

# Comprehensive Annual Financial Report



City of Redondo Beach, California  
For the year ending June 30, 2016

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**CITY OF REDONDO BEACH**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2016**

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December 20, 2016

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, 2016. 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 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 69,494 as of January 1, 2016, remaining relatively flat with 2015. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$893,000.

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, Crowne Plaza, Cheesecake Factory, United States Post Office, Target Store, DHL Global Forwarding, Macy's, and Frontier Communications.

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 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 reserved fund balances at year end.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### ***Economic Outlook***

During FY 2015-2016, Redondo Beach experienced a 4.9% change in real property assessed valuations, compared to last year's 4.7%. Hotel occupancy rates for the City's thirteen operating hotels decreased by 2.2% from FY 2014-2015 with a 26.1% revenue increase primarily due to the reduction from \$8.5 million to \$3.0 million in the Marine Avenue hotel reserve account, which allowed the City to begin receiving in March 2016 the transient occupancy tax revenue. The Utility users' tax revenue remains relatively flat. Redondo Beach continues to exceed the countywide median in total taxable retail sales, ranking 34 out of 88 cities in Los Angeles County. Redondo Beach experienced a decrease in its unemployment rate from 5.1% in calendar year 2014 to 4.1% in calendar year 2015, which is well below the Los Angeles County and State of California 2015 unemployment rates of 6.7% and 6.3%, respectively.

### ***Economic Development***

The local economy continues to show improvement and gains in the national and regional economy have increased the availability of capital financing for additional local investment and continued economic growth.

The City's emphasis on economic development targets a number of key strategic goals:

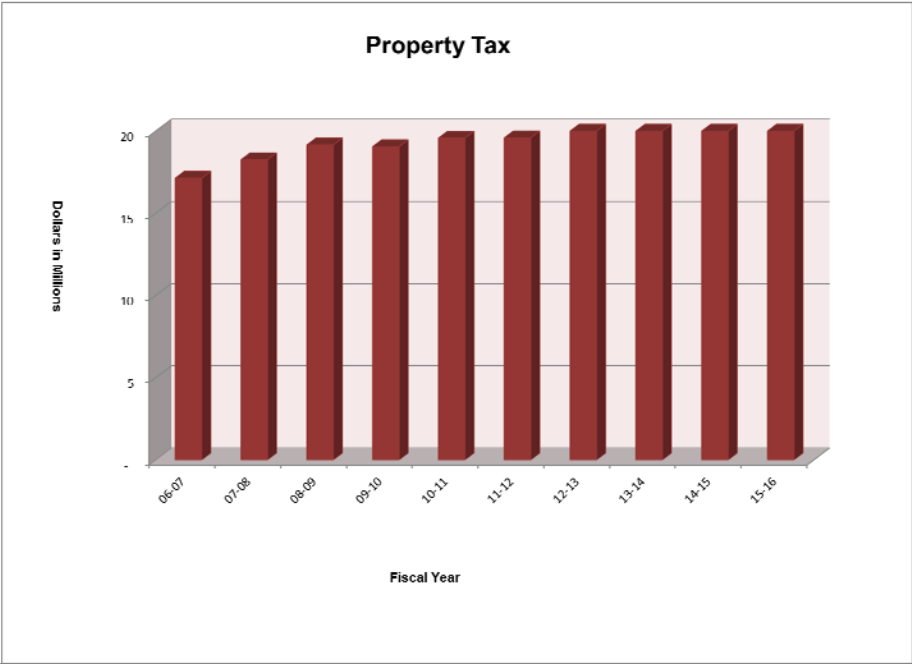
- Revitalization of the Harbor and Pier area through a public-private partnership that will renovate approximately 36 acres of waterfront property and relieve the City of significant public infrastructure replacement expenses and generate new General Fund Revenues.
- Continued investment in streetscape amenities in the Riviera Village that improve the desirability of the Village as a destination for shopping, dining, and services and encourage private storefront enhancement and entrepreneurialism.
- Timely processing and inspection of the construction of a third hotel on Marine Avenue that will complement the 172 room Residence Inn by Marriott and 147 room Hilton Garden Inn properties that opened last year. The third hotel, a 184 room Homewood Suites by Hilton-Extended Stay, is projected to open in early 2017.
- Creation of a City Manager's task force focused on revitalizing the Artesia Boulevard business corridor and attracting a contemporary mix of new stores, restaurants and neighborhood service providers.
- Finalizing design and working toward construction of the 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.
- Administering the Environmental Impact Report for the proposed redevelopment of the South Bay Galleria.
- Making investments in infrastructure, including key transportation corridors to improve traffic flow, safety and community appearance.

The City has experienced increases in all of its five major General Fund revenue categories: property tax, sales tax, utility users' tax, vehicle license fees, and transient occupancy tax. These and all of the Major General Fund revenue sources are discussed in more detail below.

**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 2015-2016 citywide assessed valuation experienced a positive change of \$673 million, or 4.9%, to \$14.3 billion. The City's assessed valuation amount is derived 81.0% from residential properties, 8.5% from commercial properties, 3.6% from industrial properties, and the remaining 6.9% from vacant, institutional, and other properties. During FY 2015-2016, property tax revenue (including homeowners' exemptions) increased \$1,071,829 or 4.7%, to \$23.9 million. This increase reflects the 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 \$893,000 (a \$68,000, or 8.2%, increase from 2015), foreclosure levels back to historical norms, and median prices and numbers of sale transactions up throughout California.

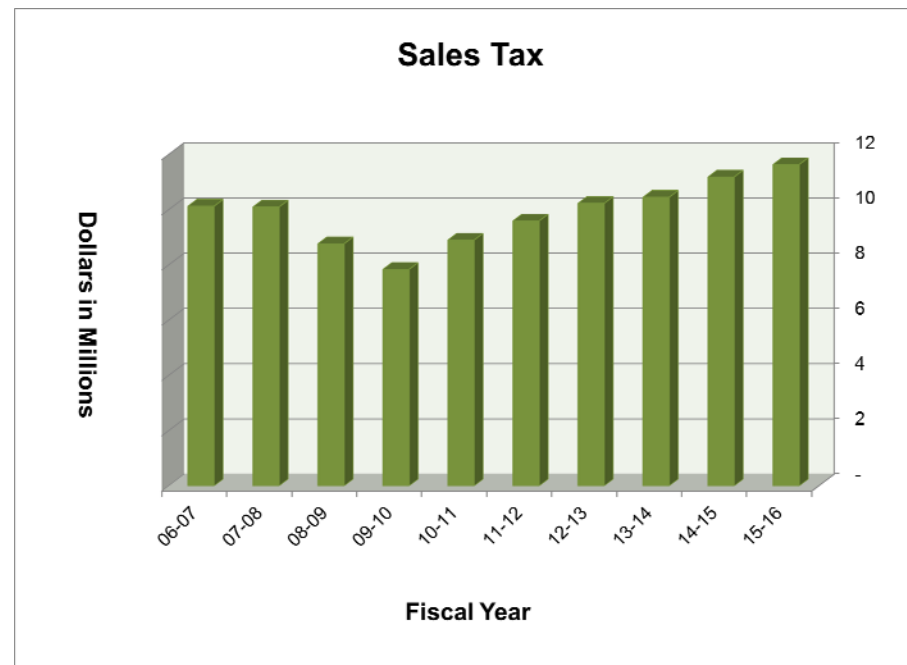


## Sales Tax

The City's second largest revenue source is sales tax. Sales tax in Los Angeles County is 9.00% of 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.

Sales tax revenue has increased following the end of the recession and this trend has continued through FY 2015-2016, with the City receiving \$11.6 million in sales tax revenue, an increase of \$449,691, or 4.0%, from prior year. FY 2015-2016 sales tax revenue consisted of \$9.4 million in local sales tax revenue and \$2.2 million in State "triple flip" funds. Population growth, local competition, consumer confidence, and unemployment are all factors that contribute to the volatility of this key tax-based operating revenue.

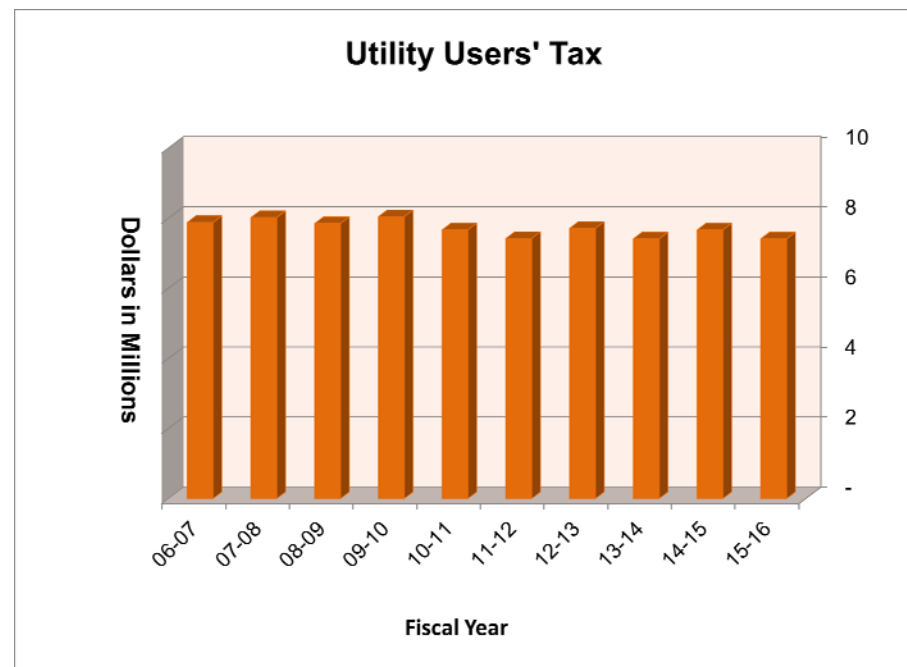
The City is committed to re-establishing a strong local economy through both business retention and business expansion, offsetting in part the loss of Nordstrom to a neighboring city at the end of calendar year 2015. Although sales related to current retail vendors should, at least, show slight increases, the City anticipates significant contributions to sales tax revenue in the coming years as new investment in the Harbor's revitalization comes to fruition, visitors staying in new hotels make purchases, and collection of sales tax by remote sellers, especially Amazon, is enforced.



### Utility Users' Tax (UUT)

The City's third 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. UUT revenue consists of approximately 37% telecommunications and 40% electricity. 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 37% 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.

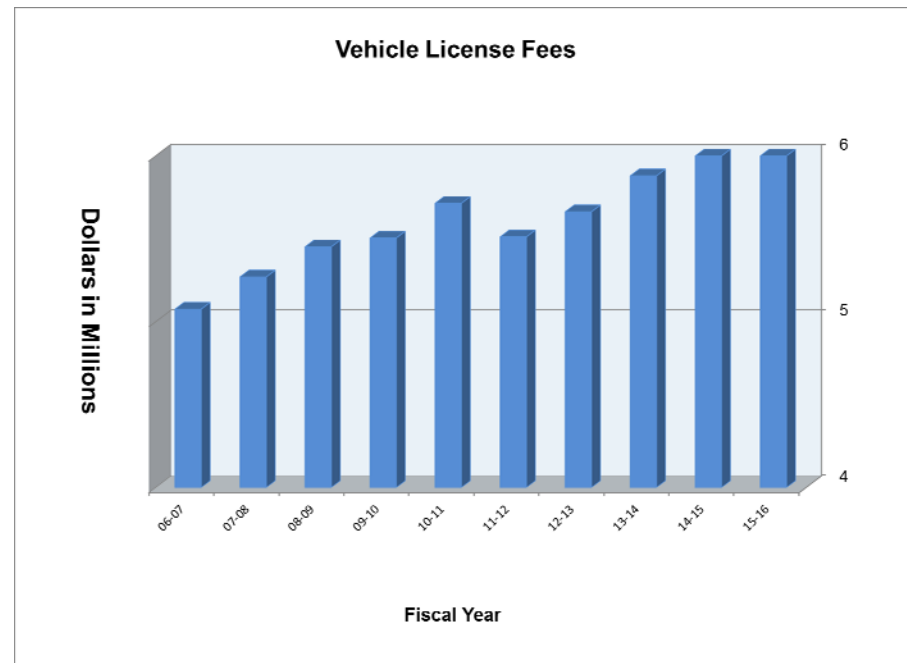
UUT revenue for FY 2015-2016 totaled \$7.4 million, reflecting a decrease from the prior year of \$252,455 or 3.3%. The UUT increase is largely due to one-time recovery of unpaid UUT from Verizon during calendar year 2011 to 2013 paid during FY 2014-2015. Excluding the one-time Verizon UUT recovery, FY 2015-2016 UUT was relatively flat.



