\$ 1,126,509	\$ 1,216,366	\$ 3,542,782

The \$90,745 transfer from Harbor Tidelands Enterprise Fund to the General Fund was for the property tax in lieu fee.

The \$27,000 transfer from the Capital Improvement Projects Fund to the General Fund was for tree pruning and replacement.

The \$19,000 transfer from the Wastewater Fund to the General Fund was for tree pruning and replacement.

The transfers from the General Fund to the Capital Improvements Fund of \$1,000,000 and to the Non-Major Governmental Funds of \$1,126,509 were for capital project funding and a street landscaping and lighting district subsidy, respectively.

\$1,216,366 was transferred from a Non-Major Governmental Fund to Transit Enterprise Fund for a transit subsidy.

The \$60,720 transfer from Internal Service Funds to the General Fund was to provide funding for the new Quality of Life Prosecutor position.

The \$2,442 transfer from the Non-Major Governmental Fund to the Other Intergovernmental Grants Fund was for the purchase of bulletproof vests.

**CITY OF REDONDO BEACH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

**Note 6: Capital Assets**

The City elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "Modified Approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded.

At June 30, 2018, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 16,522,947	\$ 11,323,255	\$ 27,846,202
Construction in progress	7,842,698	9,943,744	17,786,442
Infrastructure-streets	54,054,036	-	54,054,036
Total non-depreciable assets	78,419,681	21,266,999	99,686,680
Depreciable assets:			
Buildings and improvements	48,476,878	31,402,770	79,879,648
Furniture and equipment	10,106,830	779,704	10,886,534
Automotive equipment	19,615,073	3,432,698	23,047,771
Leased equipment	1,439,277	277,949	1,717,226
Infrastructure	86,736,754	27,285,800	114,022,554
Total depreciable assets	166,374,812	63,178,921	229,553,733
Less accumulated depreciation for:			
Buildings and improvements	22,810,144	18,573,842	41,383,986
Furniture and equipment	7,569,547	657,683	8,227,230
Automotive equipment	11,212,532	1,964,277	13,176,809
Leased equipment	999,444	189,932	1,189,376
Infrastructure	53,408,547	12,496,524	65,905,071
Total accumulated depreciation	96,000,214	33,882,258	129,882,472
Total depreciable assets, net	70,374,598	29,296,663	99,671,261
Total capital assets, net	\$ 148,794,279	\$ 50,563,662	\$ 199,357,941

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

## Note 6: Capital Assets (Continued)

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balance at June 30, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Non-depreciable assets:					
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	4,897,185	7,080,755	-	(4,135,242)	7,842,698
Infrastructure-streets	54,054,036	-	-	-	54,054,036
Total non-depreciable assets	75,474,168	7,080,755	-	(4,135,242)	78,419,681
Depreciable assets:					
Buildings and improvements	47,521,548	-	-	955,330	48,476,878
Furniture and equipment	8,219,540	2,103,821	(216,531)	-	10,106,830
Automotive equipment	17,063,963	3,343,695	(792,585)	-	19,615,073
Leased equipment	2,206,294	-	(767,017)	-	1,439,277
Infrastructure	83,556,842	-	-	3,179,912	86,736,754
Total depreciable assets	158,568,187	5,447,516	(1,776,133)	4,135,242	166,374,812
Less accumulated depreciation for:					
Buildings and improvements	21,628,311	1,181,833	-	-	22,810,144
Furniture and equipment	7,510,574	262,096	(203,123)	-	7,569,547
Automotive equipment	10,323,786	1,643,732	(754,986)	-	11,212,532
Leased equipment	1,531,431	235,030	(767,017)	-	999,444
Infrastructure	51,693,507	1,715,040	-	-	53,408,547
Total accumulated depreciation	92,687,609	5,037,731	(1,725,126)	-	96,000,214
Total depreciable assets, net	65,880,578	409,785	(51,007)	4,135,242	70,374,598
Governmental activities capital assets, net	\$ 141,354,746	\$ 7,490,540	\$ (51,007)	\$ -	\$ 148,794,279

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2018, as follows:

General Government:	
General Government	\$ 53,748
Public Safety	171,649
Public Works	2,499,729
Cultural and leisure services	805,315
Housing and community development	2,546
Internal Service Funds:	
Vehicle Replacement	1,123,803
Building Occupancy	4,410
Information Technology	279,995
Communications Equipment Replace	96,536
Total Depreciation Expense	\$ 5,037,731

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

## Note 6: Capital Assets (Continued)

The following is a summary of changes in the capital assets for business-type activities for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Non-depreciable assets:				
Land	\$ 11,323,255	\$ -	\$ -	\$ 11,323,255
Construction in progress	3,534,702	6,409,042	-	9,943,744
Total non-depreciable assets	14,857,957	6,409,042	-	21,266,999
Depreciable assets:				
Buildings and improvements	31,402,770	-	-	31,402,770
Furniture and equipment	671,271	108,433	-	779,704
Automotive equipment	3,744,884	100,519	(412,705)	3,432,698
Leased equipment	277,949	-	-	277,949
Infrastructure	27,285,800	-	-	27,285,800
Total depreciable assets	63,382,674	208,952	(412,705)	63,178,921
Less accumulated depreciation for:				
Buildings and improvements	17,907,107	666,735	-	18,573,842
Furniture and equipment	652,433	5,250	-	657,683
Automotive equipment	2,279,434	97,548	(412,705)	1,964,277
Leased equipment	189,932	-	-	189,932
Infrastructure	12,144,437	352,087	-	12,496,524
Total accumulated depreciation	33,173,343	1,121,620	(412,705)	33,882,258
Total depreciable assets, net	30,209,331	(912,668)	-	29,296,663
Business-type activities capital assets, net	\$ 45,067,288	\$ 5,496,374	\$ -	\$ 50,563,662

Depreciation expense for business-type activities for the fiscal year ended June 30, 2018, was charged as follows:

Harbor Tidelands	\$ 417,893
Harbor Uplands	399,283
Wastewater	205,467
Solid Waste	13,271
Transit	85,706
Total depreciation expense	<u>\$ 1,121,620</u>

In the governmental fund financial statements, capital assets are not presented. Consequently, capital assets are a reconciling item and are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**Note 7: Compensated Absences Payable**

The following is a summary of compensated absences payable transactions for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Compensated absences payable	\$ 3,170,760	\$ 3,012,598	\$ (2,824,710)	\$ 3,358,648	\$ 737,450
Business-Type Activities:					
Compensated absences payable	405,280	624,651	(518,502)	511,429	112,291
Total	<u>\$ 3,576,040</u>	<u>\$ 3,637,249</u>	<u>\$ (3,343,212)</u>	<u>\$ 3,870,077</u>	<u>\$ 849,741</u>

The long-term portion of compensated absences payable has been accrued for the Governmental Activities on the Government-Wide Financial Statement. Also, compensated absences are generally liquidated by the General Fund. There is no fixed payment schedule to pay these liabilities.

**Note 8: Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
PFA 2008 Refunding Revenue Bonds	\$ 2,025,000	\$ -	\$ (775,000)	\$ 1,250,000	\$ 805,000
Unamortized bond premium	22,784	-	(22,784)	-	-
Claims and judgements	22,216,919	8,481,265	(7,331,220)	23,366,964	1,604,154
Compensated absences	3,170,760	3,012,598	(2,824,710)	3,358,648	737,450
Capital Leases	253,265	-	(224,363)	28,902	28,902
Total governmental activities	<u>\$ 27,688,728</u>	<u>\$ 11,493,863</u>	<u>\$ (11,178,077)</u>	<u>\$ 28,004,514</u>	<u>\$ 3,175,506</u>
Business-type Activities:					
Wastewater Revenue Refunding 2014, Series A Unarmortized bond premium	\$ 6,505,000	\$ -	\$ (265,000)	\$ 6,240,000	\$ 280,000
Boating and Waterways	446,350	-	(26,256)	420,094	-
Construction Loan 88-21-84	355,408	-	(113,300)	242,108	118,398
Boating and Waterways	1,027,964	-	(240,282)	787,682	251,094
Construction Loan 89-21-147	405,280	624,651	(518,502)	511,429	112,291
Compensated absences	<u>405,280</u>	<u>624,651</u>	<u>(518,502)</u>	<u>511,429</u>	<u>112,291</u>
Total business-type activities	<u>\$ 8,740,002</u>	<u>\$ 624,651</u>	<u>\$ (1,163,340)</u>	<u>\$ 8,201,313</u>	<u>\$ 761,783</u>

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**Note 8: Long-Term Debt (Continued)**

The following amount was reported as deferred outflows of resources at the end of June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Deferred outflows of resources				
Deferred loss on refunding	\$ 437,032	\$ -	\$ (25,708)	\$ 411,324

*Public Financing Authority 2008 Refunding Revenue Bonds*

The Financing Authority issued refunding revenue bonds dated January 2008, totaling \$7,645,000. The proceeds of the bonds were used to refund the Financing Authority's 1996 Revenue Bonds and pay the costs of issuance of the bonds. As of June 30, 2018, the balance outstanding \$1,250,000.

The Bonds shall bear interest at rates between 3.00% and 4.00% and interest is payable on each January 1 and July 1, commencing July 1, 2008. The bonds are payable from a pledge of revenues consisting primarily of payments to be made by the City of Redondo Beach under a lease agreement. Principal is due annually beginning on July 1, 2008, in amounts ranging from \$385,000 to \$805,000. The bonds mature on July 1, 2019. The bonds are subject to optional and mandatory early redemption provisions.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2018, including interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 805,000	\$ 33,900	\$ 838,900
2020	445,000	8,900	453,900
Total	<u>\$ 1,250,000</u>	<u>\$ 42,800</u>	<u>\$ 1,292,800</u>

*Capital Leases*

The City has entered into various lease purchase agreements for equipment. These leases have been classified as capital leases. The related assets have been capitalized in the government-wide financial statements at the initial present value of the lease payments. The balance outstanding at June 30, 2018, was \$28,902 in governmental activities.

The total leased assets by major asset class consisted of the following:

	June 30, 2018
Equipment under capitalized lease, at cost	\$ 1,713,918
Accumulated depreciation	<u>(1,189,376)</u>
Equipment under capitalized lease, net	<u>\$ 524,542</u>



## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**Note 8: Long-Term Debt (Continued)**

The annual debt service requirements outstanding at June 30, 2018, were as follows:

Governmental activities:

Year Ending June 30	Principal	Interest
2019	\$ 28,902	\$ 1,407
Total	<u>\$ 28,902</u>	<u>\$ 1,407</u>

Wastewater Revenue Bonds 2014, Series A

On March 25, 2014, the City issued \$7,230,000 of Wastewater Revenue Refunding Bonds for the purpose of refunding \$7,230,000 of then-outstanding 2004 Wastewater Revenue Refunding Bonds. The purpose of the bonds was to finance certain improvements and related facilities that constitute part of the Wastewater Enterprise Fund. The serial bonds in the amount of \$4,795,000 mature through May 1, 2029, and bear a variable interest rate ranging from 3% to 5% per annum. Term bonds in the amount of \$2,435,000 mature through May 1, 2034, and bear interest at the rate of 4%. The serial bonds maturing on or after May 1, 2015, are subject to optional redemption provisions. The term bonds are subject to optional and mandatory redemption provisions. The bonds are payable solely from and secured by a pledge of and lien upon the net revenues of the Wastewater Enterprise Fund. As of June 30, 2018, the balance outstanding was \$6,240,000, with an unamortized bond premium of \$420,094.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2018, including interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 280,000	\$ 268,938	\$ 548,938
2020	290,000	257,738	547,738
2021	300,000	246,138	546,138
2022	310,000	234,138	544,138
2023	325,000	221,738	546,738
2024-2028	1,870,000	855,850	2,725,850
2029-2033	2,340,000	397,500	2,737,500
2034	525,000	21,000	546,000
Total	<u>\$ 6,240,000</u>	<u>\$ 2,503,040</u>	<u>\$ 8,743,040</u>

The following is a summary of the 2014 Revenue Bond Series A unamortized premium outstanding at June 30, 2018:

Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<u>\$ 446,350</u>	<u>\$ -</u>	<u>\$ (26,256)</u>	<u>\$ 420,094</u>

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

## Note 8: Long-Term Debt (Continued)

Boating and Waterways Construction Loan 88-21-84

On July 25, 1988, the City entered into a \$2,000,000 loan agreement with the California Department of Boating and Waterways (Contract No. 88-21-84). Proceeds of the loan were used to finance harbor dredging, storm recovery repairs and hazard-mitigation projects. The loan bears interest at 4.5%. As of June 30, 2018, the balance outstanding was \$242,108.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 118,398	\$ 10,895	\$ 129,293
2020	123,710	5,567	129,277
Total	<u>\$ 242,108</u>	<u>\$ 16,462</u>	<u>\$ 258,570</u>

Boating and Waterways Construction Loan 89-21-147

In 1989, the City entered into a \$4,500,000 construction loan agreement with the California Department of Boating and Waterways (Contract No. 89-21-147) at an interest rate of 4.5%. Proceeds of the loan were used to finance the City's cost-sharing obligations in connection with the Federal breakwater improvement program, storm repairs and hazard-mitigation projects. As of June 30, 2018, the balance outstanding was \$787,682.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 251,094	\$ 35,446	\$ 286,540
2020	262,394	24,146	286,540
2021	274,194	12,339	286,533
Total	<u>\$ 787,682</u>	<u>\$ 71,931</u>	<u>\$ 859,613</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 9: Non-City Obligations**

The following bond issues are not reported in the City's financial statements because these are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Agency, the State of California or any political subdivision thereof, is pledged for payment of these bonds.

	Original Amount	Outstanding June 30, 2018
A. Multifamily Housing Revenue Bonds /Notes Heritage Pointe Project Series 2004A	\$ 11,390,000	\$ 10,890,000
B. Multifamily Housing Revenue Refunding Bonds / SEASONS at Redondo Beach Series 2008A	\$ 6,425,000	\$ 448,622

**Note 10: Operating Lease Income**

**Harbor Tidelands and Uplands Enterprise Operating Leases**

The Harbor Tidelands and Harbor Uplands Enterprise Funds were created to provide small boat harbor facilities to the general public. The Harbor Tidelands and Harbor Uplands Enterprise Funds operate as landlords, assigning or leasing facilities and land area. Principal sources of income are from rental of land and facilities.

A major portion of the operating revenue of the Harbor Tidelands and Uplands Enterprise Funds arise from long-term leases of land, pier space, waterways and other facilities which require the lessees to make substantial investments in leasehold improvements. These leases are accounted for as operating leases.

The total cost of the assets leased was \$10,406,895, less accumulated depreciation of \$1,132,867. The balance as of June 30, 2018 was \$9,274,028.

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 10: Operating Lease Income (Continued)**

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2018:

Year Ending June 30	Minimum Future Lease Rentals
2019	\$ 7,677,647
2020	7,216,298
2021	2,186,237
2022	7,162,581
2023	7,163,728
2024-2028	32,708,827
2029-2033	17,154,121
2034-2038	9,281,546
2039-2043	9,060,535
2044-2048	9,060,535
2049-2053	9,060,535
2054-2058	9,060,535
2059-2063	7,432,697
2064-2068	2,244,300
2069	204,000
Totals	<u>\$ 136,674,122</u>

The above accounts do not include lease rental income based on a percentage of lessee's gross revenues that may be received under the leases.

**Note 11: Risk Management**

The City is exposed to risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; and currently reports all of its risk management activities in its Self-Insurance Program Internal Service Fund.

The City has adopted a self-insurance workers' compensation program, which is administered by a third-party agent, AdminSure. The self-insurance coverage for each claim is limited to \$750,000. Excess coverage of up to \$50,000,000 for each claim is provided by the California State Association of Counties – Excess Insurance Authority (CSAC-EIA), an insurance pool, in which a consortium of counties and cities has agreed to share risks and losses. As of June 30, 2018, the estimated claims payable for workers' compensation was \$17,573,151, which included claims incurred but not reported (IBNR). The current year's portion of the claims was \$970,599.

For general liability claims, the City is also self-insured up to \$500,000 for each occurrence. The self-insurance program is administered by a third-party agent, AdminSure. Each claim in excess of the self-insured retention of up to \$30,000,000 is covered by the CSAC-EIA.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 11: Risk Management (Continued)**

As of June 30, 2018, the estimated claims payable for general liability was \$5,793,813, which included IBNR. The current year's portion was \$633,555. Governmental activities claims and judgments are generally liquidated by the General Fund.

	Liability on June 30, 2018
General Liability	\$ 5,793,813
Workers' Compensation	17,573,151
Total	<u>\$ 23,366,964</u>

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's coverage during the year.

The estimated claims payable for workers' compensation and general liability is based on estimates provided by the third-party administrator, the City Attorney, the Risk Management staff, and the City's actuary.

Changes in the reported liability resulted from the following:

Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
\$ 22,216,919	\$ 8,481,265	\$ (7,331,220)	\$ 23,366,964	\$ 1,604,154

**Note 12: Employee Retirement Plans****a. Pension Plans*****Plan Description***

The Plans are agent, multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**
**Note 12: Employee Retirement Plans (Continued)**

	Miscellaneous		
	Tier 1	Tier 2	Tier 3
		On or after May 1, 2012 and before January 1, 2013	On or after January 1, 2013
Hire date	Prior to May 1, 2012		
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.092%-2.418%	1.0%-2.5%
Required employee contribution rates	7.00%	7.00%	6.50%
Required employer contribution rates.	22.424%	22.424%	22.424%

	Safety		
	Tier 1	Tier 2	Tier 3
		On or after May 1, 2012 and before January 1, 2013	On or after January 1, 2013
Hire date	Prior to May 1, 2012		
Benefit formula	Police - 3% @ 50 Fire - 3% @ 55	Police & Fire 3% @ 55	Police & Fire 2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.4-3%	2.4-3%	2%-2.7%
Required employee contribution rates	9.00%	9.00%	11.25%
Required employer contribution rates	56.890%	56.890%	56.890%

As of the valuation date of June 30, 2016, the following employees were covered by the benefit terms of the Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	443	292
Inactive employees entitled to but not yet receiving benefits	372	45
Active employees	310	138
Total	1,125	475

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the employer contributions recognized as a reduction to the net position liability for all the Plans was \$12,450,011.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 12: Employee Retirement Plans (Continued)*****Net Pension Liability***

The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases (1)	3.30% to 14.20%	3.30% to 10.90%
Mortality Rate Table (2)	Derived using CALPERS' membership data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies	

(1) Annual increases vary by category, entry age, and duration of service

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at [www.capers.ca.gov](http://www.capers.ca.gov).

***Changes of Assumptions***

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 12: Employee Retirement Plans (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by CalPERS effective on July 1, 2016.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1-10*</b>	<b>Real Return Years 11+**</b>
Global Equity	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

\* An expected inflation of 2.5% used for this period.

\*\*An expected inflation of 3.0% used for this period.



## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

## Note 12: Employee Retirement Plans (Continued)

*Changes in the Net Pension Liability*

The following table shows the changes in net pension liability recognized over the measurement period for the City Miscellaneous Plan.

Miscellaneous Plan	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2016 (VD) <sup>1</sup>	<u>\$ 185,126,461</u>	<u>\$ 136,059,841</u>	<u>\$ 49,066,620</u>
Changes Recognized for the Measurement Period:			
Service Cost	3,296,064	-	3,296,064
Interest on the Total Pension Liability	13,844,417	-	13,844,417
Differences between Expected and Actual Experience	808,043	-	808,043
Changes of Assumptions	11,132,579	-	11,132,579
Contributions from the Employer	-	4,018,170	(4,018,170)
Contributions from the Employees	-	1,404,270	(1,404,270)
Net Investment Income	-	14,967,632	(14,967,632)
Benefit Payments, including Refunds of Employee Contributions	(10,173,782)	(10,173,782)	-
Administrative Expense	-	(200,883)	200,883
Net Changes during 2016-2017	<u>18,907,321</u>	<u>10,015,407</u>	<u>8,891,914</u>
Balance at: 6/30/2017 (MD) <sup>1</sup>	<u>\$ 204,033,782</u>	<u>\$ 146,075,248</u>	<u>\$ 57,958,534</u>

## CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

## Note 12: Employee Retirement Plans (Continued)

The following table shows the changes in net pension liability recognized over the measurement period for the City Safety Plan.