### ***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.

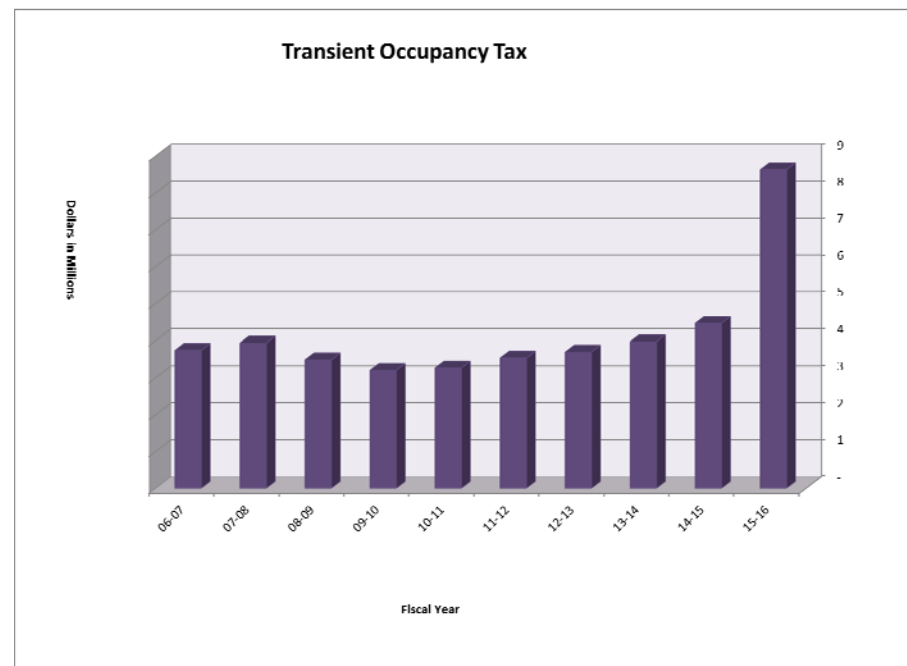
Since FY 2006-2007, the City has seen increased VLF revenue due to the growth in property tax in lieu of VLF but lower motor vehicle in-lieu tax. In FY 2015-2016, VLF revenue totaled \$6.4 million, increasing \$302,646 or 4.9%, from the prior year. This increase comprises a gain in property tax in lieu of VLF and a loss in motor vehicle in-lieu tax revenues of \$303,081 and (\$435), respectively.



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

The City's fifth 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. Generally, 10% of the TOT received by the City is contributed to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City. This amount is 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 is contributed and netted against revenues. The amount contributed for any new hotels that come into existence during the term of the agreement with the Chamber of Commerce will be negotiated as a contract amendment.

The City's TOT revenue has been experiencing positive growth. In FY 2014-2015, the Redondo Beach Hotel was reopened after approximately a year's closure. 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, 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 will include the first full year's TOT revenue from the Marine Avenue hotels and partial year's TOT revenue from the new Homewood Suites Hotel also on Marine Avenue and the Shade Hotel in the waterfront.



## LONG-TERM CAPITAL IMPROVEMENT PLANNING

The City annually adopts a Five-Year Capital Improvement Program. The first year funding of capital improvement projects is included in the FY 2015-16 adopted budget. These projects, however, should not be viewed as immediate resolution to existing infrastructure problems, but instead as part of “setting the table” for the future. It will take time to rehabilitate the City’s capital assets, and we anticipate our long-range replacement program will protect the City’s valuable assets for future generations. Meanwhile, the City continues to invest in a number of significant projects:

### ***Street Resurfacing***

- ♦ Residential Street Rehabilitation - Phase 11 of the multi-year residential street rehabilitation program was completed during the fiscal year. The \$1.2 million project was accepted as complete in December. For FY 2016-2017, the City has budgeted \$2.7 million to complete the residential resurfacing effort in the southern part of the City. In addition, the FY 2016-2017 budget includes \$273,000 in annual roadway maintenance funds to mitigate the impacts of trash hauling vehicles on City streets.
- ♦ Arterial Street Resurfacing – In FY 2015-2016, the City completed construction on the Herondo/Harbor Gateway Improvements Project, a nationally recognized transportation improvement project. Project expenditures in the fiscal year were \$543,232. The project was accepted as complete in December. The Aviation Boulevard Resurfacing project was completed at a cost of \$417,859. Construction began in June on the \$1.4 million Beryl Street Improvements Project, a cooperative project with the City of Torrance. The Esplanade Resurfacing design was finalized with construction of the \$1 million project scheduled for early in the new fiscal year. For FY 2016-2017, the City budget includes over \$8.4 million for arterial improvements, \$169,000 for implementing traffic calming measures, and \$323,000 for sidewalk, curb and gutter improvements.
- ♦ Citywide Curb Ramp Improvements – The City completed design on the latest phase of the Citywide Curb Ramp Improvements Project. The cost of the project is estimated to be \$300,000. Construction is planned for the second quarter of FY 2016-2017.

### ***Storm Drain System Improvements***

- ♦ Water Quality Improvements - The City is continuing to implement an aggressive program to improve the quality of the water discharged from the City’s storm drain system. The City is working with adjoining Beach Cities to comply with the new Municipal NPDES MS4 permit and met all permit requirements by submitting an Enhanced Watershed Management Program (EWMP) to the Regional Board. The EWMP was approved by the Regional Board in April. The EWMP provides guidance to facilitate effective, watershed-specific permit implementation strategies, control measures and best management practices necessary to achieve water quality targets and receiving water limitations. The FY 2015-2016 budget includes approximately \$370,000 in operating funding to continue this effort.

### ***Sewer Improvements***

- ♦ Sewer Line Replacement - In FY 2015-2016, the City awarded contracts for \$1 million for root maintenance and upgrades to the City’s sewer facilities system. Construction on these projects will continue in FY 2016-2017. The FY 2016-2017 budget includes \$5.08 million in additional funding for sewer facility improvements.
- ♦ Sewer Pump Station Rehabilitation – In FY 2015-2016, the City continued design on several projects to upgrade the City’s sewer pump stations. Construction will begin in FY 2016-2017. The FY 2016-2017 budget includes \$5.3 million for additional upgrades to the City’s sewer pump stations including Morgan, Portofino Way, Rindge, and Yacht Club Way.

### ***Facility Improvements***

- ♦ *Veterans Park Community Center Carpet* – In FY 2015-2016, the City replaced the carpeting throughout the Veterans Park Community Center at a cost of \$38,000. The FY 2016-2017 budget includes \$595,000 in capital funding for facility and parking lot improvements for the Police Department.
- ♦ *Ensenada Parkette Improvements* – In FY 2015-2016, City staff completed design of the Ensenada Parkette Improvements. Construction of the \$450,000 improvement will be completed in FY 2016-2017.
- ♦ *Waterfront Improvements* – In the waterfront, the City completed \$667,000 in pier structure improvements.

### **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 maintained at a level of \$15 to \$35 million, or approximately 35% of the general portfolio's assets on average, ensuring maintenance of sufficient investment portfolio liquidity. The yield provided by LAIF has declined over the past year in line with the overall reduction in 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 reduction 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, 2016, the City's general portfolio was invested as follows:

<b>Market Value Comparison of Investment Portfolio Positions FY 2015-2016</b>								
	<b>1<sup>st</sup> Quarter</b>		<b>2<sup>nd</sup> Quarter</b>		<b>3<sup>rd</sup> Quarter</b>		<b>4<sup>th</sup> Quarter</b>	
<b>Investment Type</b>	<b>\$MM</b>	<b>%</b>	<b>\$MM</b>	<b>%</b>	<b>\$MM</b>	<b>%</b>	<b>\$MM</b>	<b>%</b>
Cash in Banks & Money Markets	\$ 11.72	13.8%	\$ 11.17	13.1%	\$ 6.49	7.4%	\$ 5.49	5.6%
Local Agency Investment Fund (LAIF)	\$ 9.00	10.6%	\$ 13.50	15.8%	\$ 10.00	11.3%	\$ 14.00	14.3%
Federal Agency Issues	\$ 37.07	43.7%	\$ 34.86	40.8%	\$ 45.07	51.1%	\$ 49.15	50.1%
Corporate Medium Term Notes	\$ 18.14	21.4%	\$ 17.05	19.9%	\$ 16.13	18.3%	\$ 15.03	15.3%
Bank Certificates of Deposit	\$ 4.97	5.8%	\$ 4.96	5.8%	\$ 4.49	5.1%	\$ 4.47	4.5%
Treasuries	\$ 3.99	4.7%	\$ 3.97	4.6%	\$ 6.00	6.8%	\$ 10.01	10.2%
Total: Investment Portfolio	\$ 84.89	100.0%	\$ 85.51	100.0%	\$ 88.18	100.0%	\$ 98.15	100.0%
Weighted Average Maturity (Years)	1.60		1.33		1.61		1.53	
Portfolio Yield %	0.89%		0.90%		0.90%		0.86%	
LAIF Yield	0.34%		0.38%		0.47%		0.29%	
Yield on Two-Year CMT Benchmark	0.63%		0.69%		0.73%		0.57%	

*Interest earned on the general portfolio's assets for FY 2015-2016 was \$805,155. The General Fund contribution rate of the general investment portfolio was approximately 66.0% of the total interest earned.*

As required by GASB 31, the City recorded the unrealized gain/loss on certain investments to account for the market value at June 30, 2016. The portfolio market value, \$98,452,784, exceeded the book value of \$98,146,273 by \$603,511, or .31% of the current market value of the investments within the City's investment portfolio. This unrealized gain 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 fiscal year 2015-2016, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$100 million for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$20 million for each occurrence is covered by the Independent Cities Risk Management Authority (ICRMA).

ICRMA is a joint powers authority for medium-sized California municipalities which have agreed to pool risks and losses. Each member's share of pooled costs depends on the losses of all members as well as the member's own loss experience. 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, 2016, the City recorded the following:

### ***Workers' Compensation Claims***

Claims payable totaled \$13.41 million representing an increase of \$12 thousand or 0.1%, from the prior period. This increase is attributable to an increase in estimated reserves and the settlement of claims in previous years.

### ***Liability Claims***

Claims payable totaled \$3.20 million representing a decrease of \$554 thousand, or 14.8%, from the prior period. This decrease is attributable to lower 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 2015-2016, reimbursement to EDD was \$46,063.

## **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. For FY 2015-2016, the City contributed the Tier 1 full-time employees' required contributions on their behalf and for their account. Tier 2 and Tier 3 plans required employees (with the exception of Police safety employees) to contribute to the cost of their employee contribution. Additionally, employees of some bargaining groups made a contribution toward the City's employer contribution to CalPERS.

The employer rate for safety employees in FY 2015-2016 was 48.06%, up from 43.37% in FY 2014-2015, with the miscellaneous employees' rate increasing from 16.18% to 18.18%. Rates will increase from FY 2015-2016 levels for the 2016-2017 fiscal year to 51.67% for safety employees and 20.61% for miscellaneous employees. Further increases are expected in the coming years as a result of CalPERS decision to lower the discount rate (rate of return) on its investment portfolio, its announced demographic and actuarial adjustments, and its decision to smooth investment losses from 2008 and 2009 over a period of time.

The total contribution paid by the City toward pension benefits was \$12.4 million, which includes the employer and employer-paid member contributions. Approximately 82.7%, or \$10.3 million, was charged to the General Fund. The anticipated total City contribution for FY 2016-2017 is estimated to be approximately \$14.5 million and is expected to increase again in FY 2017-2018.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY 2015-2016 total cost for Social Security and Medicare coverage was \$1.9 million, of which \$1.2 million, or 66.8%, is 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 2015-2016, the City contributed \$1.3 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, 2016, the City was providing benefits to 136 participants.

## **SIGNIFICANT EVENTS AND ACCOMPLISHMENTS**

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 achieve an Aa1 credit rating and were validated by the 2011-2012 Los Angeles County Grand Jury evaluation of all 88 cities in Los Angeles County whereby the City received the #1 ranking for benchmark financial policies, best practices and governance.

During FY 2015-2016, the City's economic development efforts were primarily focused on the completion of the Environmental Impact Report for the Waterfront Revitalization Project and the evaluation of various redevelopment concepts prepared by Forest City for the renewal of the South Bay Galleria. The Waterfront Project EIR and Entitlements were approved by the City Council in October 2016 and are to be reviewed by the CA Coastal Commission in the late spring or early summer of 2017. The Project, if completed, will reduce Harbor infrastructure expenses and generate significant new General Fund revenue to the City.

Nordstrom's decision to vacate the South Bay Galleria in October of 2015 has had a tremendous impact on the Galleria and its annual sales tax generation. FY 2016-17 will reflect the first full year of Nordstrom's departure, but it is estimated that the City will lose more than \$800,000 in annual General Fund Revenue as a result of the Galleria's decline. On a positive note, the Galleria continues to work towards redeveloping the center and hopes to release a proposed site plan that will be attractive to the community for review in the spring of 2017.