Safety Plan	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2016 (VD) <sup>1</sup>	\$ 323,066,145	\$ 215,376,264	\$ 107,689,881
Changes Recognized for the Measurement Period:			
Service Cost	5,065,945	-	5,065,945
Interest on the Total Pension Liability	23,940,703	-	23,940,703
Differences between Expected and Actual Experience	(493,558)	-	(493,558)
Changes of Assumptions	19,087,843	-	19,087,843
Contributions from the Employer	-	8,431,955	(8,431,955)
Contributions from the Employees	-	1,592,490	(1,592,490)
Net Investment Income	-	23,744,382	(23,744,382)
Benefit Payments, including Refunds of Employee Contributions	(18,716,805)	(18,716,805)	-
Administrative Expense	-	(317,989)	317,989
Net Changes during 2016-2017	28,884,128	14,734,033	14,150,095
Balance at: 6/30/2017 (MD) <sup>1</sup>	\$ 351,950,273	\$ 230,110,297	\$ 121,839,976

Valuation Date (VD), Measurement Date (MD).

<sup>1</sup> The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. As described in the previous section of this note, this may differ from the plan assets reported in the funding actuarial valuation report.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Net Pension Liability	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan	\$ 84,568,943	\$ 57,958,534	\$ 35,920,221
Safety Plan	167,399,903	121,839,976	84,289,229
	\$ 251,968,846	\$ 179,798,510	\$ 120,209,450

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**
**Note 12: Employee Retirement Plans (Continued)*****Pension Plan Fiduciary Net Position***

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

For the measurement period ending June 30, 2017 (the measurement date), the City incurred a pension expense of \$26,675,554 for all Plans.

As of June 30, 2018, the following were the reported deferred outflows of resources and deferred inflows of resources related to all pension plans:

	<b>Miscellaneous</b>		<b>Safety</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Current year contributions that occurred after the measurement date of June 30, 2017	\$ 4,399,141	\$ -	\$ 9,310,585	\$ -
Change of Assumption	6,850,818	-	13,303,648	(620,766)
Difference between Expected and Actual Experience	497,257	(143,527)	100,531	(646,964)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,001,696	-	3,212,054	-
	<u>\$ 13,748,912</u>	<u>\$ (143,527)</u>	<u>\$ 25,926,818</u>	<u>\$ (1,267,730)</u>

Contributions subsequent to the measurement date in the amount of \$13,709,726 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<b>Miscellaneous</b>	<b>Safety</b>
<b>Measurement Period ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2018	\$ 4,349,067	\$ 4,679,767
2019	5,094,775	9,341,112
2020	851,859	3,065,214
2021	(1,089,457)	(1,737,590)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 12: Employee Retirement Plans (Continued)****b. Other Post-Employment Benefits**

*Plan Description and Eligibility.* In addition to the pension benefits described above, the City provides certain health insurance benefits, in accordance with memorandums of understanding, to retired employees through the California Employers' Retiree Benefit Trust (CERBT) Fund, which is an agent multiple-employer plan administered by CalPERS. The City provides medical insurance for employees in accordance with agreements reached with various bargaining groups. The City shall pay the single retiree medical premium rate, for qualified retirees, for a medical insurance plan in which the retiree is enrolled from among those medical plans provided by the City. These contributions of the City for such medical premiums shall cease on the date the retiree becomes eligible to enroll in the Federal Medicare program and/or any Medicare supplemental plans. Membership of the plan consisted of the following at June 30, 2018.

	Number of Employees
Active Employees	404
Inactives currently receiving benefits	169
Inactives entitled to but not yet receiving benefits	292
Total	865

*Contributions.* The required contribution of the City is based on a percentage of PERSable payroll. For the measurement date ended June 30, 2017 the City's cash contributions were \$1,428,000.

*Net OPEB Liability.* The City's net OPEB Liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2018 based on the following actuarial methods and assumptions:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	19-year average period for 2017/18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2019 decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-17 for post-retirement mortality

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**
**Note 12: Employee Retirement Plans (Continued)***Expected Long Term Rate of Return.*

<u>Asset Class Component</u>	<u>Target Allocation CERBT - Strategy 1</u>	<u>Expected Real Rate of Return</u>
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
(1) Assumed Long-Term Rate of Inflation		2.75%
(2) Expected Long-Term Net Rate of Return, rounded to the nearest quarter percent		6.75%

The long-term expected real rates of return are presented as geometric means.

*Discount Rate.* The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Changes in the OPEB Liability.*

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (c) = (a) - (b)</u>
Balance at June 30, 2017 (valuation date June 30, 2016)	\$ 21,415,000	\$ 4,818,000	\$ 16,597,000
Changes recognized for the measurement period:			
Service cost	560,000	-	560,000
Interest	1,521,000	-	1,521,000
Benefit changes	2,593,000	-	2,593,000
Actual vs. expected experience	(3,502,000)	-	(3,502,000)
Assumption changes	2,900,000	-	2,900,000
Contributions - employer	-	1,428,000	(1,428,000)
Net investment income	-	632,000	(632,000)
Benefit payments	(2,002,000)	(2,002,000)	-
Administrative expenses	-	(3,000)	3,000
Net changes	<u>2,070,000</u>	<u>55,000</u>	<u>2,015,000</u>
Balance at June 30, 2018 (measurement date June 30, 2017)	<u>\$ 23,485,000</u>	<u>\$ 4,873,000</u>	<u>\$ 18,612,000</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**
**Note 12: Employee Retirement Plans (Continued)**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.* The following presents the net OPEB liability of the City if it were calculated using discount rate that is one percentage point lower or one percentage point higher than the current rate for the measurement period ended June 30, 2017.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 20,811,000	\$ 18,612,000	\$ 16,694,000

*Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability of the City if it were calculated using health care cost-trend rates that are one percentage point lower or one percentage point higher than the current rate for the measurement period ended June 30, 2017.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 16,527,000	\$ 18,612,000	\$ 21,062,000

*OPEB Plan Fiduciary Net Position.* CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB* For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$2,981,599. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 705,000	\$ -
Differences between expected and actual experience	-	(3,072,000)
Changes of assumptions	2,544,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	(243,000)
Total	<u>\$ 3,249,000</u>	<u>\$ (3,315,000)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**


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**Note 12: Employee Retirement Plans (Continued)**

The \$705,000 reported as deferred outflows of resources related to contributions subsequent to measurement date will be recognized as a reduction to net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30	Deferred Outflow / (Inflows) of Resources
2019	\$ (135,000)
2020	(135,000)
2021	(135,000)
2022	(134,000)
2023	(74,000)
Thereafter	(158,000)
	<u>\$ (771,000)</u>

**Note 13: Commitments and Contingencies****a. Lawsuits**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

**b. Federal and State Grant Programs**

The City participates in Federal and State grant programs. These programs are subject to audit. No cost disallowance is expected as a result of any audits. Expenditures which may be disallowed, if any, by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**c. Commitments**

As of June 30, 2018, in the opinion of City management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the City.

**d. Contingencies**

The City Council approved an Asset Management Plan for the Waterfront on December 18, 2007, and the Harbor Enterprise Business Plan on August 24, 2010. These documents, serve as the blueprint for the City's waterfront revitalization efforts. One of the central strategies in the Asset Management Plan is the consolidation of underutilized pier area leaseholds into larger, single leasehold to promote the highest and best use of these properties through the installation of needed public infrastructure and new private sector investment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 13: Commitments and Contingencies (Continued)**

In March 2012, the City entered into an agreement for the Pier Plaza Leasehold and financing from Compass Bank is in the form of a Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a semi-annual payment of interest and principal from the City over fifteen years (leaseback), much like a traditional loan. The purchase price for the leasehold was \$7,898,000. The total amount financed was \$8.3 million, which was greater than the acquisition price to cover transaction costs and an allowance for capital improvements. The property being leased for this transaction is the top surface of the Pier Parking structure that underlies Pier Plaza. The money is provided at an interest rate which is fixed at 4.23% for seven years after which time the rate is variable. The seven year fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate 4.23% in exchange for the certainty of the fixed rate for the seven year term. The underlying variable interest rate is based on the 30 day LIBOR with a spread of 225 basis points, and a 3.5% floor.

In May 2012, the City entered into an agreement for the International Boardwalk Leasehold and received financing with Compass Bank in the form of a Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a semi-annual payment of interest and principal from the City over fifteen years (leaseback), much like a traditional loan. The property being leased for this transaction is the Pier Parking structure that sits south of the International Boardwalk. The Letter Agreement for Purchase document covers the broader terms of the transaction. The purchase price for the leasehold was \$2,585,000. The total amount financed was \$2.7 million, which was greater than the acquisition price to cover transaction costs and an allowance for capital improvements. The money is provided at an interest rate which is fixed at 4.04% for seven years after which time the rate is variable. The seven year fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate (4.04%) in exchange for the certainty of the fixed rate for the seven year term. The SWAP agreement is laid out in more detail in the ISDA Master Agreement and Schedule to the ISDA Master Agreement. The underlying variable interest rate is based on the 30 day LIBOR with a spread of 225 basis points, and a 3.5% floor.

In May 2014, the City entered into an agreement for the Redondo Beach Marina Leasehold and received financing with Compass Bank in the form of Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a semi-annual payment of interest and principal from the City over thirteen years (leaseback), much like a traditional loan. The property being leased for this transaction is known as the Redondo Beach Marina, a parcel adjacent to the Pier and King Harbor in the City's Waterfront comprised of approximately 7.09 acres land and 6.22 acres of water area. The purchase price for the leasehold was \$12.2 million. The total amount financed was \$12.5 million, which was greater than the acquisition price to cover transaction costs and an allowance for capital improvements.

The money is provided at an interest rate which is fixed at 4.1 % for five years after which time the rate is variable. The fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate (4.1 %) in exchange for the certainty of the fixed rate for the term. The SWAP agreement is laid out in more detail in the ISDA Master Agreement and Schedule to the ISDA Master Agreement. The underlying variable interest rate is based on the 30 day LIBOR with a spread of 225 basis points, and a 3.5% floor.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

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**Note 13: Commitments and Contingencies (Continued)**

The City's General Fund serves as the backstop in the event the Leaseholds fail to perform according to the terms as set forth in the agreements. The combined outstanding balance on the Pier Plaza, International Boardwalk, and Redondo Beach Marina leaseholds as of June 30, 2018, was \$19,902,910.

On January 17, 2017, the City Council entered into Amendment No. 11 to the Sublease with the Redondo Fisherman's Cove Company (RFCC) to allow for purchase and termination of the Sublease and to set terms for minimum and percentage rent until termination and entered into a Settlement Agreement with RFCC to resolve all outstanding claims and disputes. The \$9,000,000 payment for the purchase is due three years from the effective date of the Amendment (January 17, 2020).

**Note 14: Pollution Remediation Obligations**

The Department of Toxic Substances Control (DTSC) has filed regulatory Notice of Violations against the City regarding the Redondo Beach Police Department's gun range concerning issues with lead bullet fragments. Cleanup, potential fines, assessments, and settlements incurred by the City to date are approximately \$282,000. Additional cleanup and settlements currently are estimated to be \$150,000, using assumptions based on similar cleanup and settlements previously paid. This liability has been accrued in the General Fund, and the City does not anticipate any recoveries reducing the liability. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations.

**Note 15: Successor Agency**

**Dissolution of California Redevelopment Agencies**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. Most cities in California had established a redevelopment agency that was included in the reporting entity of the City as a blended component unit (since the City council, in many cases, also served as the governing board for those agencies).

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. If the City declines to accept the role of successor agency, other local agencies may elect to perform this role. If no local agency accepts the role of successor agency the Governor is empowered by the Bill to establish a local "designated local authority" to perform this role. On January 10, 2012 the City Council met and created a Successor Agency in accordance with the Bill as part of the City's resolution number 12-01.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated tax revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**
**Note 15: Successor Agency (Continued)**

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency is reported in the governmental funds of the City. After the date of dissolution, activities of the dissolved redevelopment agency are reported in a fiduciary trust fund (private purpose trust fund) in the fiduciary statements of the City.

In accordance with the provisions of Assembly Bill X1 26 (Bill) and the California Supreme Court's decision to uphold the Bill, the obligations of the former redevelopment agency became vested with the funds established for the successor agency upon the date of dissolution, February 1, 2012. Former tax increment revenues pledged to fund the debts of the former redevelopment agency will be distributed to the Successor Agency subject to the reapportionment of such revenues as provided by the Bill.

The debt of the Successor Agency as of June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Successor Agency:					
County Deferral Loan-1983 Tax Increment	\$ 6,934,419	\$ -	\$ -	\$ 6,934,419	\$ -
County Deferral Loan-1984 Tax Increment	7,154,367	-	-	7,154,367	-
Bank of America Loan	297,000	-	99,000	198,000	99,000
City Loan-South Bay Center	5,025,000	-	385,000	4,640,000	420,000
Total	<u>\$ 19,410,786</u>	<u>\$ -</u>	<u>\$ 484,000</u>	<u>\$ 18,926,786</u>	<u>\$ 519,000</u>

**1983 Tax Increment Deferral** - On November 15, 1983, the Agency and the County of Los Angeles (County) entered into an agreement for reimbursement of tax increment funds. It was recognized that the South Bay Center Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future pledged tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2018, was \$6,934,419.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 15: Successor Agency (Continued)**

**1984 Tax Increment Deferral** - On February 14, 1984, the Agency and the County entered into an agreement for reimbursement of tax increment funds. It was recognized that the Aviation High School Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future pledged tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2018, was \$7,154,367.

**Bank of America Loan** - On December 1, 2012, the Agency entered into a note payable with Bank of America to pay off the City loan to Public Finance Agency of \$693,000. The note principal balance is payable annually in installments of \$99,000, and interest payments are made semi-annually at 5.75%. The final financing commitment expires September 1, 2019. The balance outstanding at June 30, 2018, was \$198,000.

**South Bay Center City Loan** - On July 1, 1996, the Public Financing Authority advances \$8,660,000 to the former Redevelopment Agency for improvements within the South Bay Center Redevelopment Project Area. This advance was made through the Authority's purchase of the Agency's 1996 tax allocation bonds and bears interest at 8.95% per annum. As of June 30, 2018, the balance outstanding was \$4,640,000.

**Advances from City** - During the 2014-2015 fiscal year, the Successor Agency Oversight Board adopted resolutions approving the repayment of loans from the Low and Moderate Income Housing fund of the former Redevelopment Agency for legally required payments to the Supplemental Educational Revenue Augmentation Fund (SERAF) for Fiscal Years 2009-2010 and 2010-2011. As of June 30, 2018 the outstanding balance was \$535,731.

**Note 16: Risks and Uncertainties**

**a. Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**b. Successor Agency**

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2018 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018

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**Note 17: Restatement of Fund Balance / Net Position**

Beginning net position was restated as part of the City's implementation of new accounting guidance as required by GASB Statement 75 for other post-employment benefits accounting. Governmental activities were restated by \$13,724,018 which includes internal service funds restatement of \$691,707. Enterprise funds were also restated \$1,588,194 for their proportionate share. Governmental activities were also restated by \$143,212 for Fund balance in the Other Intergovernmental Grants fund was restated by \$143,212 for certain revenues that did not meet revenue recognition requirements in the prior fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF REDONDO BEACH

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

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#### Note 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.

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 with restricted, committed, assigned, and/or unassigned fund balances. They do not constitute expenditures or estimated liabilities. Budgets were legally adopted for all governmental funds with the exception of the Parking Authority Debt Service Fund, the Pier Parking Structure Rehabilitation Capital Projects Fund, and Major Facilities Reconstruction Capital Projects Fund.

The following are the budget comparison schedules for General Fund, Other Intergovernmental Grants Special Revenue Fund and Low-Mod Income Housing Special Revenue Fund.

Excess of expenditures over appropriations are as follows:

Fund	Expenditures	Appropriations	Excess
Major Governmental Funds:			
General Fund:			
Capital Outlay	\$ 325,926	\$ -	\$ (325,926)
Transfers Out	2,126,509	1,841,103	(285,406)

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 18,503,349	\$ 18,503,349	\$ 18,503,349	\$ -
<b>Resources (Inflows):</b>				
Taxes	65,354,000	65,726,000	67,115,547	1,389,547
Interdepartmental	8,292,178	8,170,297	8,170,297	-
Licenses and permits	1,753,443	1,795,320	1,801,502	6,182
Intergovernmental	50,000	45,000	52,230	7,230
Charges for services	7,941,217	7,374,879	7,795,165	420,286
Use of money and property	2,064,883	2,756,400	2,278,423	(477,977)
Fines and forfeitures	1,660,580	1,490,580	1,360,282	(130,298)
Miscellaneous	2,155,257	2,131,869	1,649,788	(482,081)
Transfers in	1,270,565	1,270,565	197,465	(1,073,100)
<b>Amounts Available for Appropriations</b>	<b>109,045,472</b>	<b>109,264,259</b>	<b>108,924,048</b>	<b>(340,211)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government				
Mayor and city council	674,930	686,060	666,840	19,220
City clerk	1,096,012	1,147,994	1,058,038	89,956
City treasurer	501,737	481,358	324,802	156,556
City attorney	3,314,725	3,376,776	3,295,662	81,114
City manager	1,510,503	1,744,124	1,273,966	470,158
Human resources	975,944	978,042	928,954	49,088
Financial services	3,233,268	3,254,413	2,372,617	881,796
Public safety				
Police	37,568,290	38,786,848	38,300,900	485,948
Fire	18,462,792	18,837,328	18,264,591	572,737
Housing and community development				
Community development	3,653,959	4,306,301	3,372,375	933,926
Waterfront and economic development	683,651	639,153	536,980	102,173
Cultural and leisure services				
Community services	6,646,957	7,053,723	6,970,228	83,495
Library	4,459,616	4,627,128	4,620,618	6,510
Public works				
Public works	6,780,270	6,819,054	6,701,108	117,946
Capital outlay	-	-	325,926	(325,926)
Transfers out	1,849,794	1,841,103	2,126,509	(285,406)
<b>Total Charges to Appropriations</b>	<b>91,412,448</b>	<b>94,579,405</b>	<b>91,140,114</b>	<b>3,439,291</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 17,633,024</b>	<b>\$ 14,684,854</b>	<b>\$ 17,783,934</b>	<b>\$ 3,099,080</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 OTHER INTERGOVERNMENTAL GRANTS  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1, as restated	\$ (1,596,744)	\$ (1,596,744)	\$ (1,596,744)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	7,663,513	19,197,098	886,045	(18,311,053)
Transfers in	-	-	2,442	2,442
<b>Amounts Available for Appropriations</b>	<b>6,066,769</b>	<b>17,600,354</b>	<b>(708,257)</b>	<b>(18,308,611)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	172,380	646,147	447,959	198,188
Cultural and leisure services	-	48,000	7,958	40,042
Public works	75,867	75,867	75,675	192
Capital outlay	7,415,266	18,823,720	1,791,923	17,031,797
<b>Total Charges to Appropriations</b>	<b>7,663,513</b>	<b>19,593,734</b>	<b>2,323,515</b>	<b>17,270,219</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (1,596,744)</b>	<b>\$ (1,993,380)</b>	<b>\$ (3,031,772)</b>	<b>\$ (1,038,392)</b>



## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 LOW-MOD INCOME HOUSING  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 4,208,145	\$ 4,208,145	\$ 4,208,145	\$ -
<b>Resources (Inflows):</b>				
Charges for services	500	500	50	(450)
Use of money and property	-	-	43,989	43,989
Miscellaneous	104,928	104,928	41,314	(63,614)
<b>Amounts Available for Appropriations</b>	<b>4,313,573</b>	<b>4,313,573</b>	<b>4,293,498</b>	<b>(20,075)</b>
<b>Charges to Appropriation (Outflow):</b>				
Housing and community development	14,000	14,000	6,602	7,398
<b>Total Charges to Appropriations</b>	<b>14,000</b>	<b>14,000</b>	<b>6,602</b>	<b>7,398</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 4,299,573</b>	<b>\$ 4,299,573</b>	<b>\$ 4,286,896</b>	<b>\$ (12,677)</b>