City staff also spent significant time in FY 2015-16 negotiating a reduction to the site specific tax pledge that was provided to the owners of the Marriot Residence Inn and Hilton Garden Inn Hotels on Marine Avenue that was put in place to help finance the development. The original \$8.5M Transient Occupancy Tax (TOT) and Sales Tax Pledge was reduced to \$3M, allowing the City to gain immediate access to the new revenue being generated by the hotels, and was expanded in scope to allow the developer to procure financing for the construction of a third hotel on the site, a 184 room Homewood Suites. The renegotiated transaction will increase the City's FY 2016-17 TOT revenue by roughly \$2M and will lead to another \$1M in FY 2017-18 when the new hotel operates for a full Fiscal Year.

Another highlight in FY 2015-16, was the construction of the new 54 room Shade Hotel in the waterfront along Harbor Drive. Shade opened its doors to the public in October and is expected to generate more than \$500K per year of new General Fund revenue when fully operational. Additionally, the City's role and investment as Intervener to AES's application for a new power generating facility before the State Energy Commission paid dividends, as AES initiated marketing of the 50 acre waterfront property for non-industrial uses. Critical decisions regarding the future use of the site are expected to occur in 2017.

Finally, the City was pleased to implement two new programs this past year to enhance the City's financial and operational transparency. First, to further increase transparency in financial reporting, the City launched the OpenGov financial analysis platform. The OpenGov platform is available through the City's website and provides online access to the City's financial data and interactive displays for current and historic revenues and expenditures. Secondly, a contract with Moss Adams was executed to perform new internal auditing services above and beyond the City's regular annual financial audits. Moss Adams services will focus on a review and update of the City's internal controls and will initiate a series of proactive performance audits for various operating departments.

## 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, 2015. This makes 23 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 2015-2016, 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

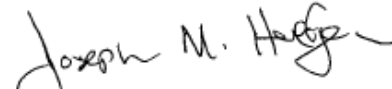
The timely preparation of this report has been accomplished with the efficient and dedicated services of the staff of the Financial Services Department. We also thank the City's independent auditors, Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, for their assistance and expertise, 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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CRAIG KOEHLER  
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, 2015**

Executive Director/CEO

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Steve Aspel  
Mayor



Martha Barbee  
Councilmember  
District 1



Bill Brand  
Councilmember  
District 2



Christian Horvath  
Councilmember  
District 3



Stephen Sammarco  
Councilmember  
District 4



Laura Emdee  
Councilmember  
District 5

CITY OFFICIALS

Joseph Hoefgen  
City Manager

Michael Witzansky  
Assistant City Manager



John LaRock  
Community Services Director



Eleanor Manzano  
City Clerk



Steven Diels  
City Treasurer

Aaron Jones  
Community Development Director

Robert Metzger  
Fire Chief

Michael Webb  
City Attorney

Keith Kauffman  
Chief of Police

Stephen Proud  
Waterfront and Economic Development Director

Susan Anderson  
Library Director

Chris Benson  
Information Technology Director

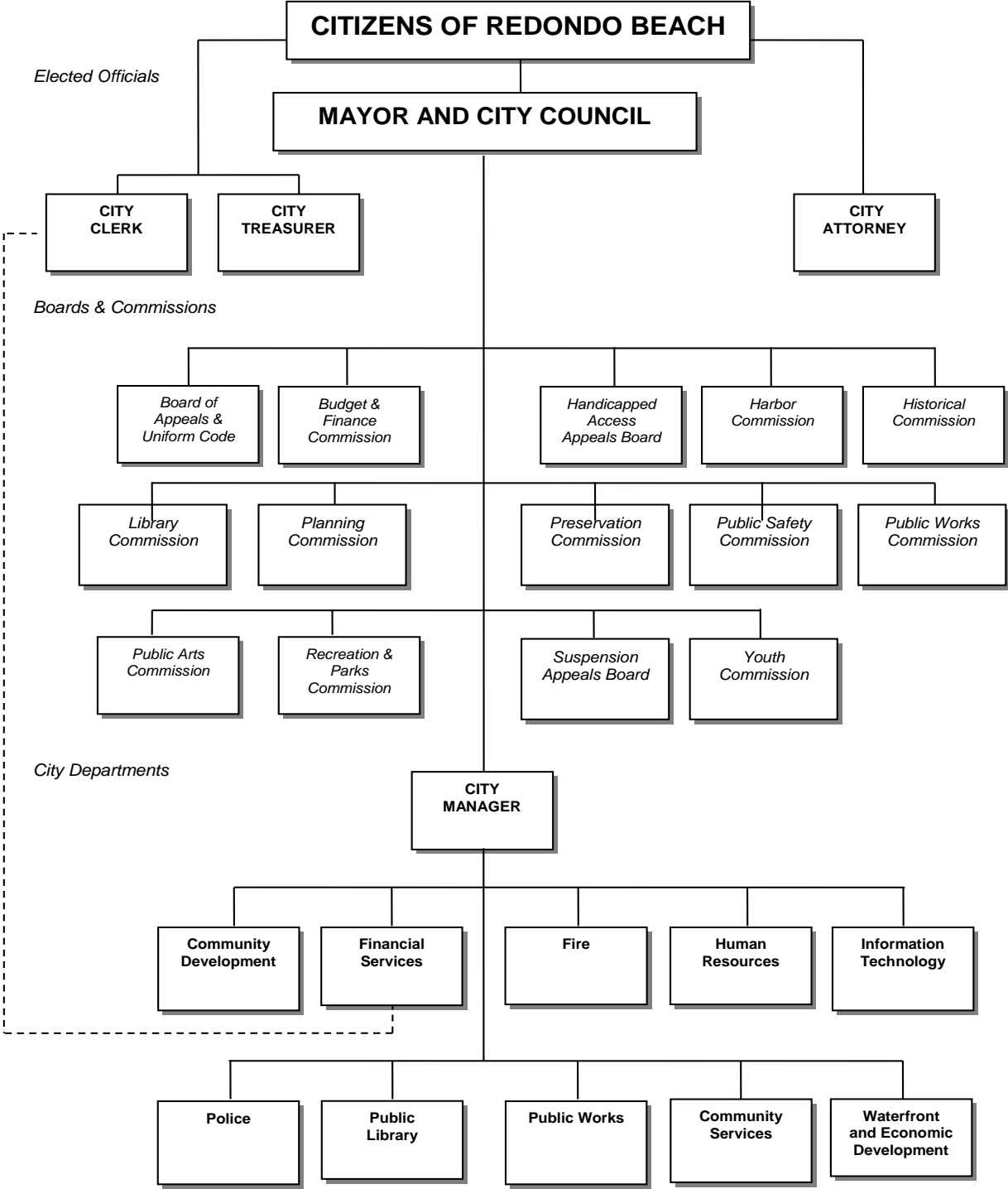
Ted Semaan  
Public Works Director

Craig Koehler  
Finance Director

Diane Strickfaden  
Human Resources Director



**ORGANIZATIONAL CHART FY 2015-16**



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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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### MEMBERS

American Institute of  
Certified Public Accountants

PCPS The AICPA Alliance  
for CPA Firms

Governmental Audit  
Quality Center

California Society of  
Certified Public Accountants

To the Honorable Mayor and Members of the City Council  
of the City of Redondo Beach  
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 (City), as of and for the year ended June 30, 2016, 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.

### ***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 as of June 30, 2016, 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.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and other required supplementary information as listed in the table of contents 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 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 budgetary comparison 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. Such 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 15, 2016, on our consideration of the City of Redondo Beach, California'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 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 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.

Rogers, Anderson, Malody & Scott, LLP

December 15, 2016  
San Bernardino, California

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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, 2016. 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, 2016 by \$142.5 million - assets for governmental activities exceeded liabilities by \$80.8 million and assets for business-type activities exceeded liabilities by \$61.7 million.

Changes in Net Position - The City's net position increased \$16.2 million in fiscal year 2015-2016. Net position of governmental activities increased \$10.4 million, and net position of business-type activities increased \$5.8 million.

- *Fund Highlights*

Governmental Funds - At the close of fiscal year 2015-2016, the City's total governmental funds reported a fund balance of \$55.4 million, an increase of \$6.5 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 \$6.0 million) on June 30, 2016 was \$21.2 million, a decrease of (\$1.9) 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, 2016 was negative \$1.3 million, a decrease in the negative fund balance by \$516,970 from the prior year.

Capital Projects - Capital Improvement Projects Fund - The fund balance of the Capital Projects - Capital Improvement Projects Fund on June 30, 2016, was \$11.1 million, an increase of \$4.6 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 of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net assets. 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 assets 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), 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 three 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 three major funds are: General Fund, Other Intergovernmental Grants Special Revenue Fund, and Capital Improvement Project 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 and pension plan information. This information can be found behind the tab section titled Required Supplementary Information.

**City of Redondo Beach's Statement of Net Position**  
**At June 30, 2016**

	Governmental Activities		Business-Type Activities		Total	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Current and Other Assets	\$ 86,706,837	\$ 83,270,221	\$ 39,363,739	\$ 35,768,575	\$ 126,070,576	\$ 119,038,796
Capital Assets, Net Depreciation	139,008,690	140,306,070	44,736,862	45,025,279	183,745,552	185,331,349
Total Assets	<u>225,715,527</u>	<u>223,576,291</u>	<u>84,100,601</u>	<u>80,793,854</u>	<u>309,816,128</u>	<u>304,370,145</u>
Deferred Outflows of Resources	<u>10,353,215</u>	<u>8,368,345</u>	<u>1,643,729</u>	<u>1,396,836</u>	<u>11,996,944</u>	<u>9,765,181</u>
Long-Term Liabilities Outstanding	139,584,122	127,319,950	22,181,282	21,192,852	161,765,404	148,512,802
Other Liabilities	7,323,214	11,208,963	1,045,205	2,497,662	8,368,419	13,706,625
Total Liabilities	<u>146,907,336</u>	<u>138,528,913</u>	<u>23,226,487</u>	<u>23,690,514</u>	<u>170,133,823</u>	<u>162,219,427</u>
Deferred Inflows of Resources	<u>8,373,823</u>	<u>23,055,687</u>	<u>838,607</u>	<u>2,612,997</u>	<u>9,212,430</u>	<u>25,668,684</u>
Net Investment in Capital Assets	135,628,091	139,555,634	37,542,589	37,629,261	173,170,680	177,184,895
Restricted	26,346,341	16,568,074	-	-	26,346,341	16,568,074
Unrestricted	(81,186,849)	(85,763,672)	24,136,647	18,257,918	(57,050,202)	(67,505,754)
Total Net Position	<u>\$ 80,787,583</u>	<u>\$ 70,360,036</u>	<u>\$ 61,679,236</u>	<u>\$ 55,887,179</u>	<u>\$ 142,466,819</u>	<u>\$ 126,247,215</u>

*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 and pension 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.*

### ***Net Position***

The chart above reflects the City's combined net position (governmental and business-type activities) of \$142.5 million at the close of fiscal year ending June 30, 2016.

The largest portion of the City's total net position (121.6%) 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 2015-2016 total net position increased by \$16.2 million, or 12.8%, from the prior year. The governmental activities net position increased \$10.4 million, or 14.8%, and business-type activities net position increased \$5.8 million, or 10.4%.

Within total assets, the decrease in capital assets, net of accumulated depreciation by (\$1.6) million or (0.9)%, was primarily attributable to the added depreciation on capital assets added in the prior fiscal year. This decrease in capital assets also resulted in a corresponding increase in Net Investments in Capital Assets, Net of Related Debt. However, the increase in net position is primarily due to a decrease in deferred inflows of resources related to pensions of (\$16.5) million with a significantly lower difference between projected and actual earnings on the pension plan.