## CITY OF REDONDO BEACH

**MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015	2016	2017	2018
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 2,874,216	\$ 2,537,587	\$ 2,658,781	\$ 3,296,064
Interest	12,419,054	12,947,817	13,391,115	13,844,417
Difference between Expected and Actual Experience	-	(58,913)	(717,631)	808,043
Changes in Assumptions	-	(3,072,251)	-	11,132,579
Benefit Payments, Including				
Refunds of Employee Contributions	(7,872,679)	(8,784,656)	(9,282,593)	(10,173,782)
<b>Net Change in Total Pension Liability</b>	<b>7,420,591</b>	<b>3,569,584</b>	<b>6,049,672</b>	<b>18,907,321</b>
<b>Total Pension Liability - Beginning</b>	<b>168,086,614</b>	<b>175,507,205</b>	<b>179,076,789</b>	<b>185,126,461</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 175,507,205</b>	<b>\$ 179,076,789</b>	<b>\$ 185,126,461</b>	<b>\$ 204,033,782</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 2,678,754	\$ 2,783,258	\$ 3,517,596	\$ 4,018,170
Contributions - Employee	1,301,991	1,282,878	1,361,650	1,404,270
Plan to Plan Resource Movement	-	2,745	(2,463)	-
Net Investment Income	21,314,935	3,161,165	777,656	14,967,632
Benefit Payments, Including				
Refunds of Employee Contributions	(7,872,679)	(8,784,656)	(9,282,593)	(10,173,782)
Administrative Expense	-	(158,175)	(85,184)	(200,883)
<b>Net Change in Fiduciary Net Position</b>	<b>17,423,001</b>	<b>(1,712,785)</b>	<b>(3,713,338)</b>	<b>10,015,407</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>124,062,963</b>	<b>141,485,964</b>	<b>139,773,179</b>	<b>136,059,841</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 141,485,964</b>	<b>\$ 139,773,179</b>	<b>\$ 136,059,841</b>	<b>\$ 146,075,248</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 34,021,241</b>	<b>\$ 39,303,610</b>	<b>\$ 49,066,620</b>	<b>\$ 57,958,534</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>80.62%</b>	<b>78.05%</b>	<b>73.50%</b>	<b>71.59%</b>
<b>Covered Payroll</b>	<b>\$ 17,538,911</b>	<b>\$ 17,124,613</b>	<b>\$ 19,222,807</b>	<b>\$ 19,613,902</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>193.98%</b>	<b>229.52%</b>	<b>255.25%</b>	<b>295.50%</b>

(1) Historical information is required only for measurement years for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

**Notes to Schedule:**Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions:

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

## CITY OF REDONDO BEACH

**MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER  
 SCHEDULE OF PLAN CONTRIBUTIONS  
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Actuarially Determined Contribution	\$ 2,783,258	\$ 3,517,053	\$ 4,018,056	\$ 4,399,141
Contribution in Relation to the Actuarially Determined Contribution	(2,783,258)	(3,517,053)	(4,018,056)	(4,399,141)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 17,124,613	\$ 19,222,807	\$ 19,613,902	\$ 20,156,748
Contributions as a Percentage of Covered Payroll	16.25%	18.30%	20.49%	21.82%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

**Note to Schedule:**

Valuation Date:

June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry Age Normal Cost Method

Amortization method

Level percentage of payroll, closed

Assets valuation method

Market Value

Discount rate

7.15%

Projected Salary Increases

Varies by Entry Age and Service

Inflation

2.75%

Payroll growth

3.00%

Individual salary growth

A merit scale varying by duration of employment coupled with an assumed annual inflation of 2.75% and an annual production growth of 0.25%.

## CITY OF REDONDO BEACH

**SAFETY PLAN - AGENT MULTIPLE-EMPLOYER**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015	2016	2017	2018
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 4,500,890	\$ 4,369,526	\$ 4,352,710	\$ 5,065,945
Interest	21,930,219	22,764,197	23,438,824	23,940,703
Difference between Expected and Actual Experience	-	854,509	(769,075)	(493,558)
Changes in Assumptions	-	(5,276,514)	-	19,087,843
Benefit Payments, Including				
Refunds of Employee Contributions	(16,352,903)	(17,197,393)	(17,877,775)	(18,716,805)
<b>Net Change in Total Pension Liability</b>	<b>10,078,206</b>	<b>5,514,325</b>	<b>9,144,684</b>	<b>28,884,128</b>
<b>Total Pension Liability - Beginning</b>	<b>298,328,930</b>	<b>308,407,136</b>	<b>313,921,461</b>	<b>323,066,145</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 308,407,136</b>	<b>\$ 313,921,461</b>	<b>\$ 323,066,145</b>	<b>\$ 351,950,273</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 5,790,913	\$ 6,493,477	\$ 7,448,334	\$ 8,431,955
Contributions - Employee	2,003,854	1,397,695	1,457,236	1,592,490
Plan to Plan Resource Movement	-	(2,745)	2,463	-
Net Investment Income	34,672,500	5,030,896	1,150,020	23,744,382
Benefit Payments, Including				
Refunds of Employee Contributions	(16,352,903)	(17,197,393)	(17,877,775)	(18,716,805)
Administrative Expense	-	(251,346)	(136,109)	(317,989)
<b>Net Change in Fiduciary Net Position</b>	<b>26,114,364</b>	<b>(4,529,416)</b>	<b>(7,955,831)</b>	<b>14,734,033</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>201,747,147</b>	<b>227,861,511</b>	<b>223,332,095</b>	<b>215,376,264</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 227,861,511</b>	<b>\$ 223,332,095</b>	<b>\$ 215,376,264</b>	<b>\$ 230,110,297</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 80,545,625</b>	<b>\$ 90,589,366</b>	<b>\$ 107,689,881</b>	<b>\$ 121,839,976</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>73.88%</b>	<b>71.14%</b>	<b>66.67%</b>	<b>65.38%</b>
<b>Covered Payroll</b>	<b>\$ 14,418,451</b>	<b>\$ 15,122,058</b>	<b>\$ 15,770,385</b>	<b>\$ 16,424,748</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>558.63%</b>	<b>599.05%</b>	<b>682.86%</b>	<b>741.81%</b>

(1) Historical information is required only for measurement years for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

**Notes to Schedule:****Benefit Changes:**

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

**Changes of Assumptions:**

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

## CITY OF REDONDO BEACH

**SAFETY PLAN - AGENT MULTIPLE-EMPLOYER  
 SCHEDULE OF PLAN CONTRIBUTIONS  
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Actuarially Determined Contribution	\$ 6,493,477	\$ 7,448,335	\$ 8,431,955	\$ 9,310,585
Contribution in Relation to the Actuarially Determined Contribution	(6,493,477)	(7,448,335)	(8,431,955)	(9,310,585)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,122,058	\$ 15,770,385	\$ 16,424,748	\$ 17,552,942
Contributions as a Percentage of Covered Payroll	42.94%	47.23%	51.34%	53.04%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

**Note to Schedule:**

Valuation Date:

June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Discount rate	7.50% (net of administrative expenses)
Projected Salary Increases	Varies by Entry Age and Service
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation of 2.75% and an annual production growth of 0.25%.

## CITY OF REDONDO BEACH

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 560,000
Interest on the total OPEB liability	1,521,000
Actual and expected experience difference	(3,502,000)
Changes in assumptions	2,900,000
Changes in benefit terms	2,593,000
Benefit payments	(2,002,000)
<b>Net change in total OPEB liability</b>	<b>2,070,000</b>
<b>Total OPEB liability - beginning</b>	<b>21,415,000</b>
<b>Total OPEB liability - ending (a)</b>	<b>23,485,000</b>
 <b>Plan Fiduciary Net Position</b>	
Contribution - employer	1,428,000
Net investment income	632,000
Benefit payments	(2,002,000)
Administrative expense	(3,000)
<b>Net change in plan fiduciary net position</b>	<b>55,000</b>
<b>Plan fiduciary net position - beginning</b>	<b>4,818,000</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>4,873,000</b>
 <b>Net OPEB Liability/(Assets) - ending (a) - (b)</b>	<b>\$ 18,612,000</b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>20.75%</b>
 <b>Covered-employee payroll</b>	<b>\$ 35,816,000</b>
 <b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>51.97%</b>

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

**Notes to Schedule: None**

**Changes in assumptions:** The discount rate was changed from 7.25 percent to 6.75 percent for the measurement period ended June 30, 2017.

**CITY OF REDONDO BEACH**

**SCHEDULE OF CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<b>2018</b>
Actuarially Determined Contribution	\$ 1,802,000
Contribution in Relation to the Actuarially Determined Contributions	(705,000)
Contribution Deficiency (Excess)	<u>\$ 1,097,000</u>
Covered-employee payroll	\$ 36,708,000
Contributions as a percentage of covered-employee payroll	4.91%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

**Notes to Schedule:**

\*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2018 were from the January 1, 2018 actuarial valuation.

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry Age Normal
Amortization Valuation Method/Period	Level percent of payroll
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	7.25%
Inflation	2.75%
Mortality	CalPERS 1997 to 2015 Experience Study

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

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**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, 2017. 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 2018, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments based on the ASTM D6433-11 standards for Pavement Condition Index (PCI) in lieu of the Pavement Quality Index (PQI) that the City has used in the past. The PCI method only looks at distresses in the pavement and does not evaluate the Structural Adequacy Index (SAI) and Ride Comfort Index (RCI) which increases the PQI number since all of the City streets are structurally adequate and have speed limits less than 45mph. The switch to evaluating the pavement based on PCI is because PCI is a widely used standard in the United States, internationally, and more commonly, used by adjacent cities. This change allows the City to easily compare street conditions with comparable adjacent cities.

Upon completion of the study, the PCI was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings range from 0 to 100. A newly constructed street will have a PCI of 100, while a failed street will have a PCI of 25 or less. The pavement condition is primarily affected by the climate, traffic loads and volumes, construction materials and age. During the year, the comprehensive survey is updated to reflect the pavement's current condition.



**CITY OF REDONDO BEACH****REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

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**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (Continued)**

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	70-100
Good	50-69
Poor	25-49
Very Poor	0-24

In line with the Capital Improvement Program and as presented to City Council on December 17, 2002, City policy is to achieve an average rating of 80 PQI, which is equivalent to a 67 PCI, for all streets by fiscal year 2008. 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 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>
2016	85 PQI	Very Good	46%
		Good	43%
		Fair	7%
		Poor	4%
2017	70 PCI	Very Good	54%
		Good	30%
		Poor	15%
		Very Poor	2%
2018	68 PCI	Very Good	52%
		Good	30%
		Poor	16%
		Very Poor	2%

The City expended \$5,306,428 on street improvement projects for the fiscal year ended June 30, 2018. 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, 2018 through June 30, 2019 is a minimum of \$2,600,000.

A schedule of budget versus actual for the most recent years since implementation, which preserved City streets at the current 68 PCI rating, is presented in the following:

**CITY OF REDONDO BEACH**

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

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**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (Continued)**

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Funded By Capital Improvement Project Fund</u>	<u>Funded By Other Funds</u>	<u>Total Expenditures</u>
2012-2013	\$ 10,212,651	\$ 496,766	\$ 2,159,576	\$ 2,656,342
2013-2014	13,367,675	94,308	938,130	1,032,438
2014-2015	15,216,557	585,138	4,882,873	5,468,011
2015-2016	18,316,725	349,942	2,225,322	2,575,264
2016-2017	18,181,254	426,308	2,176,521	2,602,829
2017-2018	25,410,860	2,277,323	3,029,105	5,306,428

As of June 30, 2018, 42% of City streets were rated below the targeted average condition level of 67 PCI. However, as noted above, the City is investing in these 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**

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (Continued)**

Project	Project #	Budget	Capital Improvement Project Fund Expenditures	Other Fund Expenditures	Total Expenditures
Bus Shelters & Benches	40120	\$ 1,665,807	\$ -	\$ 746,245	\$ 746,245
Pavement & Sidewalk Repairs	40140	140,238	-	-	-
Bike Paths Improvement - Prop C	40150	-	-	121	121
Pavement Management Study	40170	-	-	2,285	2,285
Residential Street Rehabilitation	40190	3,431,977	1,896,713	634,852	2,531,565
Citywide Curb Ramp Improvements	40399	146,167	-	300	300
Traffic Calming Project	40470	227,988	12,504	-	12,504
Bicycle Trans Plan Implementation	40510	39,435	-	4,928	4,928
PCH/Torrance Blvd Right Hand Turn Lane	40650	68,907	2,400	-	2,400
Grant/Artesia Countdown Ped Signal	40710	32,957	-	-	-
North Redondo Beach Bikeway Lighting	40740	180,793	-	-	-
Artesia/Aviation NB Rt Turn Lane	40780	671,557	-	25,521	25,521
PV Boulevard/PCH WB Rt Turn Lane	40790	308,625	-	268,683	268,683
PCH Study Recommendations	40800	1,270,027	-	48,378	48,378
PCH/Torrance Boulevard NB Rt Turn Lane	40810	468,361	-	28,406	28,406
Beryl/190th Signal Study	40850	236	-	-	-
Beryl St. Improvements - Flagler to 190th	40860	4,673	-	4,331	4,331
Kingsdale Resurfacing - 182nd to Grant	40880	860,000	-	-	-
PCH/Catalina Entryway Prop Acquisition	40910	4,000	-	-	-
Bike Plan Grant - Beryl St. Bike Lanes	40940	136,931	-	102	102
Bike Plan Grant - N Catalina Bikelane	40941	414,370	-	-	-
Bike Plan Grant - S Catalina/I Bikelane	40942	44,640	-	-	-
Bike Plan Grant - Lilienthal Bikelane	40943	282,525	-	-	-
Bike Plan Grant - Torrance Blvd Bike Lane	40944	215,790	-	-	-
Bike Plan Grant - Citywide Bike Facilities	40945	853,340	-	-	-
Inglewood at MBB Rt Turn Lane Feasibility	40960	5,127,539	-	110,794	110,794
Riviera Village Imp - Phase IV	40980	918,018	154,140	494,641	648,781
Marine Avenue Resurfacing - Aviation to I405	40990	950,000	-	620,088	620,088
Riviera Village Parking Meter Replacement	41000	256,528	167,326	-	167,326
Bicycle Trans Plan Implementation - Phase 2	41010	1,952,625	-	-	-
Esplanade Resurfacing: Knob Hill to Catalina	41020	6,673	-	-	-
Prospect Resurfacing: Beryl to Del Amo	41030	872,477	-	29,161	29,161
Flagler Resurfacing - 190th to Beryl St.	41060	313,000	-	-	-
Torrance Blvd & Francisca Traffic Signal Mod	41070	270,000	-	-	-
Artesia Blvd Improvements - Phase 1	41080	500,000	44,186	-	44,186
Grant Ave Signal Improvements	41090	1,534,656	-	19	19
Inglewood Resurfacing - Grant to 190th	41100	80,000	-	379	379
Median Reno - PV Blvd/Prospect/MBB	41110	100,000	-	-	-
No Redondo Beach Commercial Streets	41120	1,060,000	54	9,871	9,925
		<u>\$ 25,410,860</u>	<u>\$ 2,277,323</u>	<u>\$ 3,029,105</u>	<u>\$ 5,306,428</u>

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## **SUPPLEMENTARY INFORMATION**

## CITY OF REDONDO BEACH

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>Special Revenue Funds</b>			
	<b>State Gas Tax</b>	<b>Parks and Recreation Facilities</b>	<b>Narcotic Seizure / Forfeiture</b>	<b>Proposition A</b>
<b>Assets:</b>				
Pooled cash and investments	\$ 330,740	\$ 164,228	\$ 727,864	\$ 1,913,646
Receivables:				
Accounts	2,136	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	732	-	2,352	4,783
Due from other governments	146,048	-	8,333	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 479,656</b>	<b>\$ 164,228</b>	<b>\$ 738,549</b>	<b>\$ 1,918,429</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,799	\$ -	\$ 7,029	\$ -
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>7,799</b>	<b>-</b>	<b>7,029</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Housing and community development	-	164,228	-	1,918,429
Public safety	-	-	731,520	-
Public works	471,857	-	-	-
Debt service	-	-	-	-
Low and moderate income housing	-	-	-	-
<b>Assigned to:</b>				
Capital projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>471,857</b>	<b>164,228</b>	<b>731,520</b>	<b>1,918,429</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 479,656</b>	<b>\$ 164,228</b>	<b>\$ 738,549</b>	<b>\$ 1,918,429</b>

## CITY OF REDONDO BEACH

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

(CONTINUED)

	Special Revenue Funds			
	Proposition C	Measure R	Air Quality Improvement	Storm Drain Improvement
<b>Assets:</b>				
Pooled cash and investments	\$ 5,720,025	\$ 1,227,920	\$ 208,395	\$ 453,194
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	18,400	204	661	-
Due from other governments	-	-	22,686	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,738,425</b>	<b>\$ 1,228,124</b>	<b>\$ 231,742</b>	<b>\$ 453,194</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 53,808	\$ 29,922	\$ 3,017	\$ -
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>53,808</b>	<b>29,922</b>	<b>3,017</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Housing and community development	5,684,617	1,198,202	228,725	-
Public safety	-	-	-	-
Public works	-	-	-	453,194
Debt service	-	-	-	-
Low and moderate income housing	-	-	-	-
<b>Assigned to:</b>				
Capital projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>5,684,617</b>	<b>1,198,202</b>	<b>228,725</b>	<b>453,194</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,738,425</b>	<b>\$ 1,228,124</b>	<b>\$ 231,742</b>	<b>\$ 453,194</b>

## CITY OF REDONDO BEACH

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>Special Revenue Funds</b>			
	<b>Street Landscaping and Lighting District</b>	<b>Community Development Block Grant</b>	<b>Disaster Recovery</b>	<b>Housing Authority</b>
<b>Assets:</b>				
Pooled cash and investments	\$ 145,556	\$ -	\$ 60,343	\$ 854,701
Receivables:				
Accounts	50	-	-	-
Taxes	52,203	-	-	-
Notes and loans	-	394,329	-	-
Accrued interest	-	-	-	-
Due from other governments	-	106,101	-	-
Due from other funds	-	-	-	6,210
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 197,809</b>	<b>\$ 500,430</b>	<b>\$ 60,343</b>	<b>\$ 860,911</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 197,809	\$ 34,407	\$ 1,228	\$ -
Due to other funds	-	24,633	-	-
Advances from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>197,809</b>	<b>59,040</b>	<b>1,228</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	446,536	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>446,536</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Housing and community development	-	-	-	-
Public safety	-	-	59,115	-
Public works	-	-	-	-
Debt service	-	-	-	-
Low and moderate income housing	-	-	-	860,911
<b>Assigned to:</b>				
Capital projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>(5,146)</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>-</b>	<b>(5,146)</b>	<b>59,115</b>	<b>860,911</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 197,809</b>	<b>\$ 500,430</b>	<b>\$ 60,343</b>	<b>\$ 860,911</b>



## CITY OF REDONDO BEACH

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

(CONTINUED)

	Special Revenue Funds		Capital Project Funds	
	Subdivision Park Trust	Measure M	Pier Parking Structure Rehabilitation	Major Facilities Reconstruction
<b>Assets:</b>				
Pooled cash and investments	\$ 2,011,820	\$ 725,412	\$ 831	\$ 1,150,000
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	2,096	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,011,820</b>	<b>\$ 727,508</b>	<b>\$ 831</b>	<b>\$ 1,150,000</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Housing and community development	2,011,820	-	-	-
Public safety	-	-	-	-
Public works	-	727,508	-	-
Debt service	-	-	-	-
Low and moderate income housing	-	-	-	-
<b>Assigned to:</b>				
Capital projects	-	-	831	1,150,000
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>2,011,820</b>	<b>727,508</b>	<b>831</b>	<b>1,150,000</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,011,820</b>	<b>\$ 727,508</b>	<b>\$ 831</b>	<b>\$ 1,150,000</b>

## CITY OF REDONDO BEACH

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	Capital Project Funds	Debt Service Funds		
	Open Space Acquisition	Public Financing Authority	Parking Authority	Total Other Governmental Funds
<b>Assets:</b>				
Pooled cash and investments	\$ 1,001,516	\$ 581,529	\$ 5,799	\$ 17,283,519
Receivables:				
Accounts	-	8,229	-	10,415
Taxes	-	-	-	52,203
Notes and loans	-	-	-	394,329
Accrued interest	-	796	23	30,047
Due from other governments	-	4,640,000	-	4,923,168
Due from other funds	-	-	-	6,210
Restricted assets:				
Cash and investments with fiscal agents	-	1,669,732	-	1,669,732
<b>Total Assets</b>	<b>\$ 1,001,516</b>	<b>\$ 6,900,286</b>	<b>\$ 5,822</b>	<b>\$ 24,369,623</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 707	\$ -	\$ 335,726
Due to other funds	-	493,675	-	518,308
Advances from other funds	-	860,066	-	860,066
<b>Total Liabilities</b>	<b>-</b>	<b>1,354,448</b>	<b>-</b>	<b>1,714,100</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	446,536
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>446,536</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Housing and community development	-	-	-	11,206,021
Public safety	-	-	-	790,635
Public works	-	-	-	1,652,559
Debt service	-	5,545,838	5,822	5,551,660
Low and moderate income housing	-	-	-	860,911
<b>Assigned to:</b>				
Capital projects	1,001,516	-	-	2,152,347
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,146)</b>
<b>Total Fund Balances</b>	<b>1,001,516</b>	<b>5,545,838</b>	<b>5,822</b>	<b>22,208,987</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,001,516</b>	<b>\$ 6,900,286</b>	<b>\$ 5,822</b>	<b>\$ 24,369,623</b>

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## CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A
<b>Revenues:</b>				
Intergovernmental	\$ 1,847,902	\$ -	\$ -	\$ 1,296,290
Charges for services	1,431	40,800	-	-
Use of money and property	(2,266)	-	5,376	(1,218)
Fines and forfeitures	-	-	8,333	-
Miscellaneous	5,428	-	-	-
<b>Total Revenues</b>	<b>1,852,495</b>	<b>40,800</b>	<b>13,709</b>	<b>1,295,072</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	109,785	-
Housing and community development	-	-	-	-
Public works	1,320,392	-	-	-
Capital outlay	4,935	5,458	110,078	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,325,327</b>	<b>5,458</b>	<b>219,863</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	527,168	35,342	(206,154)	1,295,072
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(2,442)	(1,216,366)
<b>Total Other Financing Sources (Uses):</b>	<b>-</b>	<b>-</b>	<b>(2,442)</b>	<b>(1,216,366)</b>
Net Change in Fund Balances	527,168	35,342	(208,596)	78,706
Fund Balances, Beginning of Year	(55,311)	128,886	940,116	1,839,723
<b>Fund Balances, End of Year</b>	<b>\$ 471,857</b>	<b>\$ 164,228</b>	<b>\$ 731,520</b>	<b>\$ 1,918,429</b>

## CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

(CONTINUED)

	Special Revenue Funds			
	Proposition C	Measure R	Air Quality Improvement	Storm Drain Improvement
<b>Revenues:</b>				
Intergovernmental	\$ 1,075,847	\$ 805,342	\$ 88,355	\$ -
Charges for services	-	-	-	96,317
Use of money and property	31,899	5,765	868	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>1,107,746</b>	<b>811,107</b>	<b>89,223</b>	<b>96,317</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Housing and community development	-	-	54,069	-
Public works	40,556	90,403	-	-
Capital outlay	870,578	682,896	-	379
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>911,134</b>	<b>773,299</b>	<b>54,069</b>	<b>379</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	196,612	37,808	35,154	95,938
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	196,612	37,808	35,154	95,938
Fund Balances, Beginning of Year	5,488,005	1,160,394	193,571	357,256
<b>Fund Balances, End of Year</b>	<b>\$ 5,684,617</b>	<b>\$ 1,198,202</b>	<b>\$ 228,725</b>	<b>\$ 453,194</b>

## CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 99,094	\$ -	\$ 5,693,499
Charges for services	1,516,610	-	2,460	-
Use of money and property	-	-	-	212
Fines and forfeitures	-	-	-	-
Miscellaneous	621	-	396,825	-
<b>Total Revenues</b>	<b>1,517,231</b>	<b>99,094</b>	<b>399,285</b>	<b>5,693,711</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	328,562	-
Housing and community development	-	150,998	-	5,829,014
Public works	2,643,740	-	-	-
Capital outlay	-	300	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>2,643,740</b>	<b>151,298</b>	<b>328,562</b>	<b>5,829,014</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,126,509)	(52,204)	70,723	(135,303)
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,126,509	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses):</b>	<b>1,126,509</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	(52,204)	70,723	(135,303)
Fund Balances, Beginning of Year	-	47,058	(11,608)	996,214
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ (5,146)</b>	<b>\$ 59,115</b>	<b>\$ 860,911</b>

## CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

(CONTINUED)

	Special Revenue Funds		Capital Project Funds	
	Subdivision Park Trust	Measure M	Pier Parking Structure Rehabilitation	Major Facilities Reconstruction
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 729,824	\$ -	\$ -
Charges for services	-	-	-	-
Use of money and property	6,257	(2,316)	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	405,000	-	-	-
<b>Total Revenues</b>	<b>411,257</b>	<b>727,508</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Housing and community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	18,778	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>18,778</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	392,479	727,508	-	-
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	392,479	727,508	-	-
Fund Balances, Beginning of Year	1,619,341	-	831	1,150,000
<b>Fund Balances, End of Year</b>	<b>\$ 2,011,820</b>	<b>\$ 727,508</b>	<b>\$ 831</b>	<b>\$ 1,150,000</b>

## CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Capital Project Funds	Debt Service Funds		
	Open Space Acquisition	Public Financing Authority	Parking Authority	Total Other Governmental Funds
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ 11,636,153
Charges for services	-	-	-	1,657,618
Use of money and property	-	767,911	66	812,554
Fines and forfeitures	-	-	-	8,333
Miscellaneous	-	-	-	807,874
<b>Total Revenues</b>	<b>-</b>	<b>767,911</b>	<b>66</b>	<b>14,922,532</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	438,347
Housing and community development	-	206,739	-	6,240,820
Public works	-	-	-	4,095,091
Capital outlay	-	-	-	1,693,402
Debt service:				
Principal retirement	-	775,000	-	775,000
Interest and fiscal charges	-	89,856	-	89,856
<b>Total Expenditures</b>	<b>-</b>	<b>1,071,595</b>	<b>-</b>	<b>13,332,516</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(303,684)	66	1,590,016
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	1,126,509
Transfers out	-	-	-	(1,218,808)
<b>Total Other Financing Sources (Uses):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(92,299)</b>
Net Change in Fund Balances	-	(303,684)	66	1,497,717
Fund Balances, Beginning of Year	1,001,516	5,849,522	5,756	20,711,270
<b>Fund Balances, End of Year</b>	<b>\$ 1,001,516</b>	<b>\$ 5,545,838</b>	<b>\$ 5,822</b>	<b>\$ 22,208,987</b>



## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**STATE GASOLINE TAX**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ (55,311)	\$ (55,311)	\$ (55,311)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,940,477	1,880,804	1,847,902	(32,902)
Charges for services	-	-	1,431	1,431
Use of money and property	2,000	2,000	(2,266)	(4,266)
Miscellaneous	4,000	4,000	5,428	1,428
<b>Amounts Available for Appropriations</b>	<b>1,891,166</b>	<b>1,831,493</b>	<b>1,797,184</b>	<b>(34,309)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,421,827	1,389,587	1,320,392	69,195
Capital outlay	600,000	600,000	4,935	595,065
<b>Total Charges to Appropriations</b>	<b>2,021,827</b>	<b>1,989,587</b>	<b>1,325,327</b>	<b>664,260</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (130,661)</b>	<b>\$ (158,094)</b>	<b>\$ 471,857</b>	<b>\$ 629,951</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
PARKS AND RECREATION FACILITIES  
YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 128,886	\$ 128,886	\$ 128,886	\$ -
<b>Resources (Inflows):</b>				
Charges for services	26,700	34,950	40,800	5,850
<b>Amounts Available for Appropriations</b>	<b>155,586</b>	<b>163,836</b>	<b>169,686</b>	<b>5,850</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	66,327	5,458	60,869
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>66,327</b>	<b>5,458</b>	<b>60,869</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 155,586</b>	<b>\$ 97,509</b>	<b>\$ 164,228</b>	<b>\$ 66,719</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 NARCOTIC SEIZURE / FORFEITURE  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 940,116	\$ 940,116	\$ 940,116	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	12,000	12,000	5,376	(6,624)
Fines and forfeitures	20,000	20,000	8,333	(11,667)
<b>Amounts Available for Appropriations</b>	<b>972,116</b>	<b>972,116</b>	<b>953,825</b>	<b>(18,291)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	58,699	123,492	109,785	13,707
Capital outlay	-	139,826	110,078	29,748
Transfers out	-	-	2,442	(2,442)
<b>Total Charges to Appropriations</b>	<b>58,699</b>	<b>263,318</b>	<b>222,305</b>	<b>41,013</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 913,417</b>	<b>\$ 708,798</b>	<b>\$ 731,520</b>	<b>\$ 22,722</b>

## CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION A  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,839,723	\$ 1,839,723	\$ 1,839,723	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,292,495	1,292,495	1,296,290	3,795
Use of money and property	22,000	22,000	(1,218)	(23,218)
<b>Amounts Available for Appropriations</b>	<b>3,154,218</b>	<b>3,154,218</b>	<b>3,134,795</b>	<b>(19,423)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	75,000	75,000	-	75,000
Transfers out	1,567,487	1,572,984	1,216,366	356,618
<b>Total Charges to Appropriations</b>	<b>1,642,487</b>	<b>1,647,984</b>	<b>1,216,366</b>	<b>431,618</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,511,731</b>	<b>\$ 1,506,234</b>	<b>\$ 1,918,429</b>	<b>\$ 412,195</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 5,488,005	\$ 5,488,005	\$ 5,488,005	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,072,090	1,072,090	1,075,847	3,757
Use of money and property	55,000	55,000	31,899	(23,101)
<b>Amounts Available for Appropriations</b>	<b>6,615,095</b>	<b>6,615,095</b>	<b>6,595,751</b>	<b>(19,344)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	319	-	-	-
Public works	1,619	40,556	40,556	-
Capital outlay	1,087,170	5,439,832	870,578	4,569,254
<b>Total Charges to Appropriations</b>	<b>1,089,108</b>	<b>5,480,388</b>	<b>911,134</b>	<b>4,569,254</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 5,525,987</b>	<b>\$ 1,134,707</b>	<b>\$ 5,684,617</b>	<b>\$ 4,549,910</b>

## CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE  
 MEASURE R  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,160,394	\$ 1,160,394	\$ 1,160,394	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	804,084	804,084	805,342	1,258
Use of money and property	2,000	2,000	5,765	3,765
<b>Amounts Available for Appropriations</b>	<b>1,966,478</b>	<b>1,966,478</b>	<b>1,971,501</b>	<b>5,023</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	-	90,403	90,403	-
Capital outlay	814,070	1,921,401	682,896	1,238,505
<b>Total Charges to Appropriations</b>	<b>814,070</b>	<b>2,011,804</b>	<b>773,299</b>	<b>1,238,505</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,152,408</b>	<b>\$ (45,326)</b>	<b>\$ 1,198,202</b>	<b>\$ 1,243,528</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 AIR QUALITY IMPROVEMENT  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 193,571	\$ 193,571	\$ 193,571	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	80,000	80,000	88,355	8,355
Use of money and property	1,000	1,000	868	(132)
<b>Amounts Available for Appropriations</b>	<b>274,571</b>	<b>274,571</b>	<b>282,794</b>	<b>8,223</b>
<b>Charges to Appropriation (Outflow):</b>				
Cultural and leisure services	71,076	75,091	54,069	21,022
<b>Total Charges to Appropriations</b>	<b>71,076</b>	<b>75,091</b>	<b>54,069</b>	<b>21,022</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 203,495</b>	<b>\$ 199,480</b>	<b>\$ 228,725</b>	<b>\$ 29,245</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**STORM DRAIN IMPROVEMENT**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 357,256	\$ 357,256	\$ 357,256	\$ -
<b>Resources (Inflows):</b>				
Charges for services	42,000	42,000	96,317	54,317
<b>Amounts Available for Appropriations</b>	<b>399,256</b>	<b>399,256</b>	<b>453,573</b>	<b>54,317</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	242,287	379	241,908
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>242,287</b>	<b>379</b>	<b>241,908</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 399,256</b>	<b>\$ 156,969</b>	<b>\$ 453,194</b>	<b>\$ 296,225</b>



## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 STREET LANDSCAPING AND LIGHTING DISTRICT  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Charges for services	1,541,600	1,544,045	1,516,610	(27,435)
Miscellaneous	35,000	37,500	621	(36,879)
Transfers in	980,694	1,018,003	1,126,509	108,506
<b>Amounts Available for Appropriations</b>	<b>2,557,294</b>	<b>2,599,548</b>	<b>2,643,740</b>	<b>44,192</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	2,557,294	2,692,438	2,643,740	48,698
<b>Total Charges to Appropriations</b>	<b>2,557,294</b>	<b>2,692,438</b>	<b>2,643,740</b>	<b>48,698</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (92,890)</b>	<b>\$ -</b>	<b>\$ 92,890</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 47,058	\$ 47,058	\$ 47,058	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	305,771	377,171	99,094	(278,077)
<b>Amounts Available for Appropriations</b>	<b>352,829</b>	<b>424,229</b>	<b>146,152</b>	<b>(278,077)</b>
<b>Charges to Appropriation (Outflow):</b>				
Housing and community development	148,387	219,787	150,998	68,789
Capital outlay	95,000	101,167	300	100,867
<b>Total Charges to Appropriations</b>	<b>243,387</b>	<b>320,954</b>	<b>151,298</b>	<b>169,656</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 109,442</b>	<b>\$ 103,275</b>	<b>\$ (5,146)</b>	<b>\$ (108,421)</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
 DISASTER RECOVERY  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ (11,608)	\$ (11,608)	\$ (11,608)	\$ -
<b>Resources (Inflows):</b>				
Charges for services	-	2,000	2,460	460
Miscellaneous	33,000	175,000	396,825	221,825
<b>Amounts Available for Appropriations</b>	<b>21,392</b>	<b>165,392</b>	<b>387,677</b>	<b>222,285</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	17,060	17,060	328,562	(311,502)
<b>Total Charges to Appropriations</b>	<b>17,060</b>	<b>17,060</b>	<b>328,562</b>	<b>(311,502)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 4,332</b>	<b>\$ 148,332</b>	<b>\$ 59,115</b>	<b>\$ (89,217)</b>

## CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE  
HOUSING AUTHORITY  
YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 996,214	\$ 996,214	\$ 996,214	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	5,995,589	5,995,589	5,693,499	(302,090)
Use of money and property	-	100	212	112
<b>Amounts Available for Appropriations</b>	<b>6,991,803</b>	<b>6,991,903</b>	<b>6,689,925</b>	<b>(301,978)</b>
<b>Charges to Appropriation (Outflow):</b>				
Housing and community development	5,881,701	5,882,362	5,829,014	53,348
<b>Total Charges to Appropriations</b>	<b>5,881,701</b>	<b>5,882,362</b>	<b>5,829,014</b>	<b>53,348</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,110,102</b>	<b>\$ 1,109,541</b>	<b>\$ 860,911</b>	<b>\$ (248,630)</b>

## CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE  
 SUBDIVISION PARK TRUST  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,619,341	\$ 1,619,341	\$ 1,619,341	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	6,257	6,257
Miscellaneous	230,820	365,410	405,000	39,590
<b>Amounts Available for Appropriations</b>	<b>1,850,161</b>	<b>1,984,751</b>	<b>2,030,598</b>	<b>45,847</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	350,000	1,282,212	18,778	1,263,434
<b>Total Charges to Appropriations</b>	<b>350,000</b>	<b>1,282,212</b>	<b>18,778</b>	<b>1,263,434</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,500,161</b>	<b>\$ 702,539</b>	<b>\$ 2,011,820</b>	<b>\$ 1,309,281</b>

## CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE  
 MEASURE M  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	865,713	865,713	729,824	(135,889)
Use of money and property	-	-	(2,316)	(2,316)
<b>Amounts Available for Appropriations</b>	<b>865,713</b>	<b>865,713</b>	<b>727,508</b>	<b>(138,205)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	865,000	865,000	-	865,000
<b>Total Charges to Appropriations</b>	<b>865,000</b>	<b>865,000</b>	<b>-</b>	<b>865,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 713</b>	<b>\$ 713</b>	<b>\$ 727,508</b>	<b>\$ 726,795</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL IMPROVEMENT PROJECTS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 12,372,901	\$ 12,372,901	\$ 12,372,901	\$ -
<b>Resources (Inflows):</b>				
Taxes	230,000	230,000	208,148	(21,852)
Charges for services	279,000	279,500	279,667	167
Transfers in	-	-	1,000,000	1,000,000
<b>Amounts Available for Appropriations</b>	<b>12,881,901</b>	<b>12,882,401</b>	<b>13,860,716</b>	<b>978,315</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	161,988	161,988	144,614	17,374
Capital outlay	2,844,500	9,506,241	3,631,503	5,874,738
Transfers out	-	27,000	27,000	-
<b>Total Charges to Appropriations</b>	<b>3,006,488</b>	<b>9,695,229</b>	<b>3,803,117</b>	<b>5,892,112</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 9,875,413</b>	<b>\$ 3,187,172</b>	<b>\$ 10,057,599</b>	<b>\$ 6,870,427</b>

## CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC FINANCING AUTHORITY  
YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 5,849,522	\$ 5,849,522	\$ 5,849,522	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	1,172,041	1,172,041	767,911	(404,130)
<b>Amounts Available for Appropriations</b>	<b>7,021,563</b>	<b>7,021,563</b>	<b>6,617,433</b>	<b>(404,130)</b>
<b>Charges to Appropriation (Outflow):</b>				
Housing and community development	242,145	242,145	206,739	35,406
Debt service:				
Principal retirement	799,356	799,356	775,000	24,356
Interest and fiscal charges	130,540	130,540	89,856	40,684
<b>Total Charges to Appropriations</b>	<b>1,172,041</b>	<b>1,172,041</b>	<b>1,071,595</b>	<b>100,446</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 5,849,522</b>	<b>\$ 5,849,522</b>	<b>\$ 5,545,838</b>	<b>\$ (303,684)</b>



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## CITY OF REDONDO BEACH

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2018

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement	Building Occupancy	Information Technology
<b>Assets:</b>			
Current:			
Cash and investments	\$ 6,693,932	\$ 1,165,470	\$ 1,257,814
Receivables:			
Accounts	7,167	-	-
<b>Total Current Assets</b>	<b>6,701,099</b>	<b>1,165,470</b>	<b>1,257,814</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	7,506,745	83,123	573,946
<b>Total Noncurrent Assets</b>	<b>7,506,745</b>	<b>83,123</b>	<b>573,946</b>
<b>Total Assets</b>	<b>14,207,844</b>	<b>1,248,593</b>	<b>1,831,760</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	187,272	552,182	497,439
Deferred OPEB related items	15,271	38,338	40,288
<b>Total Deferred Outflows of Resources</b>	<b>202,543</b>	<b>590,520</b>	<b>537,727</b>
<b>Liabilities:</b>			
Current:			
Accounts payable	309,740	117,596	169,005
Accrued compensated absences	5,081	23,233	26,396
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	-	-	28,902
<b>Total Current Liabilities</b>	<b>314,821</b>	<b>140,829</b>	<b>224,303</b>
Noncurrent:			
Accrued compensated absences	18,061	82,576	93,822
Accrued claims and judgments	-	-	-
Net pension liability	751,838	2,381,226	1,995,512
Net OPEB liability	87,477	219,622	230,789
<b>Total Noncurrent Liabilities</b>	<b>857,376</b>	<b>2,683,424</b>	<b>2,320,123</b>
<b>Total Liabilities</b>	<b>1,172,197</b>	<b>2,824,253</b>	<b>2,544,426</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	1,862	5,897	4,942
Deferred OPEB related items	15,580	39,117	41,107
<b>Total Deferred Inflows of Resources</b>	<b>17,442</b>	<b>45,014</b>	<b>46,049</b>
<b>Net Position:</b>			
Net investment in capital assets	7,506,745	83,123	545,044
Unrestricted	5,714,003	(1,113,277)	(766,032)
<b>Total Net Position</b>	<b>\$ 13,220,748</b>	<b>\$ (1,030,154)</b>	<b>\$ (220,988)</b>