City of Redondo Beach's Change in Net Position  
Fiscal Year Ended June 30, 2015 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Revenues:						
Program revenues:						
Charges for services	\$ 24,295,405	\$ 25,264,506	\$ 21,621,941	\$ 20,475,663	\$ 45,917,346	\$ 45,740,169
Operating grants and contributions	8,135,187	8,170,736	2,200,958	1,848,671	10,336,145	10,019,407
Capital grants and contributions	912,045	2,310,026	-	-	912,045	2,310,026
Total program revenues	33,342,637	35,745,268	23,822,899	22,324,334	57,165,536	58,069,602
General revenues:						
Property taxes	32,766,493	31,424,789	-	-	32,766,493	31,424,789
Transient occupancy taxes	8,627,801	4,464,811	-	-	8,627,801	4,464,811
Sales taxes	12,347,884	11,889,190	-	-	12,347,884	11,889,190
Franchise taxes	1,963,752	1,981,936	-	-	1,963,752	1,981,936
Business license taxes	1,186,567	1,178,016	-	-	1,186,567	1,178,016
Utility users' taxes	7,411,930	7,664,385	-	-	7,411,930	7,664,385
Other taxes	-	5,149	-	-	-	5,149
Motor vehicle in-lieu - unrestricted	27,475	27,910	-	-	27,475	27,910
Use of money and property	1,184,588	1,069,970	450,632	237,235	1,635,220	1,307,205
Other	2,826,066	2,271,960	289,269	375,982	3,115,335	2,647,942
Gain (loss) on sale of capital assets	71,254	27,676	11,868	-	83,122	27,676
Total general revenues	68,413,810	62,005,792	751,769	613,217	69,165,579	62,619,009
Total revenue	101,756,447	97,751,060	24,574,668	22,937,551	126,331,115	120,688,611

(Continued)

City of Redondo Beach's Change in Net Position  
Fiscal Year Ended June 30, 2015 and 2016, (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Expenses:						
General government	\$ 10,944,620	\$ 10,293,394	\$ -	\$ -	\$ 10,944,620	\$ 10,293,394
Public safety	46,244,936	47,331,250	-	-	46,244,936	47,331,250
Public works	12,915,567	15,500,144	-	-	12,915,567	15,500,144
Cultural and leisure services	11,556,891	10,990,481	-	-	11,556,891	10,990,481
Housing and community development	8,757,638	9,229,689	-	-	8,757,638	9,229,689
Interest on long-term debt	124,522	152,348	-	-	124,522	152,348
Harbor Tidelands	-	-	5,652,988	5,279,836	5,652,988	5,279,836
Harbor Uplands	-	-	4,469,890	4,230,371	4,469,890	4,230,371
Wastewater	-	-	2,144,353	2,022,271	2,144,353	2,022,271
Solid Waste	-	-	3,763,513	3,506,271	3,763,513	3,506,271
Transit	-	-	3,536,593	3,366,535	3,536,593	3,366,535
Total expenses	<u>90,544,174</u>	<u>93,497,306</u>	<u>19,567,337</u>	<u>18,405,284</u>	<u>110,111,511</u>	<u>111,902,590</u>
Change in net position before transfers	<u>11,212,273</u>	<u>4,253,754</u>	<u>5,007,331</u>	<u>4,532,267</u>	<u>16,219,604</u>	<u>8,786,021</u>
Transfers	(784,726)	(1,462,139)	784,726	1,462,139	-	-
Change in net position	10,427,547	2,791,615	5,792,057	5,994,406	16,219,604	8,786,021
Net position, beginning of year	<u>70,360,036</u>	<u>67,568,421</u>	<u>55,887,179</u>	<u>49,892,773</u>	<u>126,247,215</u>	<u>117,461,194</u>
Net position, end of year	<u>\$ 80,787,583</u>	<u>\$ 70,360,036</u>	<u>\$ 61,679,236</u>	<u>\$ 55,887,179</u>	<u>\$ 142,466,819</u>	<u>\$ 126,247,215</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 2015-2016 by \$5.6 million, or 4.7%. Major decreases in program revenues are reflected in capital grants and contributions. General revenue increased in nearly every category with transient occupancy taxes leading the way. The Marine Avenue hotel reserve account requirement reduction from \$8.5 million to \$3.0 million, allowing the City to begin receiving the transient occupancy tax from those hotels, is the primary reason for the increase.

Citywide total expenses decreased (\$1.8) million, or (1.6)%, when compared to fiscal year 2014-2015. The decrease in expenses was primarily related to a fiscal year 2014-2015 grant-funded purchase of buses and fiscal year 2015-2016 reductions in expenditures for liability claims, based on actuarial projections, and pension-related items, recorded as required by GASB Statement No. 68.

### ***Governmental Activities***

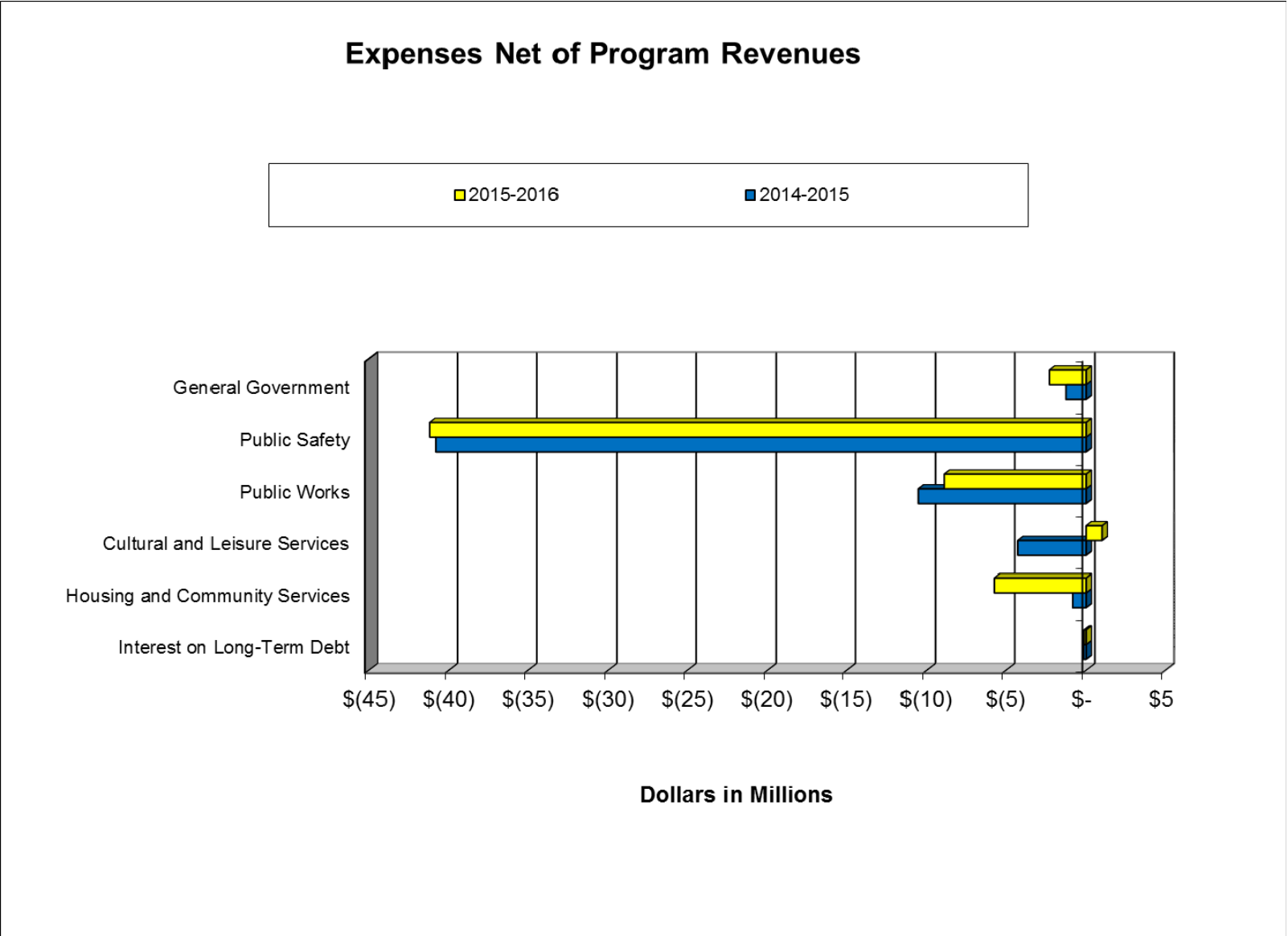
As reflected in the Changes in Net Position schedule above, the total governmental activity expenses were \$90.5 million in fiscal year 2015-2016; and total revenues from governmental activities were \$101.8 million, of which 32.8% were derived from program revenues consisting of charges for services and grants.

As shown on the following chart, the governmental activity expenses net of program revenues, decreased (\$0.6) million, or (1.0)%, in fiscal year 2015-2016. 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
	2015-2016	2014-2015	Increase (Decrease)
Expenses Net of Program Revenues*			
General government	\$ (2,254,786)	\$ (1,209,999)	86.3 %
Public safety	(41,201,494)	(40,816,075)	0.9 %
Public works	(8,893,127)	(10,532,723)	(15.6) %
Cultural and leisure services	1,005,180	(4,257,057)	(123.6) %
Housing and community development	(5,732,788)	(783,836)	631.4 %
Interest on long term debt	(124,522)	(152,348)	(18.3) %
<b>Total Governmental Activity Expenses</b>			
<b>Net of Program Revenues</b>	<u>\$ (57,201,537)</u>	<u>\$ (57,752,038)</u>	(1.0) %

*\*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.*

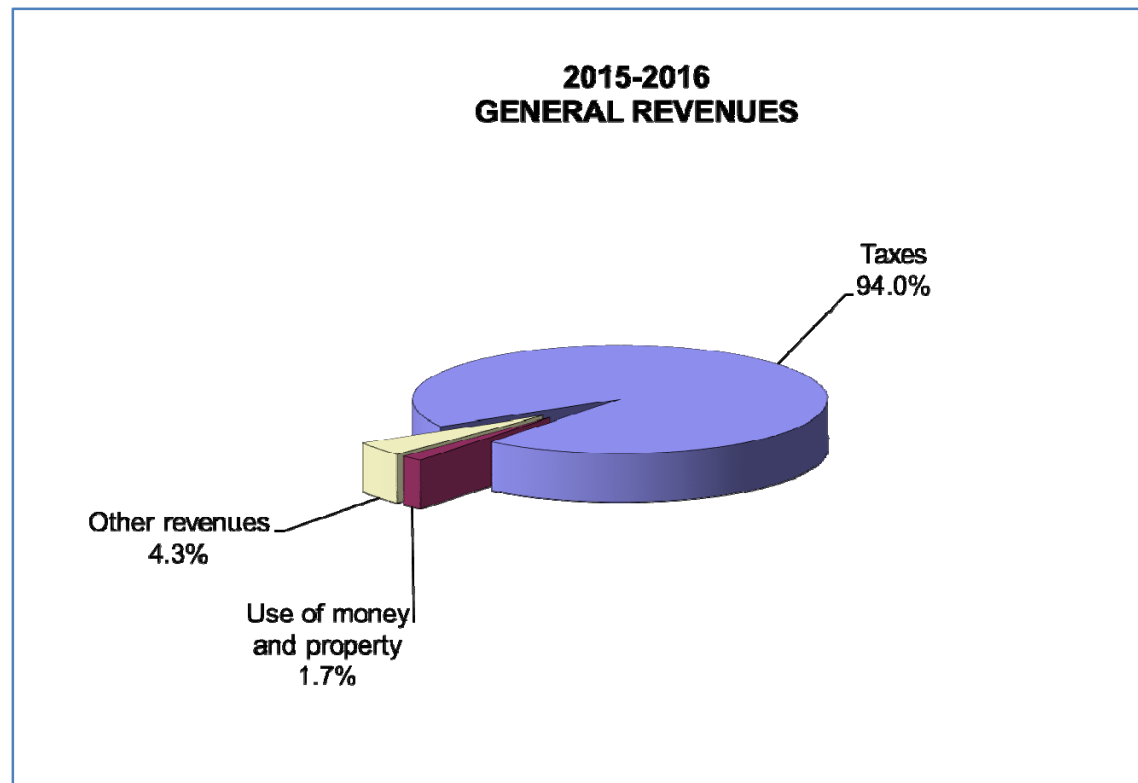
The chart below is a graphical representation of the schedule above

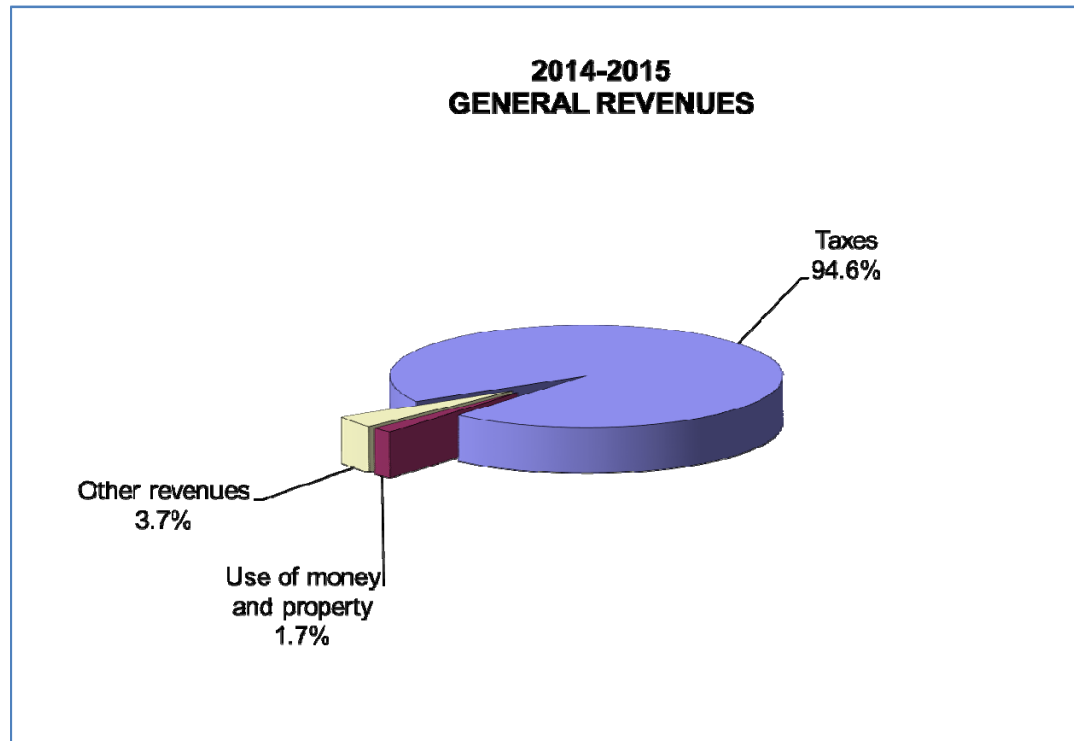


*General Revenues Related to Governmental Activities*

General Revenues	2015-2016	2014-2015	Increase / (Decrease)
Taxes	\$ 64,304,427	\$ 58,608,276	9.7 %
Use of money and property	1,184,588	1,069,970	10.7 %
Other revenues	2,924,795	2,327,546	25.7 %
Total General Revenues	<u>\$ 68,413,810</u>	<u>\$ 62,005,792</u>	10.3 %

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 increased 10.3% over prior year. The largest decrease was use of money and other revenues.