## CITY OF REDONDO BEACH

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2018

	Governmental Activities - Internal Service Funds			
	Self- Insurance Program	Emergency Communications	Major Facilities Repair	Totals
<b>Assets:</b>				
Current:				
Cash and investments	\$ 12,650,284	\$ 2,894,005	\$ 1,038,153	\$ 25,699,658
Receivables:				
Accounts	77,505	-	-	84,672
<b>Total Current Assets</b>	<b>12,727,789</b>	<b>2,894,005</b>	<b>1,038,153</b>	<b>25,784,330</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	45,361	1,688,525	-	9,897,700
<b>Total Noncurrent Assets</b>	<b>45,361</b>	<b>1,688,525</b>	<b>-</b>	<b>9,897,700</b>
<b>Total Assets</b>	<b>12,773,150</b>	<b>4,582,530</b>	<b>1,038,153</b>	<b>35,682,030</b>
<b>Deferred Outflows of Resources:</b>				
Deferred pension related items	109,311	649,929	-	1,996,133
Deferred OPEB related items	6,823	47,435	-	148,155
<b>Total Deferred Outflows of Resources</b>	<b>116,134</b>	<b>697,364</b>	<b>-</b>	<b>2,144,288</b>
<b>Liabilities:</b>				
Current:				
Accounts payable	723,639	1,432	-	1,321,412
Accrued compensated absences	2,913	17,873	-	75,496
Accrued claims and judgments	1,604,154	-	-	1,604,154
Bonds, notes, and capital leases	-	-	-	28,902
<b>Total Current Liabilities</b>	<b>2,330,706</b>	<b>19,305</b>	<b>-</b>	<b>3,029,964</b>
Noncurrent:				
Accrued compensated absences	10,358	63,533	-	268,350
Accrued claims and judgments	21,762,810	-	-	21,762,810
Net pension liability	497,632	2,749,901	-	8,376,109
Net OPEB liability	39,085	271,735	-	848,708
<b>Total Noncurrent Liabilities</b>	<b>22,309,885</b>	<b>3,085,169</b>	<b>-</b>	<b>31,255,977</b>
<b>Total Liabilities</b>	<b>24,640,591</b>	<b>3,104,474</b>	<b>-</b>	<b>34,285,941</b>
<b>Deferred Inflows of Resources:</b>				
Deferred pension related items	1,232	6,810	-	20,743
Deferred OPEB related items	6,961	48,398	-	151,163
<b>Total Deferred Inflows of Resources</b>	<b>8,193</b>	<b>55,208</b>	<b>-</b>	<b>171,906</b>
<b>Net Position:</b>				
Net investment in capital assets	45,361	1,688,525	-	9,868,798
Unrestricted	(11,804,861)	431,687	1,038,153	(6,500,327)
<b>Total Net Position</b>	<b>\$ (11,759,500)</b>	<b>\$ 2,120,212</b>	<b>\$ 1,038,153</b>	<b>\$ 3,368,471</b>

## CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement	Building Occupancy	Information Technology
<b>Operating Revenues:</b>			
Sales and service charges	\$ 4,385,072	\$ 4,149,630	\$ 3,857,530
Miscellaneous	68,358	515	2,369
<b>Total Operating Revenues</b>	<b>4,453,430</b>	<b>4,150,145</b>	<b>3,859,899</b>
<b>Operating Expenses:</b>			
Administration and general	1,026,809	1,094,266	486,210
Personnel services	450,772	1,916,104	1,440,458
Contractual services	129,309	363,345	1,102,483
Internal service charges	341,752	754,245	428,243
Depreciation expense	1,123,803	4,410	279,995
<b>Total Operating Expenses</b>	<b>3,072,445</b>	<b>4,132,370</b>	<b>3,737,389</b>
Operating Income (Loss)	1,380,985	17,775	122,510
<b>Nonoperating Revenues (Expenses):</b>			
Gain (loss) on disposal of capital assets	36,119	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>36,119</b>	<b>-</b>	<b>-</b>
Income (Loss) Before Transfers	1,417,104	17,775	122,510
Transfers out	-	-	-
Changes in Net Position	1,417,104	17,775	122,510
<b>Net Position:</b>			
Beginning of Year, as originally reported	11,874,938	(868,934)	(155,402)
Restatements	(71,294)	(178,995)	(188,096)
Beginning of Fiscal Year, as restated	11,803,644	(1,047,929)	(343,498)
<b>End of Fiscal Year</b>	<b>\$ 13,220,748</b>	<b>\$ (1,030,154)</b>	<b>\$ (220,988)</b>

## CITY OF REDONDO BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Self- Insurance Program</b>	<b>Emergency Communications</b>	<b>Major Facilities Repair</b>	<b>Totals</b>
<b>Operating Revenues:</b>				
Sales and service charges	\$ 7,572,029	\$ 3,447,505	\$ 89,007	\$ 23,500,773
Miscellaneous	108	-	-	71,350
<b>Total Operating Revenues</b>	<b>7,572,137</b>	<b>3,447,505</b>	<b>89,007</b>	<b>23,572,123</b>
<b>Operating Expenses:</b>				
Administration and general	7,500,383	4,960	-	10,112,628
Personnel services	325,683	1,639,965	-	5,772,982
Contractual services	292,903	138,547	-	2,026,587
Internal service charges	61,658	571,573	-	2,157,471
Depreciation expense	-	96,536	-	1,504,744
<b>Total Operating Expenses</b>	<b>8,180,627</b>	<b>2,451,581</b>	<b>-</b>	<b>21,574,412</b>
Operating Income (Loss)	(608,490)	995,924	89,007	1,997,711
<b>Nonoperating Revenues (Expenses):</b>				
Gain (loss) on disposal of capital assets	-	-	-	36,119
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,119</b>
Income (Loss) Before Transfers	(608,490)	995,924	89,007	2,033,830
Transfers out	-	(60,720)	-	(60,720)
Changes in Net Position	(608,490)	935,204	89,007	1,973,110
<b>Net Position:</b>				
Beginning of Year, as originally reported	(11,119,155)	1,406,475	949,146	2,087,068
Restatements	(31,855)	(221,467)	-	(691,707)
Beginning of Fiscal Year, as restated	(11,151,010)	1,185,008	949,146	1,395,361
<b>End of Fiscal Year</b>	<b>\$ (11,759,500)</b>	<b>\$ 2,120,212</b>	<b>\$ 1,038,153</b>	<b>\$ 3,368,471</b>

## CITY OF REDONDO BEACH

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Governmental Activities - Internal Service Funds</b>		
	<b>Vehicle Replacement</b>	<b>Building Occupancy</b>	<b>Information Technology</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 4,509,379	\$ 4,150,280	\$ 3,860,544
Cash paid to suppliers for goods and services	(1,331,919)	(2,026,317)	(1,767,973)
Cash paid to employees for services	(645,931)	(1,518,417)	(1,276,501)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,531,529</b>	<b>605,546</b>	<b>816,070</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(3,239,180)	-	-
Principal paid on capital debt	-	-	(224,363)
Interest paid on capital debt	-	-	(16,881)
Proceeds from sale of capital assets	43,639	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(3,195,541)</b>	<b>-</b>	<b>(241,244)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(664,012)</b>	<b>605,546</b>	<b>574,826</b>
Cash and Cash Equivalents at Beginning of Year	7,357,944	559,924	682,988
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 6,693,932</b>	<b>\$ 1,165,470</b>	<b>\$ 1,257,814</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 1,380,985	\$ 17,775	\$ 122,510
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Restatement related to GASB 75	(71,294)	(178,995)	(188,096)
Depreciation	1,123,803	4,410	279,995
(Increase) decrease in accounts receivable	55,949	135	645
(Increase) decrease in deferred outflow pension related items	(66,901)	(40,852)	(77,595)
(Increase) decrease in deferred outflow OPEB related items	(15,271)	(38,338)	(40,288)
Increase (decrease) in accounts payable	78,474	(34,083)	18,174
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in net pension liability	(49,998)	643,911	437,893
Increase (decrease) in net OPEB liability	87,477	219,622	230,789
Increase (decrease) in deferred inflow pension related items	(15,065)	(25,281)	(25,490)
Increase (decrease) in deferred inflow OPEB related items	15,580	39,117	41,107
Increase (decrease) in compensated absences	7,790	(1,875)	16,426
<b>Total Adjustments</b>	<b>1,150,544</b>	<b>587,771</b>	<b>693,560</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,531,529</b>	<b>\$ 605,546</b>	<b>\$ 816,070</b>

## CITY OF REDONDO BEACH

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Self- Insurance Program</b>	<b>Emergency Communications</b>	<b>Major Facilities Repair</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 7,608,732	\$ 3,447,505	\$ 89,007	\$ 23,665,447
Cash paid to suppliers for goods and services	(6,366,134)	(448,372)	-	(11,940,715)
Cash paid to employees for services	(552,226)	(2,140,981)	-	(6,134,056)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>690,372</b>	<b>858,152</b>	<b>89,007</b>	<b>5,590,676</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	(60,720)	-	(60,720)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>(60,720)</b>	<b>-</b>	<b>(60,720)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(45,361)	(1,677,703)	-	(4,962,244)
Principal paid on capital debt	-	-	-	(224,363)
Interest paid on capital debt	-	-	-	(16,881)
Proceeds from sale of capital assets	-	-	-	43,639
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(45,361)</b>	<b>(1,677,703)</b>	<b>-</b>	<b>(5,159,849)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>645,011</b>	<b>(880,271)</b>	<b>89,007</b>	<b>370,107</b>
Cash and Cash Equivalents at Beginning of Year	12,005,273	3,774,276	949,146	25,329,551
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 12,650,284</b>	<b>\$ 2,894,005</b>	<b>\$ 1,038,153</b>	<b>\$ 25,699,658</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (608,490)	\$ 995,924	\$ 89,007	\$ 1,997,711
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Restatement related to GASB 75	(31,855)	(221,467)	-	(691,707)
Depreciation	-	96,536	-	1,504,744
(Increase) decrease in accounts receivable	36,595	-	-	93,324
(Increase) decrease in deferred outflow pension related items	(14,904)	(191,566)	-	(391,818)
(Increase) decrease in deferred outflow OPEB related items	(6,823)	(47,435)	-	(148,155)
Increase (decrease) in accounts payable	6,777	(5,027)	-	64,315
Increase (decrease) in claims and judgments	1,150,045	-	-	1,150,045
Increase (decrease) in net pension liability	117,743	(151)	-	1,149,398
Increase (decrease) in net OPEB liability	39,085	271,735	-	848,708
Increase (decrease) in deferred inflow pension related items	(3,944)	(47,847)	-	(117,627)
Increase (decrease) in deferred inflow OPEB related items	6,961	48,398	-	151,163
Increase (decrease) in compensated absences	(818)	(40,948)	-	(19,425)
<b>Total Adjustments</b>	<b>1,298,862</b>	<b>(137,772)</b>	<b>-</b>	<b>3,592,965</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 690,372</b>	<b>\$ 858,152</b>	<b>\$ 89,007</b>	<b>\$ 5,590,676</b>

## CITY OF REDONDO BEACH

COMBINING STATEMENT OF NET POSITION  
 ALL AGENCY FUNDS  
 JUNE 30, 2018

	Deposits	Assessment District 92-1	Totals
<b>Assets:</b>			
Pooled cash and investments	\$ 131,360	\$ 178,012	\$ 309,372
Receivables:			
Deposits	87,406	-	87,406
<b>Total Assets</b>	<b>\$ 218,766</b>	<b>\$ 178,012</b>	<b>\$ 396,778</b>
<b>Liabilities:</b>			
Accounts payable	\$ 218,766	\$ -	\$ 218,766
Deposits payable	-	178,012	178,012
<b>Total Liabilities</b>	<b>\$ 218,766</b>	<b>\$ 178,012</b>	<b>\$ 396,778</b>



## CITY OF REDONDO BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b><u>Deposits</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 4,320,340	\$ 4,188,980	\$ 131,360
Receivables:				
Accounts	51,102	352,253	403,355	-
Prepaid costs	2,220	87,402	89,622	-
Deposits	776,809	3,926,919	4,616,322	87,406
<b>Total Assets</b>	<b>\$ 830,131</b>	<b>\$ 8,686,914</b>	<b>\$ 9,298,279</b>	<b>\$ 218,766</b>
<b>Liabilities:</b>				
Accounts payable	\$ 121,019	\$ 3,419,674	\$ 3,321,927	\$ 218,766
Due to other governments	709,112	-	709,112	-
<b>Total Liabilities</b>	<b>\$ 830,131</b>	<b>\$ 3,419,674</b>	<b>\$ 4,031,039</b>	<b>\$ 218,766</b>
<b><u>Assessment District 92-1</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
<b>Total Assets</b>	<b>\$ 178,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,012</b>
<b>Liabilities:</b>				
Deposits payable	\$ 178,012	\$ -	\$ -	\$ 178,012
<b>Total Liabilities</b>	<b>\$ 178,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,012</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 178,012	\$ 4,320,340	\$ 4,188,980	\$ 309,372
Receivables:				
Accounts	51,102	352,253	403,355	-
Prepaid costs	2,220	87,402	89,622	-
Deposits	776,809	3,926,919	4,616,322	87,406
<b>Total Assets</b>	<b>\$ 1,008,143</b>	<b>\$ 8,686,914</b>	<b>\$ 9,298,279</b>	<b>\$ 396,778</b>
<b>Liabilities:</b>				
Accounts payable	\$ 121,019	\$ 3,419,674	\$ 3,321,927	\$ 218,766
Deposits payable	178,012	-	-	178,012
Due to other governments	709,112	-	709,112	-
<b>Total Liabilities</b>	<b>\$ 1,008,143</b>	<b>\$ 3,419,674</b>	<b>\$ 4,031,039</b>	<b>\$ 396,778</b>

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## Overview of the Five Categories Presented in the City's Statistical Section

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<b><i>Financial Trends</i></b>	
Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.	156
<b><i>Revenue Capacity</i></b>	
Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	166
<b><i>Debt Capacity</i></b>	
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<b><i>Demographic and Economic Information</i></b>	
Presented are schedules to assist the reader's understanding of the socioeconomic environment within which the City operates and to help make comparisons over time and with other governments.	177
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Presented are schedules to assist the reader's understanding of how the City's financial information relates to the services provided by the City and the activities it performs.	180

**City of Redondo Beach**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net investment in capital assets	\$ 135,170,376	\$ 137,743,367	\$ 140,306,635	\$ 143,049,830	\$ 142,096,684
Restricted	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725
Unrestricted	876,969	(766,752)	(12,443,192)	21,623,137	24,173,154
Total governmental activities net position	153,875,358	153,780,052	157,753,492	182,534,770	183,973,563
Business-type activities:					
Net investment in capital assets	35,414,035	35,985,952	34,790,325	34,957,595	38,936,171
Restricted	-	-	-	-	-
Unrestricted	25,564,850	25,550,889	27,481,003	24,616,381	28,210,687
Total business-type activities net position	60,978,885	61,536,841	62,271,328	59,573,976	67,146,858
Primary government:					
Net investment in capital assets	170,584,411	173,729,319	175,096,960	178,007,425	181,032,855
Restricted	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725
Unrestricted	26,441,819	24,784,137	15,037,811	46,239,518	52,383,841
Total primary government net position	\$ 214,854,243	\$ 215,316,893	\$ 220,024,820	\$ 242,108,746	\$ 251,120,421

NOTE: \* In FY 2014-2015, GASB Statement 68 was implemented and contributed to the decrease in net position.

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements

**City of Redondo Beach**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

(CONTINUED)

	Fiscal Year				
	2014	2015 *	2016	2017	2018
Governmental Activities:					
Net investment in capital assets	\$ 138,614,141	\$ 139,555,634	\$ 135,628,091	\$ 139,053,697	\$ 147,515,377
Restricted	19,059,951	16,503,649	26,346,341	22,833,987	24,348,682
Unrestricted	28,918,308	(85,699,247)	(81,186,849)	(83,567,317)	(118,477,214)
Total governmental activities net position	186,592,400	70,360,036	80,787,583	78,320,367	53,386,845
Business-type activities:					
Net investment in capital assets	36,646,484	37,629,261	37,542,589	37,169,598	43,285,102
Restricted	-	-	-	-	-
Unrestricted	27,250,666	18,257,918	24,136,647	28,549,056	24,562,294
Total business-type activities net position	63,897,150	55,887,179	61,679,236	65,718,654	67,847,396
Primary government:					
Net investment in capital assets	175,260,625	177,184,895	173,170,680	176,223,295	190,800,479
Restricted	19,059,951	16,503,649	26,346,341	22,833,987	24,348,682
Unrestricted	56,168,974	(67,441,329)	(57,050,202)	(55,018,261)	(93,914,920)
Total primary government net position	\$ 250,489,550	\$ 126,247,215	\$ 142,466,819	\$ 144,039,021	\$ 121,234,241

**City of Redondo Beach**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Expenses</b>					
Government activities:					
General government	\$ 9,234,672	\$ 7,618,055	\$ 7,951,800	\$ 8,560,957	\$ 11,974,780
Public Safety	42,293,976	40,737,832	41,849,863	43,020,839	43,141,036
Housing and community development	17,696,101	16,227,602	13,159,622	13,822,831	10,085,882
Cultural and leisure services	7,586,649	6,543,884	7,002,619	7,389,274	10,933,176
Public works	12,538,423	17,930,811	12,381,276	10,589,076	11,588,895
Interest on long-term debt	1,747,427	1,077,588	1,014,572	637,624	266,651
AB 1484 demand payment	-	-	-	9,914,969	-
Total governmental activities expenses	91,097,248	90,135,772	83,359,752	93,935,570	87,990,420
Business-type activities:					
Harbor Tidelands	5,360,523	5,372,721	5,415,810	7,689,071	4,998,098
Harbor Uplands	5,288,345	4,441,227	4,571,399	3,952,061	3,657,127
Solid Waste	3,228,498	3,364,549	3,574,516	3,431,017	3,610,925
Transit	-	-	3,102,333	3,113,076	3,288,696
Wastewater	2,092,245	2,207,319	2,476,972	3,196,442	1,880,835
Total business-type activities expenses	15,969,611	15,385,816	19,141,030	21,381,667	17,435,681
Total primary government expenses	107,066,859	105,521,588	102,500,782	115,317,237	105,426,101
<b>Component Units:</b>					
<b>Program Revenues</b>					
Governmental activities:					
Charges for Services:					
General government	4,798,599	6,804,342	6,941,477	10,416,465	11,315,431
Public Safety	2,669,185	2,097,003	4,133,005	4,448,833	4,466,605
Housing and community development	4,056,523	4,556,546	2,613,104	1,743,286	2,246,976
Cultural and leisure services	1,219,916	1,211,155	1,553,477	1,615,347	1,770,757
Public works	4,518,076	1,923,289	1,834,052	2,127,381	2,170,823
Operating grants and contributions	9,137,687	8,715,661	8,928,050	8,590,969	9,925,853
Capital grants and contributions	3,486,113	6,605,139	6,976,620	4,582,744	705,357
Total governmental activities program revenues	29,886,099	31,913,135	32,979,785	33,525,025	32,601,802