### ***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 \$5.8 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 2015-2016, the total net position of the Harbor Tidelands increased \$1.0 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 2015-2016, the total net position of Harbor Uplands increased by \$1.1 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 2015-2016, the total net position of Wastewater increased \$3.7 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 2015-2016, the total net position of Solid Waste increased \$0.4 million from 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 2015-2016, the total net position of Transit decreased (\$0.4) million from 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**

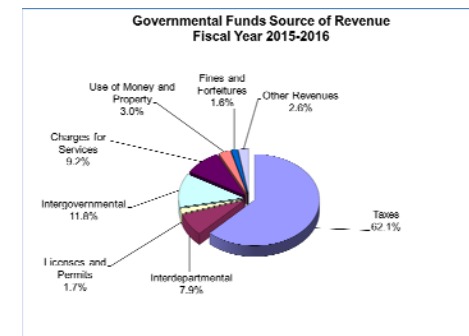
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, 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, 2016, 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.

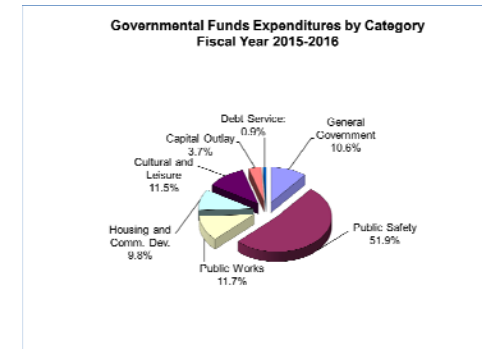
Source of Revenue	Amount FY 15-16	Percent of Total	Increase (Decrease) FY 14-15	Percent Increase (Decrease)
Taxes	\$ 64,304,427	62.1 %	\$ 5,701,300	9.7 %
Interdepartmental	8,176,790	7.9 %	587,862	7.7 %
Licenses & permits	1,766,741	1.7 %	433,229	32.5 %
Intergovernmental	12,259,088	11.8 %	(1,832,190)	(13.0) %
Charges for services	9,536,898	9.2 %	1,025,443	12.0 %
Use of money & property	3,113,269	3.0 %	317,919	11.4 %
Fines & forfeitures	1,645,777	1.6 %	(314,306)	(16.0) %
Miscellaneous	2,694,411	2.6 %	546,911	25.5 %
Total	<u>\$ 103,497,401</u>	<u>100.0 %</u>	<u>\$ 6,466,168</u>	6.7 %



Total governmental fund revenues increased \$6.5 million, or 6.7%, from fiscal year 2014-2015. Taxes increased \$5.7 million, or 9.7%, with transient occupancy taxes leading the way. The Marine Avenue hotel reserve account requirement reduction from \$8.5 million to \$3.0 million, allowing the City to begin receiving the transient occupancy tax from those hotels, is the primary reason for the increase. Charges for services increased \$1.0 million, or 12.0%, primarily due to increased construction activity. Intergovernmental revenue realized the only major decrease of (\$1.8) million, or (13.0)%, due to a one-time fiscal year 2014-2015 State mandated cost reimbursement.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2016, 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.

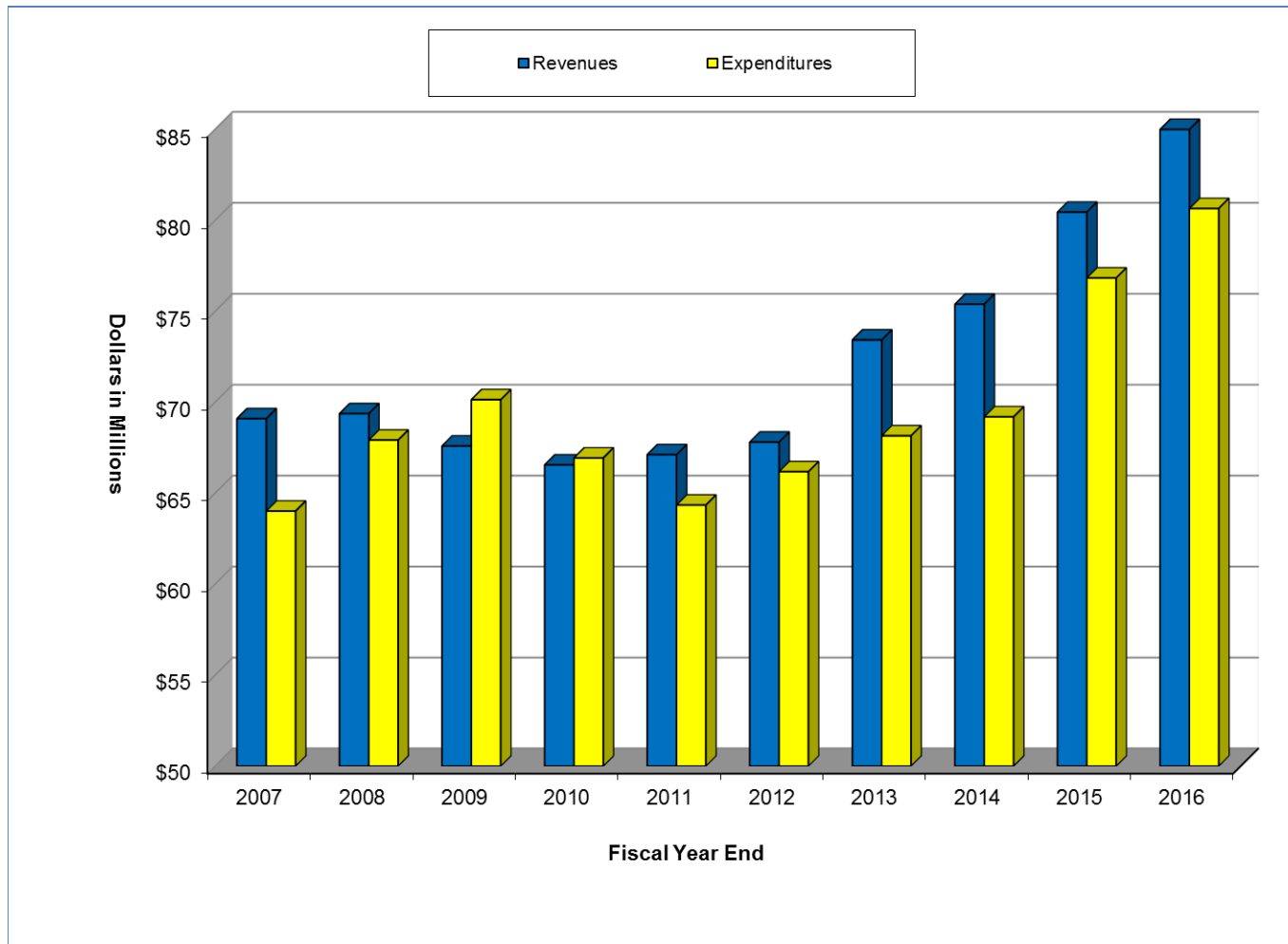
Expenditures	Amount FY 15-16	Percent of Total	Increase (Decrease) FY 14-15	Percent Increase (Decrease)
Current:				
General government	\$ 10,186,943	10.6 %	\$ 429,074	4.4 %
Public safety	49,901,682	51.9 %	1,627,470	3.4 %
Public works	11,198,389	11.7 %	872,454	8.4 %
Housing and community development	9,368,145	9.8 %	485,059	5.5 %
Cultural and leisure services	11,001,375	11.5 %	977,955	9.8 %
Capital outlay	3,533,895	3.7 %	(3,848,556)	(52.1) %
Debt service	867,896	0.9 %	(14,400)	(1.6) %
	<u>\$ 96,058,325</u>	<u>100.0 %</u>	<u>\$ 529,056</u>	<u>0.6 %</u>



Total governmental fund expenditures increased \$0.5 million, or 0.6%, from fiscal year 2014-2015. As mentioned earlier, the variances are attributable to:

- Current expenditures increased by \$4.4 million, or 5.0%, increased 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 2014-2015.
- Capital outlay expenditures substantially decreased by (\$3.8) million, or (52.1)%, primarily due to fewer capital improvement project expenses.
- Debt service expenditures decreased by (\$14,400) or (1.6)% in accordance with the debt payment schedules.

Although there are three major funds in the City of Redondo Beach, the General Fund, the Other Intergovernmental Grants 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 2014-2015, revenues increased \$7.0 million, or 8.7%, while expenditures increased 3.8 million, or 5.0%

### *General Fund Balance*

The fund balance of the General Fund as of June 30, 2016 was \$21.2 million (includes Special Revenue – PERS Reserve Fund of \$6.0 million), a decrease of (\$1.9) million, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

	FY 13-14	FY 14-15	FY 15-16
General Fund Contingency	\$ 6,188,191	\$ 6,738,848	\$ 7,154,237
Compensated Absences	595,252	489,418	477,621
Carryover Assignments	1,238,210	1,248,010	1,827,110
Encumbrances	586,272	531,965	510,068
Self-Insurance Program	2,982,500	-	-
Petty Cash	15,550	15,350	14,850
CalPERS	4,607,962	4,913,747	5,977,307
Compensation Restoration	2,000,000	-	-
Future Year's Appropriations	-	3,302,185	496,580
Unassigned Balance	2,674,597	5,786,193	1,694,671

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, 2016 was (\$1.3) million, an increase of \$0.5 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.

### *Capital Improvement Projects Fund Balance*

The fund balance of the Capital Improvements Projects Fund as of June 30, 2016 was \$11.1 million, an increase of \$4.6 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 2015-2016 budget totaled \$87.0 million, excluding transfers out and including net amendments of \$5.5 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:

- Reduced appropriation of \$24,288 for departmental reorganizations.
- Appropriation of \$16,000 for canine related costs.
- Funding of prior-year encumbrances of \$531,965.
- Funding of carry-over appropriations of \$1,248,010.
- Increased mid-year appropriations by \$3,746,023.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$6.1 million and expenditures were \$6.3 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, 2016, net capital assets of the governmental and business-type activities totaled \$139.0 million and \$44.7 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 FY 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. City policy was to achieve an average rating of 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, 2016 the City's street system was rated at a PQI of 85.

The City's budget for street maintenance for the fiscal year ended June 30, 2016 was \$18.3 million. Actual expenditures were \$2.6 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, 2016 through June 30, 2017 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	2,649,956	-	2,649,956
Building and Improvements	46,909,912	(20,453,734)	26,456,178
Furniture and Equipment	8,180,551	(7,273,721)	906,830
Automotive Equipment	15,847,424	(9,602,929)	6,244,495
Leased Equipment	2,206,294	(1,296,401)	909,893
Infrastructure	135,354,186	(50,035,795)	85,318,391
<b>Total</b>	<b>\$ 227,671,270</b>	<b>\$ (88,662,580)</b>	<b>\$ 139,008,690</b>
<b>Capital Assets - Business-Type Activities</b>			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Construction in Progress	2,312,274	-	2,312,274
Building and Improvements	31,402,770	(17,238,756)	14,164,014
Furniture and Equipment	671,271	(647,861)	23,410
Automotive Equipment	3,774,863	(2,188,554)	1,586,309
Leased Equipment	277,949	(189,932)	88,017
Infrastructure	27,035,753	(11,796,170)	15,239,583
<b>Total</b>	<b>\$ 76,798,135</b>	<b>\$ (32,061,273)</b>	<b>\$ 44,736,862</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 2015-2016 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	<u>Amount</u>	<u>to Assessed Value of Property</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$ 9,530,000	0.07 %	\$ 137.13

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 2016-2017, the local economy continues to show improvement and growth which allows the City to make strides in bringing ongoing revenues in line with recurring expenses.

- Property Tax revenue for fiscal year 2016-2017 is projected to increase to \$23.5 million, excluding property tax in lieu of VLF and homeowners' exemptions. The major contributors to this increase is an improving economy and housing market. Property tax revenue is the City's number one source of operating revenue.
- Sales and Use Tax revenue is projected to decrease to \$11.0 million. The projected decrease reflects the first full year without Nordstrom, a major revenue contributor and the transition away from triple flip revenue which included a final fiscal year 2015-2016 true-up payment.
- Utility Users' Tax (UUT) revenue is projected to remain relatively flat at \$7.6 million. Even with prices going up, consumers' conservation efforts are holding UUT stable. 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 increase to \$7.4 million. This upswing is driven by two new hotels expected to come on line in fiscal year 2016-2017 and a reduction from \$8.5 million to \$3.0 million in the Marine Avenue hotel reserve account requirement allowing the City to begin receiving the TOT revenue.
- Investment Earnings for the General Fund for fiscal year 2016-2017 are projected to increase to \$490,000. This increase is attributable to stable interest rates within the investment marketplace together with a larger portfolio. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity matrix. Enhanced cash management activities serve as core elements of the City Treasurer's comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring CIP program liquidity.

General Fund appropriations for fiscal year 2016-2017 are projected at \$85.9 million. Personnel costs are projected to increase with employee cost of living (wage) adjustments and 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 2015-2016, Redondo Beach experienced a 4.9% change in real property assessed valuations, compared to last year's 4.7%. Hotel occupancy rates for the City's thirteen operating hotels decreased by 2.2% from fiscal year 2014-2015 with a 26.1% revenue increase primarily due to the reduction from \$8.5 million to \$3.0 million in the Marine Avenue hotel reserve account, which allowed the City to begin receiving in March 2016 the transient occupancy tax revenue. Redondo Beach continues to exceed the countywide median in total taxable retail sales, ranking 34 out of 88 cities in Los Angeles County. Redondo Beach experienced a decrease in its unemployment rate from 5.1% in calendar year 2014 to 4.1% in calendar year 2015, which is well below the Los Angeles County and State of California 2015 unemployment rates of 6.7% and 6.3%, 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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 62,808,804	\$ 38,746,386	\$ 101,555,190
Receivables:			
Accounts	859,601	665,784	1,525,385
Interest	130,370	74,539	204,909
Taxes	5,723,278	115,048	5,838,326
Notes and loans	3,961,837	93,786	4,055,623
Internal balances	451,659	(451,659)	-
Due from other governments	7,521,948	119,855	7,641,803
Advances to other governments	535,731	-	535,731
Prepaid items	55,271	-	55,271
Restricted cash and investments with fiscal agents	4,658,338	-	4,658,338
Capital assets:			
Nondepreciable	73,226,939	13,635,529	86,862,468
Depreciable, net	65,781,751	31,101,333	96,883,084
Total capital assets	139,008,690	44,736,862	183,745,552
<b>Total assets</b>	225,715,527	84,100,601	309,816,128
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	10,353,215	1,180,990	11,534,205
Loss on debt refunding	-	462,739	462,739
<b>Total deferred outflows of resources</b>	10,353,215	1,643,729	11,996,944
			(continued)

# CITY OF REDONDO BEACH

## Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 1,776,733	\$ 726,035	\$ 2,502,768
Accrued liabilities	4,364,470	-	4,364,470
Pollution remediation liability	150,000	-	150,000
Accrued interest	55,400	-	55,400
Unearned revenue	735,500	121,641	857,141
Deposits payable	241,111	197,529	438,640
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	695,951	87,588	783,539
Claims and judgments payable	975,976	-	975,976
Other long-term debt	1,079,550	678,016	1,757,566
Due in more than one year:			
Compensated absences payable	1,856,227	233,609	2,089,836
Claims and judgments payable	15,629,738	-	15,629,738
Other long-term debt	2,301,049	8,334,721	10,635,770
Net pension liability	117,045,631	12,847,348	129,892,979
Total noncurrent liabilities	139,584,122	22,181,282	161,765,404
<b>Total liabilities</b>	146,907,336	23,226,487	170,133,823
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	8,373,823	838,607	9,212,430
<b>Total deferred inflows of resources</b>	8,373,823	838,607	9,212,430
<b>NET POSITION</b>			
Net investment in capital assets	135,628,091	37,542,589	173,170,680
Restricted for:			
Debt service	6,154,272	-	6,154,272
Public safety	969,439	-	969,439
Public works	10,273,724	-	10,273,724
Housing and community development	8,948,906	-	8,948,906
Total restricted	26,346,341	-	26,346,341
Unrestricted	(81,186,849)	24,136,647	(57,050,202)
<b>Total net position</b>	\$ 80,787,583	\$ 61,679,236	\$ 142,466,819

See accompanying notes to basic financial statements.

# CITY OF REDONDO BEACH

## Statement of Activities

For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 10,944,620	\$ 8,689,834	\$ -	\$ -	\$ 8,689,834	\$ (2,254,786)	\$ -	\$ (2,254,786)
Public safety	46,244,936	4,503,948	539,494	-	5,043,442	(41,201,494)	-	(41,201,494)
Public works	12,915,567	2,334,537	1,687,903	-	4,022,440	(8,893,127)	-	(8,893,127)
Cultural and leisure services	11,556,891	6,606,802	5,907,790	47,479	12,562,071	1,005,180	-	1,005,180
Housing and community development	8,757,638	2,160,284	-	864,566	3,024,850	(5,732,788)	-	(5,732,788)
Interest on long term debt	124,522	-	-	-	-	(124,522)	-	(124,522)
Total governmental activities	90,544,174	24,295,405	8,135,187	912,045	33,342,637	(57,201,537)	-	(57,201,537)
<b>Business-type activities:</b>								
Harbor Tidelands	5,652,988	6,490,927	-	-	6,490,927	-	837,939	837,939
Harbor Uplands	4,469,890	5,314,448	-	-	5,314,448	-	844,558	844,558
Wastewater	2,144,353	5,618,086	-	-	5,618,086	-	3,473,733	3,473,733
Solid waste	3,763,513	3,832,166	36,871	-	3,869,037	-	105,524	105,524
Transit	3,536,593	366,314	2,164,087	-	2,530,401	-	(1,006,192)	(1,006,192)
Total business-type activities	19,567,337	21,621,941	2,200,958	-	23,822,899	-	4,255,562	4,255,562
<b>Total primary government</b>	<b>\$ 110,111,511</b>	<b>\$ 45,917,346</b>	<b>\$ 10,336,145</b>	<b>\$ 912,045</b>	<b>\$ 57,165,536</b>	<b>(57,201,537)</b>	<b>4,255,562</b>	<b>(52,945,975)</b>

(continued)

# CITY OF REDONDO BEACH

## Statement of Activities

For the year ended June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>General revenues and transfers:</b>			
Taxes:			
Property taxes	\$ 32,766,493	\$ -	\$ 32,766,493
Transient occupancy taxes	8,627,801	-	8,627,801
Sales taxes	12,347,884	-	12,347,884
Franchise taxes	1,963,752	-	1,963,752
Business licenses taxes	1,186,567	-	1,186,567
Utility users taxes	7,411,930	-	7,411,930
Motor vehicle license in lieu - unrestricted	27,475	-	27,475
Use of money and property	1,184,588	450,632	1,635,220
Other	2,826,066	289,269	3,115,335
Gain on sale of capital assets	71,254	11,868	83,122
Transfers	(784,726)	784,726	-
<b>Total general revenues and transfers</b>	<b>67,629,084</b>	<b>1,536,495</b>	<b>69,165,579</b>
<b>Change in net position</b>	<b>10,427,547</b>	<b>5,792,057</b>	<b>16,219,604</b>
<b>Net position, beginning of year</b>	<b>70,360,036</b>	<b>55,887,179</b>	<b>126,247,215</b>
<b>Net position, end of year</b>	<b>\$ 80,787,583</b>	<b>\$ 61,679,236</b>	<b>\$ 142,466,819</b>

## **FUND FINANCIAL STATEMENTS**

*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

**General Fund** - The General Fund is used to account for all revenues and expenditures that are not 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.

**Capital Improvement Projects Capital Projects Fund** - To account for capital improvements of the City.

**Total Non-Major Funds** - The aggregate of all the non-major governmental funds.

# CITY OF REDONDO BEACH

## Balance Sheet

### Governmental Funds

June 30, 2016

	Special Revenue Fund		Capital Projects Fund		
	Other		Capital	Total	Total
	Intergovernmental		Improvement	Non-Major	Governmental
	Grants		Projects	Funds	Funds
General					
<b>ASSETS</b>					
Pooled cash and investments	\$ 16,986,478	\$ -	\$ 8,480,034	\$ 14,304,361	\$ 39,770,873
Receivables:					
Accounts	709,684	-	123,036	13,207	845,927
Interest	111,632	-	-	18,738	130,370
Taxes	5,703,317	-	-	19,961	5,723,278
Notes and loans	32,074	-	-	3,929,763	3,961,837
Prepaid costs	55,271	-	-	-	55,271
Due from other funds	2,456,835	-	2,600,000	1,450,000	6,506,835
Due from other governments	1,024,416	1,064,346	-	5,433,186	7,521,948
Advances to other funds	988,402	-	-	-	988,402
Advances to other governments	-	-	-	535,731	535,731
Restricted assets:					
Cash and investments with fiscal agents	3,000,000	-	-	1,658,338	4,658,338
<b>Total assets</b>	<b>\$ 31,068,109</b>	<b>\$ 1,064,346</b>	<b>\$ 11,203,070</b>	<b>\$ 27,363,285</b>	<b>\$ 70,698,810</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 601,868	\$ 23,284	\$ 90,124	\$ 210,690	\$ 925,966
Accrued liabilities	4,364,470	-	-	-	4,364,470
Pollution remediation liability	150,000	-	-	-	150,000
Unearned revenue	369,803	365,697	-	-	735,500
Deposits payable	241,111	-	-	-	241,111
Due to other funds	4,050,000	1,287,136	-	718,040	6,055,176
Advances from other funds	-	-	-	988,402	988,402
<b>Total liabilities</b>	<b>9,777,252</b>	<b>1,676,117</b>	<b>90,124</b>	<b>1,917,132</b>	<b>13,460,625</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	51,068	723,611	-	1,092,472	1,867,151
<b>Total deferred inflows of resources</b>	<b>51,068</b>	<b>723,611</b>	<b>-</b>	<b>1,092,472</b>	<b>1,867,151</b>

(continued)

# CITY OF REDONDO BEACH

Balance Sheet

Governmental Funds

June 30, 2016

	General	Special Revenue Fund		Capital Projects Fund	Total Non-Major Funds	Total Governmental Funds
		Other Intergovernmental Grants		Capital Improvement Projects		
<b>Fund Balances (deficit):</b>						
Nonspendable	\$ 87,345	\$ -		\$ -	\$ -	\$ 87,345
Restricted	3,000,000	-		-	22,309,801	25,309,801
Committed	7,154,237	-		-	-	7,154,237
Assigned	9,303,536	-		11,112,946	2,150,834	22,567,316
Unassigned	1,694,671	(1,335,382)		-	(106,954)	252,335
<b>Total fund balances</b>	<b>21,239,789</b>	<b>(1,335,382)</b>		<b>11,112,946</b>	<b>24,353,681</b>	<b>55,371,034</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 31,068,109</b>	<b>\$ 1,064,346</b>		<b>\$ 11,203,070</b>	<b>\$ 27,363,285</b>	<b>\$ 70,698,810</b>

# CITY OF REDONDO BEACH

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2016

**Total Fund Balance - Total Governmental Funds**

**\$ 55,371,034**

Amounts reported for governmental activities in the Statement of Net Position were different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.

Non-depreciable

Depreciable, net

Total capital assets

Accrued interest payable on long-term debt did not require current financial resources. Therefore, accrued interest payable was not reported as a liability in governmental funds.

Certain revenues were recorded as deferred inflows of resources in the governmental funds because they did not represent current financial resources at year end. However, they were recognized as revenues in the Government-Wide Financial Statements.

Internal Service funds were used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The assets and liabilities of the Internal Service funds were included in governmental activities in the Government-Wide Statement of Net Position.