**City of Redondo Beach**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
Business-type activities:					
Charges for services:					
Harbor Tidelands	5,270,090	5,408,349	5,475,085	5,290,706	5,572,625
Harbor Uplands	4,038,226	3,935,048	3,672,769	4,009,954	3,760,715
Solid Waste	2,992,476	3,356,843	3,454,839	3,312,471	3,396,353
Transit	-	-	519,082	676,020	349,454
Wastewater	2,293,090	2,437,816	2,444,086	2,575,279	3,764,711
Operating grants and contributions	162,512	17,769	1,231,111	1,395,363	1,672,668
Capital grants and contributions	-	-	-	-	2,545,504
Total business-type activities program revenues	14,756,394	15,155,825	16,796,972	17,259,793	21,062,030
Total primary government program revenues	44,642,493	47,068,960	49,776,757	50,784,818	53,663,832
Net (expense)/revenue					
Governmental activities	(61,211,149)	(58,222,637)	(50,379,967)	(60,410,545)	(55,388,618)
Business-type activities	(1,213,217)	(229,991)	(2,344,058)	(4,121,874)	3,626,349
Total primary government net expense	(62,424,366)	(58,452,628)	(52,724,025)	(64,532,419)	(51,762,269)
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities					
Taxes					
Property taxes, levied for general purpose	28,612,395	29,598,821	28,320,076	28,335,561	30,728,698
Transient occupancy taxes	3,485,290	3,204,045	3,267,209	3,533,501	3,693,144
Sales taxes	9,329,872	7,839,179	8,902,151	9,594,901	10,228,355
Franchise taxes	1,970,548	1,673,632	1,816,314	1,950,934	1,796,606
Business licenses taxes	1,293,056	1,256,462	1,240,024	1,203,591	1,018,677
Utility users taxes	7,848,157	8,043,207	7,667,130	7,422,089	7,711,580
Other taxes	-	11,200	-	-	8,703
Motor vehicle in lieu	205,403	198,745	310,907	33,693	34,912
Investment earnings	4,948,736	5,118,217	3,585,902	3,371,724	1,212,032
Other revenues	1,599,388	1,078,427	1,601,333	2,831,748	1,499,306
Gain (loss) on sale of capital assets	28,288	26,396	54,076	73,574	35,578
Transfers	1,142,313	79,000	(758,345)	(1,017,605)	(1,202,508)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	27,858,112	-
Total governmental activities	60,463,446	58,127,331	56,006,777	85,191,823	56,765,083
Business-type activities:					
Investment earnings	944,480	801,184	408,915	241,958	69,851
Gain (loss) on sale of capital assets	-	(16,398)	-	-	-
Other revenues	195,080	176,052	307,915	181,532	2,674,174
Transfers	(1,142,313)	(79,000)	758,345	1,017,605	1,202,508
Total business-type activities	(2,753)	881,838	1,475,175	1,441,095	3,946,533
Total primary government	60,460,693	59,009,169	57,481,952	86,632,918	60,711,616
<b>Change in Net Position</b>					
Governmental activities	(747,703)	(95,306)	5,626,810	24,781,278	1,376,465
Business-type activities	(1,215,970)	651,847	(868,883)	(2,680,779)	7,572,882
Totally primary government	\$ (1,963,673)	\$ 556,541	\$ 4,757,927	\$ 22,100,499	\$ 8,949,347

Source: City of Redondo Beach Comprehensive Annual Financial Report,  
Government-Wide Financial Statements

**City of Redondo Beach**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

(CONTINUED)

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Expenses</b>					
Government activities:					
General government	\$ 10,177,409	\$ 10,293,394	\$ 10,946,935	\$ 10,846,646	\$ 14,142,348
Public Safety	44,022,014	47,331,250	46,362,851	55,489,827	60,845,022
Housing and community development	10,115,114	9,229,689	8,936,256	9,769,288	11,797,299
Cultural and leisure services	10,042,640	10,990,481	11,556,891	12,496,716	14,539,255
Public works	11,817,281	15,500,144	12,616,719	14,135,326	16,496,964
Interest on long-term debt	194,200	152,348	124,522	80,782	51,658
AB 1484 demand payment	-	-	-	-	-
Total governmental activities expenses	86,368,658	93,497,306	90,544,174	102,818,585	117,872,546
Business-type activities:					
Harbor Tidelands	5,040,308	5,279,836	5,652,988	6,395,134	7,035,921
Harbor Uplands	4,051,432	4,230,371	4,469,890	4,479,269	3,224,093
Solid Waste	3,580,040	3,506,271	3,763,513	3,973,666	3,968,186
Transit	3,346,989	3,366,535	3,536,593	3,626,075	3,844,008
Wastewater	2,557,592	2,022,271	2,144,353	2,917,527	3,667,593
Total business-type activities expenses	18,576,361	18,405,284	19,567,337	21,391,671	21,739,801
Total primary government expenses	104,945,019	111,902,590	110,111,511	124,210,256	139,612,347
<b>Component Units:</b>					
<b>Program Revenues</b>					
Governmental activities:					
Charges for Services:					
General government	7,539,299	9,083,395	8,689,834	8,570,506	8,305,869
Public Safety	4,942,725	4,611,279	4,503,948	4,764,211	5,310,033
Housing and community development	2,858,612	2,681,729	2,160,284	3,577,756	3,458,586
Cultural and leisure services	5,942,540	6,733,424	6,606,802	5,837,816	6,709,262
Public works	2,386,890	2,154,679	2,334,537	2,579,475	2,459,268
Operating grants and contributions	8,052,877	8,170,736	8,135,187	8,563,072	8,090,195
Capital grants and contributions	294,342	2,310,026	912,045	492,146	1,872,910
Total governmental activities program revenues	32,017,285	35,745,268	33,342,637	34,384,982	36,206,123



**City of Redondo Beach**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

(CONTINUED)

	Fiscal Year				
	2014	2015	2016	2017	2018
Business-type activities:					
Charges for services:					
Harbor Tidelands	5,870,760	6,526,625	6,483,927	6,694,914	6,565,619
Harbor Uplands	4,311,358	4,585,998	5,314,448	5,378,886	5,267,564
Solid Waste	3,369,217	3,569,336	3,832,166	3,792,964	3,836,976
Transit	352,756	360,519	366,314	344,071	336,962
Wastewater	4,568,330	5,433,185	5,618,086	5,546,090	5,575,855
Operating grants and contributions	1,754,397	1,848,671	2,200,958	1,888,902	2,247,490
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	20,226,818	22,324,334	23,815,899	23,645,827	23,830,466
Total primary government program revenues	52,244,103	58,069,602	57,158,536	58,030,809	60,036,589
Net (expense)/revenue					
Governmental activities	(54,351,373)	(57,752,038)	(57,201,537)	(68,433,603)	(81,666,423)
Business-type activities	1,650,457	3,919,050	4,248,562	2,254,156	2,090,665
Total primary government net expense	(52,700,916)	(53,832,988)	(52,952,975)	(66,179,447)	(79,575,758)
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities					
Taxes					
Property taxes, levied for general purpose	30,175,663	31,424,789	32,766,493	34,375,818	36,847,562
Transient occupancy taxes	3,970,786	4,464,811	8,627,801	7,689,889	9,172,934
Sales taxes	10,450,402	11,889,190	12,347,884	10,059,087	10,185,208
Franchise taxes	1,973,182	1,981,936	1,963,752	1,706,371	1,896,809
Business licenses taxes	1,296,531	1,178,016	1,186,567	1,201,068	1,322,333
Utility users taxes	7,412,250	7,664,385	7,411,930	7,085,063	6,928,129
Other taxes	1,840	5,149	-	731,571	632,084
Motor vehicle in lieu	28,894	27,910	27,475	31,132	36,272
Investment earnings	1,251,129	1,069,970	1,184,588	3,038,633	3,134,966
Other revenues	1,885,242	2,271,960	2,826,066	1,521,902	1,407,243
Gain (loss) on sale of capital assets	12,657	27,676	71,254	-	-
Transfers	(1,350,534)	(1,462,139)	(784,726)	(1,474,147)	(1,106,621)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-
Total governmental activities	57,108,042	60,543,653	67,629,084	65,966,387	70,456,919
Business-type activities:					
Investment earnings	331,919	237,235	450,632	99,085	237,280
Gain (loss) on sale of capital assets	(79,277)	-	11,868	5,606	-
Other revenues	400,396	375,982	296,269	206,424	282,370
Transfers	1,350,534	1,462,139	784,726	1,474,147	1,106,621
Total business-type activities	2,003,572	2,075,356	1,543,495	1,785,262	1,626,271
Total primary government	59,111,614	62,619,009	69,172,579	67,751,649	72,083,190
<b>Change in Net Position</b>					
Governmental activities	2,756,669	2,791,615	10,427,547	(2,467,216)	(11,209,504)
Business-type activities	3,654,029	5,994,406	5,792,057	4,039,418	3,716,936
Totally primary government	\$ 6,410,698	\$ 8,786,021	\$ 16,219,604	\$ 1,572,202	\$ (7,492,568)

Source: City of Redondo Beach Comprehensive Annual Financial Report,  
Government-Wide Financial Statements

**City of Redondo Beach**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011 *	2012 *	2013 *
General fund					
Reserved	\$ 634,743	\$ 514,549	\$ -	\$ -	\$ -
Unreserved:					
Designated	9,353,252	9,321,572	-	-	-
Undesignated	37,327	(75,211)	-	-	-
Nonspendable	-	-	167,035	76,547	120,831
Restricted	-	-	-	-	-
Committed	-	-	5,595,596	5,712,942	5,889,783
Assigned	-	-	7,891,828	7,601,191	11,275,445
Unassigned	-	-	-	-	272,083
Total general fund	10,025,322	9,760,910	13,654,459	13,390,680	17,558,142
All other governmental funds					
Reserved	15,551,248	13,938,764	-	-	-
Unreserved, reported in:					
Special revenue funds	4,494,765	5,265,375	-	-	-
Capital projects funds	5,052	5,054	-	-	-
Debt service funds	1,222,686	1,165,476	-	-	-
Designated, reported in:					
Special revenue funds	2,696,956	2,043,237	-	-	-
Capital projects funds	9,891,290	-	-	-	-
Undesignated, reported in:					
Special revenue funds	5,803,471	7,103,415	-	-	-
Capital projects funds	2,317,151	5,365,603	-	-	-
Debt service funds	(14,007,225)	(15,428,315)	-	-	-
Nonspendable	-	-	1,012	57,995	-
Nonspendable, reported in:					
Special revenue funds	-	-	-	2,898,234	-
Restricted	-	-	8,524,280	10,472,386	16,010,908
Restricted, reported in:					
Special revenue funds	-	-	13,257,981	-	-
Debt service funds	-	-	8,107,706	7,362,829	6,818,696
Committed	-	-	-	-	-
Assigned	-	-	-	3,503,086	3,113,179
Assigned, reported in:					
Capital projects funds	-	-	1,645,977	-	-
Special revenue funds	-	-	-	535,731	-
Unassigned	-	-	841,689	3,170,437	-
Unassigned, reported in:					
Special revenue funds	-	-	(3,027,926)	(1,319,919)	(1,044,377)
Capital projects funds	-	-	3,040,646	-	-
Debt service funds	-	-	(15,046,266)	-	-
Total all other governmental funds	\$ 27,975,394	\$ 19,458,609	\$ 17,345,099	\$ 26,680,779	\$ 24,898,406

NOTE: \*The change of fund balance descriptions is due to the implementation of GASB 54 in fiscal year 2010/2011.

Source: City of Redondo Beach Comprehensive Annual Financial Report, Governmental Fund Financial Statements

**City of Redondo Beach**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

(CONTINUED)

	Fiscal Year				
	2014*	2015*	2016*	2017*	2018*
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
Designated	-	-	-	-	-
Undesignated	-	-	-	-	-
Nonspendable	82,255	90,836	87,345	88,047	93,705
Restricted	-	-	3,000,000	-	-
Committed	6,188,191	6,738,848	7,154,237	7,409,689	7,605,573
Assigned	12,025,746	10,500,675	9,303,536	10,587,139	9,431,007
Unassigned	2,674,597	5,786,193	1,694,671	418,474	653,649
Total general fund	20,970,789	23,116,552	21,239,789	18,503,349	17,783,934
All other governmental funds					
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Designated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Nonspendable	2,952,500	2,749,394	-	-	-
Nonspendable, reported in:					
Special revenue funds	-	-	-	-	-
Restricted	13,408,799	12,107,627	22,309,801	18,625,842	20,061,786
Restricted, reported in:					
Special revenue funds	-	-	-	4,208,145	4,286,896
Debt service funds	6,450,252	6,310,008	-	-	-
Committed	-	-	-	-	-
Assigned	6,956,943	6,466,871	2,150,834	2,152,347	2,152,347
Assigned, reported in:					
Capital projects funds	-	-	11,112,946	12,372,901	10,057,599
Special revenue funds	-	-	-	-	-
Unassigned	(99,891)	(64,425)	(106,954)	(66,919)	(5,146)
Unassigned, reported in:					
Special revenue funds	(1,551,713)	(1,852,352)	(1,335,382)	(1,453,532)	(3,031,772)
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total all other governmental funds	\$ 28,116,890	\$ 25,717,123	\$ 34,131,245	\$ 35,838,784	\$ 33,521,710

**City of Redondo Beach**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Revenues:</b>					
Taxes	\$ 52,330,017	\$ 49,946,499	\$ 51,768,825	\$ 51,875,943	\$ 55,882,844
Interdepartmental	6,655,458	6,681,277	6,383,731	6,249,628	6,656,858
Licenses and permits	1,006,075	930,523	1,248,916	1,343,422	1,259,505
Intergovernmental	13,991,411	15,619,990	14,545,341	16,339,864	13,380,088
Charges for services	6,947,073	7,279,164	7,485,670	7,486,013	7,461,642
Use of money and property	5,680,333	4,929,845	3,512,619	3,760,501	3,146,954
Fines and forfeitures	1,845,838	1,875,287	1,785,067	1,634,786	1,663,966
Other revenues	1,703,984	999,916	1,447,680	2,948,048	1,062,143
Total Revenues	90,160,189	88,262,501	88,177,849	91,638,205	90,514,000
<b>Expenditures:</b>					
Current:					
General government	8,693,889	7,901,358	7,582,969	8,085,175	9,285,279
Public safety	42,869,798	41,964,634	41,450,374	42,244,015	42,480,962
Housing and community development	17,569,049	16,392,441	12,882,944	13,549,748	9,360,093
Cultural and leisure services	7,372,691	7,427,423	6,671,934	5,282,197	8,567,569
Public works	9,554,993	8,787,700	9,450,771	7,395,866	9,212,829
AB 1484 demand payment	-	-	-	9,914,969	-
Capital outlay	5,683,727	11,562,615	8,384,700	5,491,358	6,357,661
Debt service:					
Principal	3,448,829	2,492,055	777,554	1,750,000	1,380,000
Interest	1,738,532	1,069,040	1,017,824	641,376	270,903
Debt issuance costs	-	-	-	-	-
Total Expenditures	96,931,508	97,597,266	88,219,070	94,354,704	86,915,296
Excess of Revenues Over (Under) Expenditures	(6,771,319)	(9,334,765)	(41,221)	(2,716,499)	3,598,704
<b>Other Financing Sources (Uses):</b>					
Transfers in	5,482,661	2,707,679	17,341,414	11,497,255	3,223,702
Transfers out	(4,595,668)	(2,743,425)	(15,834,081)	(13,478,178)	(4,437,317)
Refunding bonds issued	700,000	-	-	-	-
Other debts issued	547,789	589,314	301,197	246,200	-
Bond premium	-	-	-	-	-
Refunding bonds redeemed	(700,000)	-	-	-	-
Gain (loss) on Redevelopment Agency dissolution	-	-	-	13,523,123	-
Total Other Financing Sources (Uses)	1,434,782	553,568	1,808,530	11,788,400	(1,213,615)
Net Change in Fund Balances	\$ (5,336,537)	\$ (8,781,197)	\$ 1,767,309	\$ 9,071,901	\$ 2,385,089
Debt service as a percentage of noncapital expenditures	6.03%	4.32%	2.30%	2.77%	2.09%

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements

**City of Redondo Beach**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

(CONTINUED)

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Revenues:</b>					
Taxes	\$ 55,958,439	\$ 58,603,127	\$ 64,304,427	\$ 62,848,867	\$ 67,323,695
Interdepartmental	7,143,371	7,588,928	8,176,790	8,292,178	8,170,297
Licenses and permits	1,504,502	1,333,512	1,701,786	1,755,119	1,801,502
Intergovernmental	11,096,634	14,091,278	12,259,088	12,359,047	12,574,428
Charges for services	8,401,697	8,511,455	9,618,003	9,128,589	9,732,500
Use of money and property	2,499,563	2,795,350	3,113,269	3,038,633	3,134,966
Fines and forfeitures	1,836,166	1,960,083	1,645,777	1,523,928	1,368,615
Other revenues	1,816,196	2,147,500	2,678,261	2,540,369	2,498,976
Total Revenues	90,256,568	97,031,233	103,497,401	101,486,730	106,604,979
<b>Expenditures:</b>					
Current:					
General government	9,157,309	9,757,869	10,189,258	10,535,983	9,920,879
Public safety	43,653,885	48,274,212	50,019,597	52,875,881	57,451,797
Housing and community development	9,116,267	8,883,086	9,546,763	9,759,833	10,156,777
Cultural and leisure services	8,789,002	10,023,420	11,001,375	11,265,379	11,598,804
Public works	9,362,140	10,325,935	11,198,389	11,235,682	11,016,488
AB 1484 demand payment	-	-	-	-	-
Capital outlay	1,248,965	7,382,451	3,235,047	4,682,977	7,442,754
Debt service:					
Principal	665,000	695,000	715,000	745,000	775,000
Interest	240,736	187,296	152,896	121,999	89,856
Debt issuance costs	-	-	-	-	-
Total Expenditures	82,233,304	95,529,269	96,058,325	101,222,734	108,452,355
Excess of Revenues Over (Under) Expenditures	8,023,264	1,501,964	7,439,076	263,996	(1,847,376)
<b>Other Financing Sources (Uses):</b>					
Transfers in	2,768,840	1,394,604	8,464,353	4,031,647	2,326,416
Transfers out	(4,160,973)	(3,150,572)	(9,366,070)	(5,324,544)	(3,372,317)
Refunding bonds issued	-	-	-	-	-
Other debts issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Refunding bonds redeemed	-	-	-	-	-
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	-
Total Other Financing Sources (Uses)	(1,392,133)	(1,755,968)	(901,717)	(1,292,897)	(1,045,901)
Net Change in Fund Balances	\$ 6,631,131	\$ (254,004)	\$ 6,537,359	\$ (1,028,901)	\$ (2,893,277)
Debt service as a percentage of noncapital expenditures	1.13%	1.01%	0.94%	0.91%	0.86%

**City of Redondo Beach**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	City			Taxable
	Secured	Unsecured	Less:	Assessed
			Exemptions	Value
2009	10,967,218,597	377,551,863	(67,013,974)	11,277,756,486
2010	11,070,789,692	362,332,212	(66,883,744)	11,366,238,160
2011	11,088,815,868	609,276,121	(82,655,891)	11,615,436,098
2012	11,385,441,715	432,094,319	(56,430,405)	11,761,105,629
2013	11,606,153,109	503,602,130	(59,615,627)	12,050,139,612
2014	12,119,561,792	479,888,191	(86,536,840)	12,512,913,143
2015	12,740,467,541	424,217,169	(73,103,981)	13,091,580,729
2016	13,389,390,286	445,897,750	(74,129,707)	13,761,158,329
2017	14,185,826,554	422,121,124	(72,679,071)	14,535,268,607
2018	14,985,005,088	475,749,665	(72,464,646)	15,388,290,107

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren & Cone, Los Angeles County Auditor-Controller/Tax Division 2017-18 Combined Tax Rolls

## City of Redondo Beach

### Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

(CONTINUED)

Fiscal Year Ended June 30	Redevelopment			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Exemptions		
2009	371,987,381	64,908,544	(158,162)	436,737,763	0.18598
2010	409,520,646	55,988,588	(866,778)	464,642,456	0.18774
2011	397,519,636	31,015,873	(864,841)	427,670,668	0.18818
2012	389,564,455	54,640,221	(658,821)	443,545,855	0.18575
2013	441,667,976	37,592,938	(671,996)	478,588,918	0.19160
2014	453,832,698	38,326,859	(352,000)	491,807,557	0.16203
2015	470,317,505	55,967,662	(221,000)	526,064,167	0.16226
2016	481,010,582	48,097,617	-	529,108,199	0.16250
2017	492,828,395	26,806,104	-	519,634,499	0.16271
2018	502,042,344	27,984,358	-	530,026,702	0.16206

**City of Redondo Beach**  
**Direct and Overlapping Property Tax Rates**  
**(Rate per \$100 of taxable value)**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City basic rate	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539
Redevelopment agency	1.00430	1.00430	1.00370	1.00370	-	-	-	-	-	-
Overlapping Rates:										
Los Angeles County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Community College	0.01703	0.01487	0.01614	0.01688	0.01849	0.01750	0.01742	0.01745	0.02294	0.02120
Unified School District	0.04713	0.05519	0.06977	0.08610	0.08162	0.09242	0.09689	0.09174	0.09079	0.08630
Total Direct Rate	0.18598	0.18774	0.18818	0.18575	0.19160	0.16203	0.16226	0.16250	0.16271	0.16206

Notes: General fund tax rates are representative and based upon the direct and overlapping rates for the largest general fund tax rate area (TRA) by net taxable value.