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds:

Other long-term debt - due within one year

Other long-term debt - due in more than one year

Compensated absences payable - due within one year

Compensated absences payable - due in more than one year

Net pension liability

Total long-term liabilities

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

Deferred inflows of resources - pension related items

Total deferred outflows/inflows of resources

**Net Position of Governmental Activities**

**\$ 80,787,583**

Government-Wide Statement of Net Position	Internal Service Funds	
\$ 73,226,939	\$ -	73,226,939
65,781,751	(5,195,580)	60,586,171
<u>\$ 139,008,690</u>	<u>\$ (5,195,580)</u>	<u>133,813,110</u>

(55,400)

1,867,151

4,074,740

Government-Wide Statement of Net Position	Internal Service Funds	
\$ (1,079,550)	\$ 308,456	(771,094)
(2,301,049)	253,265	(2,047,784)
(695,951)	94,252	(601,699)
(1,856,227)	251,380	(1,604,847)
(117,045,631)	5,817,441	(111,228,190)
<u>\$ (122,978,408)</u>	<u>\$ 6,724,794</u>	<u>(116,253,614)</u>

Government-Wide Statement of Net Position	Internal Service Funds	
\$ 10,353,215	\$ (504,693)	9,848,522
(8,373,823)	495,863	(7,877,960)
<u>\$ 1,979,392</u>	<u>\$ (8,830)</u>	<u>1,970,562</u>

# CITY OF REDONDO BEACH

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2016

	General	Special Revenue Other Intergovernmental Grants	Capital Projects Fund Capital Improvement Projects	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 64,304,427	\$ -	\$ -	\$ -	\$ 64,304,427
Interdepartmental	8,176,790	-	-	-	8,176,790
Licenses and permits	1,766,741	-	-	-	1,766,741
Intergovernmental	111,661	1,672,978	-	10,474,449	12,259,088
Charges for services	7,643,605	-	269,933	1,623,360	9,536,898
Use of money and property	2,058,675	-	-	1,054,594	3,113,269
Fines and forfeitures	1,592,508	-	-	53,269	1,645,777
Miscellaneous	1,818,606	-	229,372	646,433	2,694,411
<b>Total revenues</b>	<b>87,473,013</b>	<b>1,672,978</b>	<b>499,305</b>	<b>13,852,105</b>	<b>103,497,401</b>
<b>EXPENDITURES:</b>					
Current:					
General government	10,186,943	-	-	-	10,186,943
Public safety	49,406,073	280,184	-	215,425	49,901,682
Public works	6,700,223	74,228	125,882	4,298,056	11,198,389
Housing and community development	3,340,154	-	-	6,027,991	9,368,145
Cultural and leisure services	11,001,375	-	-	-	11,001,375
Capital outlay	17,616	803,516	748,495	1,964,268	3,533,895
Debt Service:					
Principal retirement	-	-	-	715,000	715,000
Interest and fiscal charges	-	-	-	152,896	152,896
<b>Total expenditures</b>	<b>80,652,384</b>	<b>1,157,928</b>	<b>874,377</b>	<b>13,373,636</b>	<b>96,058,325</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,820,629</b>	<b>515,050</b>	<b>(375,072)</b>	<b>478,469</b>	<b>7,439,076</b>
					(continued)

# CITY OF REDONDO BEACH

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2016

	General	Special Revenue Other Intergovernmental Grants	Capital Projects Fund Capital Improvement Projects	Total Non-Major Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	\$ 87,222	\$ 1,920	\$ 5,021,978	\$ 3,353,233	\$ 8,464,353
Transfers out	(8,784,614)	-	-	(581,456)	(9,366,070)
<b>Total other financing sources (uses)</b>	<b>(8,697,392)</b>	<b>1,920</b>	<b>5,021,978</b>	<b>2,771,777</b>	<b>(901,717)</b>
<b>Net change in fund balances</b>	<b>(1,876,763)</b>	<b>516,970</b>	<b>4,646,906</b>	<b>3,250,246</b>	<b>6,537,359</b>
<b>FUND BALANCES:</b>					
Beginning of year	23,116,552	(1,852,352)	6,466,040	21,103,435	48,833,675
End of year	<u>\$ 21,239,789</u>	<u>\$ (1,335,382)</u>	<u>\$ 11,112,946</u>	<u>\$ 24,353,681</u>	<u>\$ 55,371,034</u>

# 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, 2016

**Net Change In Fund Balances - Total Governmental Funds** \$ 6,537,359

Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the costs of those assets were allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.

Governmental Funds Capital Outlay	Government-Wide Expenses	
\$ 3,533,895	\$ (927,881)	2,606,014

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.

Government-Wide Statement of Net Position	Internal Service Funds	
\$ (4,829,085)	\$ 1,204,410	(3,624,675)

Long-Term compensated absences was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, long-term compensated absences was not reported as expenditures in the governmental funds. The following amount represented the change in long-term compensated absences from the prior year.

(42,090)

Repayment of principal of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:

Principal retirement

715,000

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 actuarially determined and certain pension related adjustments are deferred to future periods.

Pension related net adjustments

2,695,053

## 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, 2016

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Amortization expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds:

Amortization of bond premium	\$ 22,786
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Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year.

5,588
-------

Certain revenues were recorded as deferred inflows of resources in the governmental funds because they were not available as current financial resources. However, they were included as revenue in the Government-Wide Statement of Activities under the full accrual basis.

(1,954,253)
-------------

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.

3,466,765
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#### Change in Net Position of Governmental Activities

\$ 10,427,547
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## PROPRIETARY FUND FINANCIAL STATEMENTS

**Harbor Tidelands Enterprise Fund** - To account for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted under the City Tideland Trust Agreement with the State of California.

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

**Wastewater Enterprise Fund** - To account for the capital facility charge, more commonly referred to as a sewer user fee. The capital facility charge is designed to reimburse the City's wastewater system for the capital costs to provide wastewater capacity to new system users. This charge is associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.

**Solid Waste Enterprise Fund** - To account for revenues and expenses related to the City's comprehensive solid waste program, including AB 939 funds.

**Transit Enterprise Fund** - To account for transportation activities of the City.

**Internal Service Funds** - These funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

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# CITY OF REDONDO BEACH

## Statement of Net Position

### Proprietary Funds

June 30, 2016

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Major Enterprise Funds			Non-Major Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 16,771,029	\$ 4,672,595	\$ 15,613,236	\$ 1,689,526	\$ -	\$ 38,746,386	\$ 23,037,931
Receivables:							
Accounts	313,588	232,322	3,067	111,581	5,226	665,784	13,674
Interest	33,968	9,254	31,317	-	-	74,539	-
Taxes	-	-	66,510	48,538	-	115,048	-
Notes and loans	93,786	-	-	-	-	93,786	-
Due from other funds	289,929	-	-	-	-	289,929	-
Due from other governments	-	-	20,968	18,287	80,600	119,855	-
Total current assets	17,502,300	4,914,171	15,735,098	1,867,932	85,826	40,105,327	23,051,605
Noncurrent assets:							
Capital assets:							
Non-depreciable	4,066,844	7,558,488	2,010,197	-	-	13,635,529	-
Depreciable, net	15,618,730	4,811,925	9,066,417	46,099	1,558,162	31,101,333	5,195,580
Total capital assets	19,685,574	12,370,413	11,076,614	46,099	1,558,162	44,736,862	5,195,580
Total noncurrent assets	19,685,574	12,370,413	11,076,614	46,099	1,558,162	44,736,862	5,195,580
Total assets	37,187,874	17,284,584	26,811,712	1,914,031	1,643,988	84,842,189	28,247,185
DEFERRED OUTFLOWS OF RESOURCES							
Pension related items	578,449	345,732	125,536	73,022	58,251	1,180,990	504,693
Loss on debt refunding	-	-	462,739	-	-	462,739	-
Total deferred outflows of resources	578,449	345,732	588,275	73,022	58,251	1,643,729	504,693

# CITY OF REDONDO BEACH

## Statement of Net Position

### Proprietary Funds

June 30, 2016

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Major Enterprise Funds			Non-Major Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 154,899	\$ 95,809	\$ 191,838	\$ 49,577	\$ 233,912	\$ 726,035	\$ 850,767
Deposits payable	137,924	59,605	-	-	-	197,529	-
Due to other funds	-	-	-	-	741,588	741,588	-
Unearned revenue	-	-	-	52,804	68,837	121,641	-
Accrued compensated absences	26,824	18,077	15,599	10,901	16,187	87,588	94,252
Accrued claims and judgments	-	-	-	-	-	-	975,976
Bonds, notes, and capital leases	352,957	43,803	281,256	-	-	678,016	308,456
Total current liabilities	672,604	217,294	488,693	113,282	1,060,524	2,552,397	2,229,451
Noncurrent liabilities:							
Accrued claims and judgments	-	-	-	-	-	-	15,629,738
Accrued compensated absences	71,544	48,216	41,606	29,072	43,171	233,609	251,380
Bonds, notes, and capital leases	1,383,371	-	6,951,350	-	-	8,334,721	253,265
Net pension liability	5,688,438	4,552,233	1,193,610	840,785	572,282	12,847,348	5,817,441
Total noncurrent liabilities	7,143,353	4,600,449	8,186,566	869,857	615,453	21,415,678	21,951,824
Total liabilities	7,815,957	4,817,743	8,675,259	983,139	1,675,977	23,968,075	24,181,275
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related items	277,926	418,768	44,191	71,460	26,262	838,607	495,863
Total deferred inflows of resources	277,926	418,768	44,191	71,460	26,262	838,607	495,863
<b>NET POSITION</b>							
Net investment in capital assets	19,304,971	12,326,610	4,306,747	46,099	1,558,162	37,542,589	4,633,859
Unrestricted	10,367,469	67,195	14,373,790	886,355	(1,558,162)	24,136,647	(559,119)
Total net position	\$ 29,672,440	\$ 12,393,805	\$ 18,680,537	\$ 932,454	\$ -	\$ 61,679,236	\$ 4,074,740

See accompanying notes to basic financial statements.

# CITY OF REDONDO BEACH

## Statement of Revenues, Expenses and Changes in Net Position

### Proprietary Funds

For the year ended June 30, 2016

	Business-Type Activities - Enterprise Funds						Governmental
	Major Enterprise Funds			Non-Major Enterprise Funds			Activities
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Internal Service Funds
OPERATING REVENUES:							
Sales and service charges	\$ 1,224,646	\$ 2,365,537	\$ 5,618,086	\$ 3,832,166	\$ 366,314	\$ 13,406,749	\$ 21,008,057
Harbor rentals	5,266,281	2,948,911	-	-	-	8,215,192	-
Miscellaneous	(5,155)	11,634	18	161,959	813	169,269	70,475
Total operating revenues	6,485,772	5,326,082	5,618,104	3,994,125	367,127	21,791,210	21,078,532
OPERATING EXPENSES:							
Personnel services	2,778,093	1,853,129	901,443	559,595	454,465	6,546,725	4,591,436
Contractual services	662,281	632,876	231,092	2,801,788	2,268,059	6,596,096	1,835,932
Administrative and general expenses	611,650	379,678	170,531	70,636	526,210	1,758,705	8,313,978
Internal service charges	1,106,772	1,201,543	342,292	316,750	211,192	3,178,549	1,925,826
Depreciation expense	401,017	399,283	197,556	14,744	76,667	1,089,267	1,204,410
Total operating expenses	5,559,813	4,466,509	1,842,914	3,763,513	3,536,593	19,169,342	17,871,582
OPERATING INCOME (LOSS)	925,959	859,573	3,775,190	230,612	(3,169,466)	2,621,868	3,206,950
NONOPERATING REVENUES (EXPENSES):							
Intergovernmental	-	-	-	36,871	2,164,087	2,200,958	-
Investment income	210,037	57,034	183,561	-	-	450,632	-
Interest expense	(93,175)	(3,381)	(301,439)	-	-	(397,995)	-
Gain on sale of capital assets	5,934	5,934	-	-	-	11,868	64,860
Miscellaneous	-	120,000	-	-	-	120,000	77,964
Total nonoperating revenues (expenses)	122,796	179,587	(117,878)	36,871	2,164,087	2,385,463	142,824
INCOME (LOSS) BEFORE TRANSFERS	1,048,755	1,039,160	3,657,312	267,483	(1,005,379)	5,007,331	3,349,774
TRANSFERS:							
Transfers in	71,034	26,063	31,729	148,040	595,082	871,948	116,991
Transfers out	(87,222)	-	-	-	-	(87,222)	-
Total transfers	(16,188)	26,063	31,729	148,040	595,082	784,726	116,991
Change in net position	1,032,567	1,065,223	3,689,041	415,523	(410,297)	5,792,057	3,466,765
NET POSITION:							
Beginning of year	28,639,873	11,328,582	14,991,496	516,931	410,297	55,887,179	607,975
End of year	\$ 29,672,440	\$ 12,393,805	\$ 18,680,537	\$ 932,454	\$ -	\$ 61,679,236	\$ 4,074,740

# CITY OF REDONDO BEACH

## Statement of Cash Flows

### Proprietary Funds

For the year ended June 30, 2016

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Major Enterprise Funds			Non-Major Enterprise Funds		
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers and users	\$ 6,343,440	\$ 5,341,146	\$ 5,611,778	\$ 3,955,042	\$ 54,061	\$ 21,305,467
Cash payments to suppliers for goods and services	(3,023,218)	(2,242,846)	(624,094)	(3,408,579)	(3,209,960)	(12,508,697)
Cash payments to employees for services	(2,914,766)	(1,958,981)	(996,426)	(599,890)	(483,990)	(6,954,053)
<b>Net cash provided (used) by operating activities</b>	<b>405,456</b>	<b>1,139,319</b>	<b>3,991,258</b>	<b>(53,427)</b>	<b>(3,639,889)</b>	<b>1,842,717</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in	71,034	26,063	31,729	148,040	595,082	871,948
Transfers out	(87,222)	-	-	-	-	(87,222)
Cash received from notes and loans receivable	38,872	-	-	-	-	38,872
Repayment of due from other funds	16,999	-	-	-	741,588	758,587
Cash received from other governments	-	-	-	56,994	2,087,292	2,144,286
<b>Net cash provided (used) by noncapital financing activities</b>	<b>39,683</b>	<b>26,063</b>	<b>31,729</b>	<b>205,034</b>	<b>3,423,962</b>	<b>3,726,471</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(99,234)	(5,085)	(696,531)	-	-	(800,850)
Principal paid on capital debt	(337,833)	(42,144)	(271,256)	-	-	(651,233)
Interest paid on capital debt	(93,175)	(3,381)	(275,731)	-	-	(372,287)
Proceeds from sales of capital assets	5,934	5,934	-	-	-	11,868
<b>Net cash used by capital and related financing activities</b>	<b>(524,308)</b>	<b>(44,676)</b>	<b>(1,243,518)</b>	<b>-</b>	<b>-</b>	<b>(1,812,502)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest received	207,176	53,541	175,609	-	-	436,326
<b>Net cash provided by investing activities</b>	<b>207,176</b>	<b>53,541</b>	<b>175,609</b>	<b>-</b>	<b>-</b>	<b>436,326</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>128,007</b>	<b>1,174,247</b>	<b>2,955,078</b>	<b>151,607</b>	<b>(215,927)</b>	<b>4,193,012</b>
<b>CASH AND CASH EQUIVALENTS:</b>						
Beginning of year	16,643,022	3,498,348	12,658,158	1,537,919	215,927	34,553,374
End of year	\$ 16,771,029	\$ 4,672,595	\$ 15,613,236	\$ 1,689,526	\$ -	\$ 38,746,386

See accompanying notes to basic financial statements.