Total Direct Rate is the weighted average of all individual direct rates applied by the City of Redondo Beach.

RDA rate is based on the largest RDA tax rate area(TRA) and includes only rate(s) from indebtedness adopted prior to 1969 per California State statute.

RDA direct and overlapping rates are applied only to the incremental property values.

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage to assessed property values for the payment of any voter approved bonds.

Source: HdL Coren & Cone, Los Angeles County Assessor 2017/2018 Tax Rate Table



**City of Redondo Beach**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2018		2009	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Northrop Gruman Systems Corporation	\$ 453,141,144	2.85%	\$ 420,436,453	3.59%
South Bay Center SPE LLC	247,729,632	1.56%	192,876,051	1.65%
AES Redondo Beach LLC	102,808,391	0.65%	182,400,000	1.56%
The Kobe Group Inc	74,885,000	0.47%	-	-
Redondo Industrial Park LLC	74,389,854	0.47%	-	-
Noble House Recp Hotel Venture LLC	65,501,236	0.41%	-	-
Redondo Distribution Center LLC	52,734,000	0.33%	-	-
SCG 616 Esplanade Street LLC	52,339,343	0.33%	-	-
LPF Redondo Beach Inc	48,336,134	0.30%	-	-
HPT IHG 2 Properties Trust	47,249,242	0.30%	41,589,760	0.36%
MKEG P LLC	-	-	36,081,072	0.31%
Portofino Partners	-	-	35,825,502	0.31%
Target Corporation	-	-	32,657,291	0.28%
AMB AMS Spinnaker LLC	-	-	32,457,542	0.28%
Harbor Cove The Bascom Group	-	-	32,244,570	0.28%
Avalon California Value I LLC	-	-	26,272,536	0.22%
	<u>\$ 1,219,113,976</u>	<u>7.66%</u>	<u>\$ 1,032,840,777</u>	<u>8.82%</u>

NOTE: The amounts shown above include assessed value date for both the City and the Successor Agency (former Redevelopment Agency).

Source: HdL Coren & Cone, Los Angeles County Assessor 2017/2018 Combined Tax Rolls

**City of Redondo Beach**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	24,948,068	23,904,011	95.82%	922,736	24,826,747	99.51%
2010	25,278,747	24,462,121	96.77%	953,254	25,415,374	100.54%
2011	25,809,271	25,195,837	97.62%	829,417	26,025,253	100.84%
2012	26,025,500	25,493,811	97.96%	586,821	26,080,632	100.21%
2013	27,652,911	27,193,269	98.34%	567,962	27,761,231	100.39%
2014	29,413,514	28,953,089	98.43%	487,130	29,440,219	100.09%
2015	31,503,828	31,035,789	98.51%	451,369	31,487,158	99.95%
2016	32,883,797	32,440,070	98.65%	405,762	32,845,833	99.88%
2017	34,125,966	33,690,049	98.72%	388,499	34,078,548	99.86%
2018	35,718,202	35,230,091	98.63%	383,301	35,613,392	99.71%

Source: County of Los Angeles Auditor-Controller

**City of Redondo Beach**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income *	Per Capita
	Refunding		Capital	County	Wastewater					
	Revenue	Loans			Revenue	Construction	Capital			
	Bonds	Leases	AB 1484	Bonds	Loans	Leases				
2009	9,759,884	14,872,887	33,169	-	9,325,646	3,715,553	-	37,707,139	9.37%	557
2010	8,870,895	13,840,146	20,686	-	9,118,020	3,466,920	-	35,316,667	8.76%	519
2011	8,126,906	14,088,789	887,204	-	8,905,394	3,207,098	-	35,215,391	8.37%	526
2012	6,357,917	-	883,933	7,700,000	8,682,769	2,935,586	-	26,560,205	6.00%	396
2013	4,958,928	-	884,094	-	8,450,143	2,651,854	-	16,945,019	3.64%	251
2014	4,271,142	-	444,896	-	7,755,117	2,355,354	-	14,826,509	2.97%	219
2015	3,553,356	-	750,436	-	7,503,861	2,045,512	114,597	13,967,762	2.57%	205
2016	2,815,570	-	565,029	-	7,232,606	1,721,727	58,404	12,393,336	1.63%	180
2017	2,047,784	-	253,265	-	6,951,350	1,383,372	-	10,635,771	1.33%	154
2018	1,250,000	-	28,902	-	6,660,094	1,029,790	-	8,968,786	-	131

NOTES: \* Personal income data was not available from the U.S. Department of Bureau Analysis subsequent to fiscal year 2016/2017. Percentages reflected are calculated using personal income based on the metropolitan area Los Angeles-Long Beach-Anaheim.

Source: Note 8 of the Notes to Financial Statements

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**City of Redondo Beach**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2018**

City Assessed Valuation		\$	15,918,316,809	
Incremental Valuation			495,597,799	
Total Assessed Valuation		\$	<u>15,422,719,010</u>	
	Percentage Applicable	Outstanding Debt 6/30/18		Estimated Share of Overlapping Debt
Direct Debt:				
Capital Leases	100%	28,902		28,902
Public Financing Authority 2008 Refunding Revenue Bonds	100%	1,250,000		1,250,000
Public Financing Authority 2008 Unamortized Bond Premium	100%	-		-
Total direct debt		\$	<u>1,278,902</u>	\$ <u>1,278,902</u>
Overlapping Debt:				
* Metropolitan Water District	1.346%	29,354,442		395,003
El Camino CCD DS 2002 Series 2012C	15.210%	179,006,523		27,227,542
El Camino CCD DS 2012 Ref Bonds	15.210%	36,320,000		5,524,404
El Camino CCD DS 2012 Series 2016 A	15.210%	95,500,000		14,525,897
El Camino CCD DS 2016 Ref Bonds	15.210%	75,585,000		11,496,753
Redondo Beach Unified School District DS 2008 Ser A	100%	251,582		251,582
Redondo Beach Unified School District DS 2008 Ser B	100%	11,994,394		11,994,394
Redondo Beach Unified School District DS 2008 Ser C	100%	11,015,000		11,015,000
Redondo Beach Unified School District DS 2008 Ser D BABS	100%	17,235,000		17,235,000
Redondo Beach Unified School District DS 2010 Refunding Series 2000A	100%	769,172		769,172
Redondo Beach Unified School District DS 2010 Refund 2000CDE	100%	7,825,000		7,825,000
Redondo Beach Unified School District DS 2008 Series E	100%	7,080,566		7,080,566
Redondo Beach Unified School District DS 2012 Ref Bond	100%	9,045,000		9,045,000
Redondo Beach Unified School District DS 2012 Series A	100%	20,345,000		20,345,000
Redondo Beach Unified School District DS 2013 Refunding Series 2000E	100%	7,895,000		7,895,000
Redondo Beach Unified School District DS 2012 Series B	100%	16,445,000		16,445,000
Redondo Beach Unified School District DS 2014 Ref Series 2008A	100%	45,435,000		45,435,000
Redondo Beach Unified School District DS 2012 Series C	100%	36,640,000		36,640,000
Redondo Beach Unified School District DS 2016 Ref Series A	100%	23,640,000		23,640,000
Total overlapping debt		\$	<u>631,381,679</u>	\$ <u>274,785,313</u>
Total direct and overlapping debt				\$ <u>276,064,215</u>

NOTE: \* This fund is a portion of a larger agency and is responsible for debt in areas outside the city.

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2017/2018 Lien Date Tax Rolls

**City of Redondo Beach**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 1,757,174,137	\$ 1,774,632,092	\$ 1,775,420,369	\$ 1,830,697,723	\$ 1,879,309,280
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	1,757,174,137	1,774,632,092	1,775,420,369	1,830,697,723	1,879,309,280
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Source: County of Los Angeles Auditor-Controller

**City of Redondo Beach**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

(CONTINUED)

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed value	\$ 15,918,316,809
Debt Limit (15% of assessed value)	2,387,747,521
Debt applicable to limit	-
Legal debt margin	\$ 2,387,747,521

Fiscal Year				
2014	2015	2016	2017	2018
\$ 1,950,708,105	\$ 2,042,646,734	\$ 2,143,539,979	\$ 2,258,235,466	\$ 2,387,747,521
-	-	-	-	-
1,950,708,105	2,042,646,734	2,143,539,979	2,258,235,466	2,387,747,521
0%	0%	0%	0%	0%

**City of Redondo Beach**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Wastewater Revenue Bonds						
Fiscal Year Ended	Wastewater	Less	Net	Debt Service		Coverage
June 30,	Revenue	Operating	Available	Principal	Interest	
		Expenses	Revenue			
2009	2,238,654	1,036,836	1,201,818	200,000	476,050	1.78
2010	2,371,716	1,106,781	1,264,934	210,000	468,050	1.87
2011	2,376,530	1,023,182	1,353,348	215,000	459,650	2.01
2012	2,469,073	1,241,772	1,227,301	225,000	451,050	1.82
2013	3,469,675	1,201,797	2,267,878	235,000	442,050	3.35
2014*	4,311,350	1,214,545	3,096,805	-	208,634	14.84
2015	5,290,338	1,432,699	3,857,640	225,000	322,459	7.05
2016	5,320,916	1,575,501	3,745,415	245,000	301,988	6.85
2017	5,475,892	2,283,864	3,192,028	255,000	289,738	5.86
2018	5,521,455	2,597,120	2,924,335	265,000	279,538	5.37

NOTE: \*The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.  
It was replaced in fiscal year 2013-14 with the issue of the 2014 Wastewater Refunding Revenue Bonds.



**City of Redondo Beach**  
**Demographic and Economic Statistics**  
**June 30, 2018**

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<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income * (in millions)</b>	<b>Per Capita Personal Income *</b>	<b>Unemployment Rate **</b>
2009	67,646	402,281	40,867	9.6%
2010	68,105	403,014	41,025	11.7%
2011	66,970	420,803	42,564	11.7%
2012	67,007	443,006	44,474	10.8%
2013	67,396	466,098	46,530	9.2%
2014	67,717	499,768	49,400	7.7%
2015	68,095	544,168	53,521	6.9%
2016	68,844	760,829	57,160	5.0%
2017	68,907	802,394	60,087	4.7%
2018	68,677	-	-	4.1%

NOTES: \* Personal income data was not available from the California Department of Finance subsequent to fiscal year 2016/2017. Per Capita Personal Income is based on the metropolitan area of Los Angeles-Long Beach-Anaheim, CA. Statistics not available subsequent to fiscal year 2016/2017. \*\* Unemployment rate is based on the metropolitan area of Los Angeles-Long Beach-Anaheim, CA.

Source: California Department of Finance, Demographic Research Unit  
U.S. Bureau of Economic Analysis  
U.S. Department of Labor

**City of Redondo Beach**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2018		2009	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Northrup Grumman Corporation	6,376	18.48%	5,827	16.15%
Redondo Beach Unified School District	783	2.27%	1,100	3.05%
City of Redondo Beach	439	1.27%	487	1.35%
The Cheesecake Factory	261	0.76%	261	0.72%
United States Postal Service	260	0.75%	-	-
DHL Global Forwarding	227	0.66%	244	0.68%
Target Stores	217	0.63%	217	0.60%
Macy's	176	0.51%	208	0.58%
Frontier	166	0.48%	-	-
H T Grill	160	0.46%	-	-
Beach Cities Health District	-	-	620	1.72%
Nordstrom, Inc.	-	-	363	1.01%
Crowne Plaza Redondo Beach	-	-	339	0.94%

Source: City of Redondo Beach

**City of Redondo Beach**  
**Full-Time City Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	58	53	52	50	49	49	51	51	53	54
Public Safety										
Police										
Officers	105	97	96	96	96	96	93	96	96	96
Civilians	59	58	59	59	59	59	59	58	58	58
Fire										
Firefighters and Officers	63	60	60	60	60	60	62	62	62	62
Civilians	5	4	3	3	3	3	3	3	3	5
Public Works	105	104	100	95	96	111	111	111	112	112
Cultural and Leisure Services	45	38	37	37	35	33	34	34	33	33
Housing & Community Development	32	30	31	30	30	15	17	17	17	18
Harbor, Business, & Transit	9	8	6	3	3	3	3	4	4	4
TOTAL	481	452	444	433	431	429	433	436	438	442

Source: City of Redondo Beach

**City of Redondo Beach**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Physical arrests	2,641	2,586	2,464	2,200	2,095	2,141	2,146	2,325	2,490	- *
Traffic citations issued	10,786	10,658	12,217	4,490	4,764	4,966	4,516	3,898	4,699	- *
Fire										
Number of runs - rescues	3,942	4,007	4,016	4,313	4,265	4,338	4,604	4,702	5,025	- *
Number of runs - structures & other	1,495	1,552	1,315	1,743	1,685	1,822	1,989	2,115	2,107	- *
Public Works										
Street rehabilitation (miles)	4.6	1.9	3.5	-	1.5	3.1	1.1	2.4	-	4.1
Culture and Leisure Services										
Library										
Number of items borrowed	858,934	809,968	920,941	933,939	806,890	621,139	584,643	545,316	476,837	479,575
Number of visitors	436,347 **	398,583**	437,529	455,030	370,357	333,869	350,958	343,395	332,181	308,542
Recreation and Community Services										
Admissions - Seaside Lagoon	82,921	63,056	63,799	80,381	70,935	82,414	81,328	87,422	79,833	79,856
Number of facility rentals - Seaside Lagoon	415	416	412	352	376	387	381	388	378	382
Housing & Community Development										
Number of permits issued	1,952	2,257	2,832	3,088	2,651	2,955	3,295	6,899	3,435	3,522
Number of plan checks issued	898	990	1,177	1,036	615	1,471	1,559	4,200	2,492	2,436
Number of inspections	12,755	8,605	6,848	8,514	5,048	4,411	10,326	12,827	12,276	11,748
Number of real estate reports	577	769	702	737	904	922	973	1,925	861	814
Number of bus boardings - Transit	393,534	404,983	378,326	403,041	401,827	410,585	415,259	407,272	383,112	375,545
Revenue miles - Transit	452,467	472,604	474,564	475,754	474,140	475,564	459,468	458,198	448,682	448,541

NOTE: \* Data is for calendar year and not available until the year is complete.

\*\* The number of visitors decreased significantly due to the closure for construction at the North Branch Library for 5 months in fiscal year 2008-09 and then for all of fiscal year 2009-10.

Source: City of Redondo Beach - Financial Services Department

**City of Redondo Beach**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-station	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	127	127	127	127	127	127	127	127	127	127
Streetlights *	1892	1892	1892	1892	1892	1892	1892	1892	1892	1892
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	112	112	112	112	112	112	112	112	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

NOTE: \* Methodology modification made in fiscal year 2004/2005 to reflect city-owned street lights only.

Source: City of Redondo Beach

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**City of Redondo Beach**  
**Certification of Continuing Disclosure**  
**Redondo Beach Public Financing Authority 2008 Revenue Bonds**  
**(South Bay Center Redevelopment Project)**  
**June 30, 2018**

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This Certification of Continuing Disclosure is provided by the Successor Agency of the City of Redondo Beach and the Redondo Beach Community Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated February 13, 2008 executed and delivered by the Redevelopment Agency and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$7,645,000 Revenue Bonds, South Bay Center Redevelopment Project Bonds ("the Bonds"). The Bonds were issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of the Act, and an Indenture of Trust dated as of February 1, 2008 between the Public Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (i) refund the Authority's Redondo Beach Public Financing Authority 1996 Revenue Bonds (South Bay Center Redevelopment Project), originally issued in the principal amount of \$10,330,000 of which \$8,550,000 remained outstanding, (ii) fund a reserve fund for the Bonds, and (iii) pay the costs of issuance of the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2017-18 fiscal year.

The Redevelopment Agency and the Public Financing Authority hereby report the following:

1. The audited financial statements of the Successor Agency and the Community Financing Authority for the fiscal year ended June 30, 2018 comprise the book in which this report is included. As such, they contain the amount of all Successor Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2018, neither the Successor Agency nor the Community Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2018, neither the Successor Agency nor the Community Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
  - g. Modifications to rights of security holders;
  - h. Bond calls;
  - i. Defeasances;
  - j. Release, substitution, or sale of property securing repayment of the securities; or
  - k. Rating changes.
4. The South Bay Center Redevelopment Plan stipulates the Project Area will not receive more than a cumulative limit of \$65,000,000 in gross tax increment over its life. According to the records of the Los Angeles County Auditor Controller, as of June 30, 2018 the Agency had been apportioned \$46,837,412 in gross tax increment.

By projecting the current tax increment levels using only a two percent inflationary growth rate, the tax increment limit is reached in the final year of the bond issue repayment period.

**City of Redondo Beach**  
**Successor Agency of the City of Redondo Beach**  
**South Bay Center Redevelopment Project**  
**Historical Project Area Valuations**  
**June 30, 2018**

	Base Year 1983-84	2008-09	2009-10	2010-11	2011-12
<u>Secured *</u>					
Land	\$ 9,772,776	\$ 53,742,204	\$ 56,292,008	\$ 55,363,042	\$ 63,866,252
Impts	16,977,265	185,761,187	202,649,015	191,933,851	182,264,908
Pers Prop	-	-	-	-	-
Exemptions	-	-	-	-	-
Total Secured	26,750,041	239,503,391	258,941,023	247,296,893	246,131,160
<u>Unsecured</u>					
Land	-	-	-	-	-
Impts	3,023,006	13,336,333	12,530,739	13,273,687	13,028,973
Pers Prop	1,848,954	14,189,166	12,550,901	12,457,717	10,906,075
Exemptions	-	-	(50,000)	(50,000)	-
Total Unsecured	4,871,960	27,525,499	25,031,640	25,681,404	23,935,048
GRAND TOTAL	31,622,001	267,028,890	283,972,663	272,978,297	270,066,208

Incremental Value:	235,406,889	252,350,662	241,356,296	238,444,207
Incremental Value Change:	5,183,088	16,943,773	(10,994,366)	(2,912,089)
% Change:	2.25%	7.20%	-4.36%	-1.21%

NOTE: \* Secured values include state assessed non-unitary utility property.

Source: County of Los Angeles



**City of Redondo Beach**  
**Successor Agency of the City of Redondo Beach**  
**South Bay Center Redevelopment Project**  
**Historical Project Area Valuations**  
**June 30, 2018**

(CONTINUED)

<u>Secured *</u>	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Land	\$ 65,121,571	\$ 64,955,237	\$ 68,936,775	\$ 70,394,775	\$ 71,468,287	\$ 72,897,647
Impts	230,445,447	227,165,770	239,067,472	245,063,955	249,299,336	254,285,317
Pers Prop	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-
Total Secured	295,567,018	292,121,007	308,004,247	315,458,730	320,767,623	327,182,964
<u>Unsecured</u>						
Land	-	-	-	-	-	-
Impts	14,769,340	13,789,880	16,189,462	12,820,554	9,991,299	10,637,712
Pers Prop	15,379,059	17,828,352	15,723,406	15,356,431	11,550,461	12,023,735
Exemptions	-	-	-	-	-	-
Total Unsecured	30,148,399	31,618,232	31,912,868	28,176,985	21,541,760	22,661,447
GRAND TOTAL	<u>325,715,417</u>	<u>323,739,239</u>	<u>339,917,115</u>	<u>343,635,715</u>	<u>342,309,383</u>	<u>349,844,411</u>

Incremental Value:	294,093,416	292,117,238	308,295,114	312,013,714	310,687,382	318,222,410
Incremental Value Change:	55,649,209	(1,976,178)	16,177,876	3,718,600	(1,326,332)	7,535,028
% Change:	23.34%	-0.67%	5.54%	1.21%	-0.43%	2.43%

**City of Redondo Beach**  
**Successor Agency of the City of Redondo Beach**  
**South Bay Center Redevelopment Project**  
**Revenue vs. Levy Analysis**  
**June 30, 2018**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Original Charge Secured Value	\$ 239,503,391	\$ 258,941,015	\$ 247,296,893	\$ 246,131,160	\$ 297,200,307
Adjustments to Original Charge	-	(2,894,618)	-	-	-
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>
Incremental Secured Value	212,753,350	229,296,356	220,546,852	219,381,119	270,450,266
Tax Rate	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100370</u>	<u>0.0100000</u>	<u>0.0100000</u>
Adjusted Levy	2,136,682	2,302,823	2,213,629	2,193,811	2,704,503
Unitary Revenue	<u>31,263</u>	<u>30,311</u>	<u>30,206</u>	<u>31,724</u>	<u>31,898</u>
Total Secured/Unitary Levy	<u>2,167,945</u>	<u>2,333,134</u>	<u>2,243,835</u>	<u>2,225,536</u>	<u>2,736,401</u>
Original Charge Unsecured Value	27,525,499	25,031,637	25,681,404	23,935,048	30,466,133
Adjustments to Original Charge	549,859	2,168,472	240,106	-	-
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>
Incremental Unsecured Value	23,203,398	22,328,149	21,049,550	19,063,088	25,594,173
Tax Rate	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100000</u>	<u>0.0100000</u>
Unsecured Adjusted Levy	<u>233,078</u>	<u>224,242</u>	<u>211,401</u>	<u>190,631</u>	<u>255,942</u>
Net Total Revenue	<u>2,401,023</u>	<u>2,557,376</u>	<u>2,455,236</u>	<u>2,416,166</u>	<u>2,992,343</u>
Remittance to Agency					
Secured/Unitary Remitted	2,167,741	2,333,113	2,243,814	2,097,340	2,704,482
Unsecured Remitted	224,182	219,123	206,749	-	252,935
HOX Payments	-	-	-	-	-
Total Remittance to Agency:	<u>2,391,923</u>	<u>2,552,236</u>	<u>2,450,563</u>	<u>2,097,340</u>	<u>2,957,417</u>
% of Collection to Levy	99.62%	99.80%	99.81%	86.80%	98.83%
Grand Total Revenue					
Secured and Unsecured Revenue	2,391,923	2,552,236	2,450,563	2,097,340	2,957,417
SB 813 Supplemental Payments	177,804	(51,122)	-	786	-
Redemptions/Open Roll Corrections	1,325	36	13	351	-
Taxpayer Refunds	(628)	(83,212)	(1,476)	30,658	-
Deferral Payments/ Adjustments	<u>(122,005)</u>	<u>(155,747)</u>	<u>(52,554)</u>	<u>-</u>	<u>-</u>
Total Paid to Agency:	<u>2,448,419</u>	<u>2,262,190</u>	<u>2,396,546</u>	<u>2,129,135</u>	<u>2,957,417</u>
SB 2557 Charges (1)	(31,959)	(38,139)	(39,350)	(37,125)	(43,844)
Housing Set Aside	(489,684)	(452,438)	(479,309)	-	-
Tax Sharing Payments	(1,103,678)	(1,140,974)	(1,021,920)	(1,147,604)	(1,594,048)
Negative Balance from Prior Year	-	-	-	-	-
Net Grand Total Revenue:	<u>\$ 823,098</u>	<u>\$ 630,639</u>	<u>\$ 855,966</u>	<u>\$ 944,407</u>	<u>\$ 1,319,525</u>

Source: HdL Coren & Cone

# City of Redondo Beach

## Successor Agency of the City of Redondo Beach

### South Bay Center Redevelopment Project

#### Revenue vs. Levy Analysis

June 30, 2018

(CONTINUED)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Original Charge Secured Value	\$ 292,121,007	\$ 308,004,247	\$ 315,458,730	\$ 320,767,623	\$ 333,726,612
Adjustments to Original Charge	-	-	-	-	-
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>
Incremental Secured Value	265,370,966	281,254,206	288,708,689	294,017,582	306,976,571
Tax Rate	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>
Adjusted Levy	2,653,710	2,812,542	2,887,087	2,940,176	3,069,766
Unitary Revenue	<u>33,847</u>	<u>34,202</u>	<u>37,180</u>	<u>40,220</u>	<u>43,065</u>
Total Secured/Unitary Levy	<u>2,687,556</u>	<u>2,846,744</u>	<u>2,924,267</u>	<u>2,980,396</u>	<u>3,112,831</u>
Original Charge Unsecured Value	31,667,073	31,912,868	28,176,985	21,541,760	21,019,787
Adjustments to Original Charge	-	(174,527)	-	-	-
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>
Incremental Unsecured Value	26,795,113	26,866,381	23,305,025	16,669,800	16,147,827
Tax Rate	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>
Unsecured Adjusted Levy	<u>267,951</u>	<u>268,664</u>	<u>233,050</u>	<u>166,698</u>	<u>161,478</u>
Net Total Revenue	<u>2,955,508</u>	<u>3,115,408</u>	<u>3,157,317</u>	<u>3,147,094</u>	<u>3,274,309</u>
Remittance to Agency					
Secured/Unitary Remitted	2,687,556	2,846,702	2,873,901	2,980,396	3,047,392
Unsecured Remitted	264,298	264,321	233,724	176,256	175,223
HOX Payments	-	-	-	-	-
Total Remittance to Agency:	<u>2,951,854</u>	<u>3,111,023</u>	<u>3,107,625</u>	<u>3,156,652</u>	<u>3,222,615</u>
% of Collection to Levy	99.88%	99.86%	98.43%	100.30%	98.42%
Grand Total Revenue					
Secured and Unsecured Revenue	2,951,854	3,111,023	3,107,624	3,156,652	3,222,614
SB 813 Supplemental Payments	-	66,224	-	-	-
Redemptions/Open Roll Corrections	-	18	18	12	9
Taxpayer Refunds	(96,843)	(98,408)	(91,342)	(0)	-
Deferral Payments/ Adjustments	<u>38,608</u>	<u>(5,534)</u>	<u>(1,462)</u>	<u>1,396</u>	<u>4,481</u>
Total Paid to Agency:	<u>2,893,619</u>	<u>3,073,323</u>	<u>3,014,838</u>	<u>3,158,059</u>	<u>3,227,104</u>
SB 2557 Charges (1)	(42,298)	(42,298)	(42,298)	(64,276)	(43,400)
Housing Set Aside	-	-	-	-	-
Tax Sharing Payments	(1,559,661)	(1,325,217)	(1,299,998)	(1,357,300)	(1,391,527)
Negative Balance from Prior Year	-	-	-	-	-
Net Grand Total Revenue:	<u>\$ 1,291,661</u>	<u>\$ 1,705,808</u>	<u>\$ 1,672,543</u>	<u>\$ 1,736,484</u>	<u>\$ 1,792,177</u>

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**City of Redondo Beach**  
**Successor Agency of the City of Redondo Beach**  
**South Bay Center Redevelopment Project**  
**Top Ten Taxable Property Owners**  
**June 30, 2018**

	Secured			Unsecured			Total		
	Value	Parcels	Percent of	Value	Parcels	Percent of	Value	Percent of	Use Code
			Secured Actual Value			Unsecured Actual Value			
1. South Bay Center SPE LLC Pending Appeals on Parcels	\$ 214,761,804	4	71.48%	\$ 380,932	1	2.14%	\$ 215,142,736	67.61%	Commercial
2. LPF Redondo Beach Inc.	48,336,134	3	16.09%	-	0	0.00%	48,336,134	15.19%	Commercial
3. FC South Bay Outparcel LLC Pending Appeals on Parcels	31,159,236	1	10.37%	-	0	0.00%	31,159,236	9.79%	Commercial
4. 1519 Hawthorne Blvd. LLC	18,984,862	1	6.32%	-	0	0.00%	18,984,862	5.97%	Commercial
5. Walgreen Company Pending Appeals on Parcels	7,664,676	7	2.55%	311,252	1	1.75%	7,975,928	2.51%	Commercial
6. Outparcel Investment Partners V LLC	6,276,252	1	2.09%	-	0	0.00%	6,276,252	1.97%	Commercial
7. American Multi-Cinema Inc. Pending Appeals on Parcels	-	0	0.00%	2,677,073	1	15.05%	2,677,073	0.84%	Unsecured
8. SFM LLC	-	0	0.00%	2,087,752	1	11.74%	2,087,752	0.66%	Unsecured
9. Macy's West Stores Inc. Pending Appeals on Parcels	-	0	0.00%	1,351,596	1	7.60%	1,351,596	0.42%	Unsecured
10. Living Spaces Furniture LLC	-	0	0.00%	1,207,727	1	6.79%	1,207,727	0.38%	Unsecured
	\$327,182,964	17	108.90%	\$8,016,332	6	45.06%	\$ 335,199,296	105.33%	
Project Area Incremental Value:	\$300,432,923			\$17,789,487			\$318,222,410		

Source: HdL Coren & Cone

**City of Redondo Beach**  
**Successor Agency of the City of Redondo Beach**  
**South Bay Center Project Area**  
**Recent Appeals History**

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>
<b>Currently Pending Appeals (FY Appeals)</b>			
<b>2013-14</b>			
Brandon Carver	u	Unsecured	Pending
Forever 21 Retail Inc	u	Unsecured	Pending
James Kurtzman	4082-018-005	Secured	Pending
Kohl'S Department Stores, Inc.	u	Unsecured	Pending
Victoria Arensky	u	Unsecured	Pending
<b>2014-15</b>			
Brandon Carver	u	Unsecured	Pending
James Kurtzman	4082-018-005	Secured	Pending
Kohl'S Department Stores, Inc.	u	Unsecured	Pending
South Bay Center Spe Llc/ Macy'S West Stores Inc/ Macy'S Ca Rlty	4082-018-004	Secured	Pending
Victoria Arensky (Walgreens)	u	Unsecured	Pending
<b>2015-16</b>			
Steven H. Friedhoff	u	Unsecured	Pending
Brooks Rainer	u	Unsecured	Pending
Catherine Courteau	4082-018-005	Secured	Pending
Walgreen Company 001	u	Unsecured	Pending
ATC Indoor DAS LLC/ American Tower Corp.	u	Unsecured	Pending
South Bay Center SPE LLC/ Macy's West Store	4082-018-004	Secured	Pending
Kohl's Department Store Inc	u	Unsecured	Pending
<b>2016-17</b>			
ATC Indoor DAS LLC/ American Tower Corp.	u	Unsecured	Pending
American Multi-Cinema Inc	u	Unsecured	Pending
South Bay Center SPE LLC	4082-018-005	Secured	Pending
Walgreen Co	u	Unsecured	Pending
South Bay Center SPE LLC/ Macy's West Stores	4082-018-004	Secured	Pending
Kohl's Department Stores Inc.	u	Unsecured	Pending
<b>2017-18</b>			
South Bay Center SPE LLC/ Macy's West Stores	4082-018-004	Secured	Pending
Macy's West Stores, Inc.	u	Unsecured	Pending
American Multi-Cinema Inc	u	Unsecured	Pending
American Multi-Cinema Inc	u	Unsecured	Pending
Kohl's Department Stores Inc.	4082-018-006	Secured	Pending
Kohl's Department Stores Inc.	u	Unsecured	Pending
Walgreen Co	u	Unsecured	Pending
ATC Indoor DAS LLC/ American Tower Corp.	u	Unsecured	Pending
<b>Most Recently Resolved Appeals Among Owners with Pending Appeals</b>			
	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>
<b>2014-15</b>			
NONE			
<b>2015-16</b>			
Macy's West Stores, Inc.	u		
<b>2016-17</b>			
NONE			
<b>2017-18</b>			
NONE			

**City of Redondo Beach**  
**Successor Agency of the City of Redondo Beach**  
**South Bay Center Project Area**  
**Recent Appeals History**

(CONTINUED)

<u>Owner</u>	<u>APN</u>	<u>Original Value</u>	<u>Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
<b>Currently Pending Appeals (FY Appeals)</b>					
<b>2013-14</b>					
Brandon Carver	u	949,527	932,418	(17,109)	-1.80%
Forever 21 Retail Inc	u	768,830	566,104	(202,726)	-26.37%
James Kurtzman	4082-018-005	19,550,000	8,000,000	(11,550,000)	-59.08%
Kohl'S Department Stores, Inc.	u	1,792,694	400,000	(1,392,694)	-77.69%
Victoria Arensky	u	491,330	293,225	(198,105)	-40.32%
		23,552,381	10,191,747		
<b>2014-15</b>					
Brandon Carver	u	960,436	863,728	(96,708)	-10.07%
James Kurtzman	4082-018-005	21,380,000	8,000,000	(13,380,000)	-62.58%
Kohl'S Department Stores, Inc.	u	1,616,547	775,000	(841,547)	-52.06%
South Bay Center Spe Llc/Macy'S West Stores Inc/Macy'S Ca Rlty	4082-018-004	25,919,011	17,000,000	(8,919,011)	-34.41%
Victoria Arensky (Walgreens)	u	447,058	275,000	(172,058)	-38.49%
		50,323,052	26,913,728		
<b>2015-16</b>					
Steven H. Friedhoff	u	1,281,032	640,500	(640,532)	-50.00%
Brooks Rainer	u	830,385	729,624	(100,761)	-12.13%
Catherine Courteau	4082-018-005	23,107,742	14,427,025	(8,680,717)	-37.57%
Walgreen Company 001	u	388,608	-	(388,608)	-100.00%
ATC Indoor DAS LLC/ American Tower Corp.	u	778,565	432,536	(346,029)	-44.44%
South Bay Center SPE LLC/ Macy's West Store	4082-018-004	26,436,872	17,000,000	(9,436,872)	-35.70%
Kohl's Department Store Inc	u	1,412,168	690,000	(722,168)	-51.14%
		54,235,372	33,919,685		
<b>2016-17</b>					
ATC Indoor DAS LLC/ American Tower Corp.	u	713,367	279,422	(433,945)	-60.83%
American Multi-Cinema Inc	u	714,376	600,000	(114,376)	-16.01%
South Bay Center SPE LLC	4082-018-005	23,460,134	11,599,000	(11,861,134)	-50.56%
Walgreen Co	u	348,762	174,000	(174,762)	-50.11%
South Bay Center SPE LLC/ Macy's West Stores	4082-018-004	26,840,034	14,180,184	(12,659,850)	-47.17%
Kohl's Department Stores Inc.	u	1,357,112	680,000	(677,112)	-49.89%
		53,433,785	27,512,606		
<b>2017-18</b>					
South Bay Center SPE LLC/ Macy's West Stores	4082-018-004	27,376,834	14,180,184	(13,196,650)	-48.20%
Macy's West Stores, Inc.	u	1,351,596	694,700	(656,896)	-48.60%
American Multi-Cinema Inc	u	2,677,073	2,600,693	(76,380)	-2.85%
American Multi-Cinema Inc	u	162,943,037	122,200,000	(40,743,037)	-25.00%
Kohl's Department Stores Inc.	4082-018-006	31,159,236	15,580,000	(15,579,236)	-50.00%
Kohl's Department Stores Inc.	u	1,169,158	584,000	(585,158)	-50.05%
Walgreen Co	u	311,252	192,000	(119,252)	-38.31%
ATC Indoor DAS LLC/ American Tower Corp.	u	691,810	225,046	(466,764)	-67.47%
		227,679,996	156,256,623		

**Most Recently Resolved Appeals Among Owners with Pending Appeals**

	<u>APN</u>	<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
Macy's West Stores, Inc.	u	1,281,032	1,281,032	-	0.00%

**City of Redondo Beach**  
**Certification of Continuing Disclosure**  
**Redondo Beach Community Financing Authority 2014 Wastewater Refunding Revenue Bonds**  
**(Wastewater System Financing Project)**  
**June 30, 2018**

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This Certification of Continuing Disclosure is provided by the City of Redondo Beach ("the City") and the Redondo Beach Community Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated March 25, 2014 executed and delivered by the City of Redondo Beach and the Community Financing Authority and the Dissemination Agent in connection with the issuance of \$7,230,000 Refunding Revenue Bonds, City of Redondo Beach Wastewater System Financing Project Bonds ("the Bonds"). The Bonds were issued pursuant to an Indenture of Trust dated as of March 25, 2014 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (a) finance the Improvements and related facilities which constitute part of the Wastewater Enterprise of the City, (b) fund capitalized interest on the Bonds through November 1, 2014, (c) fund a reserve fund for the Bonds, and (d) pay the cost of issuance for the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2017-18 fiscal year.

The City and the Community Financing Authority hereby report the following:

1. The audited financial statements of the City, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2018 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2018, neither the City nor the Community Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
  - g. Modifications to rights of security holders;
  - h. Contingent or unscheduled bond calls;
  - i. Defeasances;
  - j. Resale, substitution, or sale of property securing repayment of the securities; or
  - k. Rating changes



**City of Redondo Beach**  
**Sewer Rates Per Month**  
**Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Use Classification</b>										
Each single family dwelling unit	\$ 7.00	\$ 7.12	\$ 7.12	\$ 7.25	\$ 10.25	\$ 13.25	\$ 16.25	\$ 16.25	\$ 16.25	\$ 16.25
Each unit in a 2-3 unit condo structure	7.00	7.12	7.12	7.25	10.25	13.25	16.25	16.25	16.25	16.25
Each unit in a 2-3 unit apartment structure	5.45	5.55	5.55	5.65	7.97	10.31	12.64	12.64	12.64	12.64
Each unit in a 4 or more unit condo structure	5.45	5.55	5.55	5.65	7.97	10.31	12.64	12.64	12.64	12.64
Each unit in a 4 or more unit apartment structure	3.75	3.82	3.82	3.88	5.49	7.09	8.70	8.70	8.70	8.70
Commercial/Industrial/Institutional parcels	0.60	0.61	0.61	0.62	0.88	1.13 *	1.39 *	1.39 *	1.39 *	1.39 *

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004. A reissue of the Bonds was done in fiscal year 2013/2014 by the Community Financing Authority.

\* Per 100 cubic feet of average monthly water usage. 100 cubic feet of water is equal to 748 gallons, average monthly water usage is established based on the latest actual annual water usage record available to the City. On an annual basis, the city will recalculate the monthly charge by using the latest available annual water usage record of each non-residential user at the same \$1.13 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar devices that will not be discharged into the sewer system may be deducted from the annual water usage record for rate calculation purposes.

Source: City of Redondo Beach

**City of Redondo Beach**  
**Top Ten Customers - Sewage Usage**  
**June 30, 2018**

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<u>Account Name</u>	<u>Type of Use</u>	<u>Usage (ccf)</u>	<u>Billed Amount</u>	<u>% of Revenue</u>
AES Redondo Beach LLC	Power Plant	94,585	\$131,473	2.4%
Northrop Grumman Systems	Aerospace	54,158	\$75,279	1.4%
Redondo Beach Unified - South Bay Union High	Education	27,082	\$37,644	0.7%
Beach Cities Health District	Hospital	17,546	\$24,389	0.4%
Marina Way Mole B	Harbor Facilities	17,357	\$24,126	0.4%
City of Redondo Beach Leased Properties	Harbor Facilities	15,759	\$21,905	0.4%
Hilton Garden Inn	Hotel	14,904	\$20,717	0.4%
Crown Plaza Holiday Inn	Hotel	14,266	\$19,830	0.4%
Galleria at South Bay	Shopping Mall	13,828	\$19,221	0.4%
City of Redondo Beach Leased Properties	Harbor Facilities	13,760	\$19,126	0.3%
				<hr/>
				7.2%

**City of Redondo Beach**  
**Sewer Connections by Type of Customer**  
**Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Type of Customer</b>										
Residential	13,102	13,107	13,109	13,105	13,106	13,104	13,105	13,105	13,111	13,113
Industrial	66	61	56	61	61	61	61	59	59	59
Commercial	464	462	466	457	463	463	461	462	464	463
Institutional	89	61	58	61	59	59	59	59	58	58
Mixed use	43	43	42	43	43	43	43	43	43	43
<b>Total</b>	<b>13,764</b>	<b>13,734</b>	<b>13,731</b>	<b>13,727</b>	<b>13,732</b>	<b>13,730</b>	<b>13,729</b>	<b>13,728</b>	<b>13,735</b>	<b>13,736</b>

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.  
A reissue of the Bonds was done in fiscal year 2013/2014 by the Community Financing Authority.

Source: City of Redondo Beach

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council  
City of Redondo Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





To the Honorable Mayor and Members of the City Council  
City of Redondo Beach, California

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lance, Soll & Lingham, LLP*

Brea, California  
December 27, 2018