# CITY OF REDONDO BEACH

## Statement of Cash Flows, Continued

### Proprietary Funds

For the year ended June 30, 2016

	Business-Type Activities - Enterprise Funds						Governmental
	Major Enterprise Funds			Non-Major Enterprise Funds		Activities	
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>							
Operating income (loss)	\$ 925,959	\$ 859,573	\$ 3,775,190	\$ 230,612	\$ (3,169,466)	\$ 2,621,868	\$ 3,206,950
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	401,017	399,283	197,556	14,744	76,667	1,089,267	1,204,410
Miscellaneous nonoperating revenue	-	120,000	-	-	-	120,000	77,964
Actuarial pension expense	390,775	231,091	54,290	31,578	25,191	732,925	218,262
Pension contributions subsequent to measurement date	(547,089)	(327,641)	(126,775)	(73,742)	(58,825)	(1,134,072)	(509,674)
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	(36,299)	(55,769)	(3,067)	(2,451)	3,265	(94,321)	(8,085)
(Increase) decrease in taxes receivable	-	-	(51,819)	(36,632)	-	(88,451)	-
(Increase) decrease in due from other governments	-	-	48,560	-	-	48,560	-
(Increase) decrease in prepaid items	5,145	434	-	-	-	5,579	-
Increase (decrease) in accounts payable	(647,660)	(29,183)	119,821	(219,405)	(204,499)	(980,926)	(364,198)
Increase (decrease) in unearned revenue	(106,033)	(49,167)	-	-	(316,331)	(471,531)	-
Increase (decrease) in claims and judgments	-	-	-	-	-	-	(541,670)
Increase (decrease) in compensated absences	19,641	(9,302)	(22,498)	1,869	4,109	(6,181)	6,676
<b>Total adjustments</b>	<b>(520,503)</b>	<b>279,746</b>	<b>216,068</b>	<b>(284,039)</b>	<b>(470,423)</b>	<b>(779,151)</b>	<b>83,685</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 405,456</b>	<b>\$ 1,139,319</b>	<b>\$ 3,991,258</b>	<b>\$ (53,427)</b>	<b>\$ (3,639,889)</b>	<b>\$ 1,842,717</b>	<b>\$ 3,290,635</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>							
Capital lease additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,054

See accompanying notes to basic financial statements.

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## FIDUCIARY FUND FINANCIAL STATEMENTS

**Agency Funds** - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

**Redevelopment Obligation Retirement Fund** - This fund accounts for the activities of the Successor Agency to the City of Redondo Beach Redevelopment Agency. The fund's primary purpose is to expedite the dissolution of the former Agency's net position (except for the low and moderate income housing fund's net position) in accordance with AB x1 26 and AB 1484.

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# CITY OF REDONDO BEACH

## Statement of Fiduciary Net Position

### Fiduciary Agency Funds

June 30, 2016

	Agency Funds	Redevelopment Obligation Retirement Fund
<b>ASSETS</b>		
Pooled cash and investments	\$ 178,012	\$ 989,609
Receivables:		
Accounts	12,182	-
Interest	-	42
Deposits	936,076	-
<b>Total assets</b>	<b>\$ 1,126,270</b>	<b>989,651</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 233,483	-
Due to other governments	714,775	250,000
Deposits payable	178,012	-
Advances from other governments	-	535,731
Long-term liabilities:		
Due with one year	-	454,000
Due in more than one year	-	19,410,786
<b>Total liabilities</b>	<b>\$ 1,126,270</b>	<b>20,650,517</b>
<b>NET POSITION (DEFICIT)</b>		
Net position held in trust		\$ (19,660,866)

# CITY OF REDONDO BEACH

## Statement of Changes in Fiduciary Net Position

### Fiduciary Funds

For the year ended June 30, 2016

	Redevelopment Obligation Retirement Fund
<b>ADDITIONS:</b>	
Charges for services	\$ 228,423
Investment earnings	207
Miscellaneous	5
RPTTF distributions	1,140,699
<b>Total additions</b>	<b>1,369,334</b>
<b>DEDUCTIONS:</b>	
Administration expense	250,000
Contract services	2,250
Debt service:	
Interest expense	536,214
<b>Total deductions</b>	<b>788,464</b>
Change in net position	580,870
Net position (deficit), beginning of the year	(20,241,736)
Net position (deficit), end of the year	<b>\$ (19,660,866)</b>

# CITY OF REDONDO BEACH

## Notes to the Financial Statements

For the year ended June 30, 2016

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### 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.

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

A. *Financial Reporting Entity, (Continued)*

The Redondo Beach Public Financing Authority (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 Financing Authority to operate rental property and issues bonds to provide funds for public capital improvements. The Financing Authority has the same governing board as the City, which also performs all accounting and administrative functions for the Financing Authority. The Financing Authority is considered a blended component unit due to the financial benefit or burden relationship the Financing Authority shares with the City as its financial transactions are reported in a Debt Service Fund.

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (Continued)*

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

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (Continued)*

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.

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.
- Capital Improvement Projects Capital Projects Fund - To account for capital improvements of the City.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (Continued)*

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (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.

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D. *Cash, Cash Equivalents and Investments, (Continued)*

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

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.

E. *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.

F. *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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

G. *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."

H. *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, Parking Structures and Parking Lots	100,000

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:

Asset	Years
Buildings and Improvements	45
Equipment	5-20
Vehicles	4-20
Infrastructure	5-60

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. *Capital Assets, (Continued)*

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 2014, 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 Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to the City Council on December 17, 2002, City policy is to achieve an average 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 2014, 2015 and 2016, the City's street system was rated at a PQI of 84 on the average.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. *Capital Assets, (Continued)*

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

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.

I. *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.

J. *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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

K. *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.

L. *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.

M. *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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

M. *Long-Term Debt, (Continued)*

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.

N. *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, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

O. *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."

P. *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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

P. *Fund Balances, (Continued)*

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.

Q. *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

R. *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	Levy Date
November 1 and February 1	Due Dates
December 10 and April 10	Collection Date

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

S. *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.

T. *New GASB Pronouncements*

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to address accounting and financial reporting issues related to fair value measurement. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The City implemented GASB Statement No. 82, *Pension Issues*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The statement addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Fund	Appropriations	Expenditures	Excess
Non-Major Funds:			
Disaster Recovery	\$ 17,060	\$ 82,256	\$ (65,196)
Low-Mod Income Housing Asset	10,500	13,797	(3,297)

B. Deficit Fund Balance

The following funds had a deficit balance as of June 30, 2016:

Major Funds:	
Other Intergovernmental Grants	\$ (1,335,382)
Non-Major Funds:	
Local Transportation Article 3	(639)
Community Development Block Grant	(94,562)
Disaster Recovery	(11,753)

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

3. CASH AND INVESTMENTS

Cash and investments are presented on the Statement of Net Position as follows at June 30, 2016:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 62,808,804	\$ 38,746,386	\$ 101,555,190	\$ 1,167,621	\$ 102,722,811
Restricted cash and investments with fiscal agents	4,658,338	-	4,658,338	-	4,658,338
Total	\$ 67,467,142	\$ 38,746,386	\$ 106,213,528	\$ 1,167,621	\$ 107,381,149

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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3. CASH AND INVESTMENTS, (Continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2016:

Cash and cash equivalents:	
Petty cash	\$ 14,850
Demand deposits - City	7,866,484
Demand deposits - Successor Agency	1,667,366
Total cash and cash equivalents	<u>9,548,700</u>
Investments:	
Local Agency Investment Fund (LAIF) - City	14,178,400
Local Agency Investment Fund (LAIF) - Successor Agency	30,973
Negotiable certificates of deposit	4,502,078
Corporate Bonds	15,119,360
US Government Securities	10,051,050
Federal Agency Securities	49,292,250
Total investments	<u>93,174,111</u>
Total cash and investments	<u>102,722,811</u>
Cash and investments with fiscal agents	<u>4,658,338</u>
Total	<u>\$ 107,381,149</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.

## CITY OF REDONDO BEACH

### Notes to the Financial Statements

For the year ended June 30, 2016

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#### 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, 2016, 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, 2016, the City and the Successor Agency had \$14,209,373 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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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, 2016, all MTN's were rated "A" or higher by Moody's. As of June 30, 2016, 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, 2016, 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 \$7,866,484 at June 30, 2016. Bank balances at June 30, 2016, were \$9,490,188 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.

## CITY OF REDONDO BEACH

### Notes to the Financial Statements

For the year ended June 30, 2016

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#### 3. CASH AND INVESTMENTS, (Continued)

##### C. *Deposit and Investment Risk, (Continued)*

##### 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, 2016, 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.

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

		% of Total Investments
Federal Home Loan Bank	\$ 8,026,840	9%
Federal National Mortgage Association	18,168,000	19%
Federal Home Loan Mortgage Corporation	19,072,950	20%
	<u>\$ 45,267,790</u>	<u>48%</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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3. CASH AND INVESTMENTS, (Continued)

C. *Deposit and Investment Risk, (Continued)*

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, 2016, 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 -					
Local Agency Investment Fund	\$ 14,209,373	\$ -	\$ -	\$ -	\$ 14,209,373
Negotiable certificate of deposits	1,243,227	2,749,583	-	509,268	4,502,078
US Treasury Notes	1,000,900	5,008,590	2,028,520	2,013,040	10,051,050
Federal Agencies					
Federal Farm Credit Bank	1,001,710	1,000,030	2,022,720	-	4,024,460
Federal Home Loan Bank	4,010,380	4,016,460	-	-	8,026,840
Federal Home Loan Mortgage Corporation	2,004,210	6,013,160	1,001,300	10,054,280	19,072,950
Federal National Mortgage Association	1,002,020	6,012,730	9,097,870	2,055,380	18,168,000
Corporate Bonds	5,030,980	7,039,260	3,049,120	-	15,119,360
Total Investments	<u>\$ 29,502,800</u>	<u>\$ 31,839,813</u>	<u>\$ 17,199,530</u>	<u>\$ 14,631,968</u>	<u>\$ 93,174,111</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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3. CASH AND INVESTMENTS, (Continued)

C. *Deposit and Investment Risk, (Continued)*

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.

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2016.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
US Treasury Notes	\$ 10,051,050	\$ 10,051,050	\$ -	\$ -
Federal Farm Credit Bank	4,024,460	-	4,024,460	-
Federal Home Loan Bank	8,026,840	-	8,026,840	-
Federal Home Loan Mortgage Corporation	19,072,950	-	19,072,950	-
Federal National Mortgage Association	18,168,000	-	18,168,000	-
Corporate Bonds	15,119,360	-	15,119,360	-
Negotiable Certificates of Deposit	4,502,078	-	4,502,078	-
Total Investments by Fair Value Level	78,964,738	<u>\$ 10,051,050</u>	<u>\$68,913,688</u>	<u>\$ -</u>
Investments measured at the Net Asset Value (NAV)				
Local Agency Investment Fund	<u>14,209,373</u>			
Total	<u>\$ 93,174,111</u>			

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2016:

	Government-Wide Statement of Net Position		Fiduciary Funds Statement of Net Position	Total
	Governmental Activities	Business-Type Activities		
Accounts receivable	\$ 859,601	\$ 665,784	\$ 12,182	\$ 1,537,567
Interest receivable	130,370	74,539	42	204,951
Taxes receivable	5,723,278	115,048	-	5,838,326
Notes and loans receivable	3,961,837	93,786	-	4,055,623
Total	<u>\$ 10,675,086</u>	<u>\$ 949,157</u>	<u>\$ 12,224</u>	<u>\$ 11,636,467</u>

At June 30, 2016, 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, 2016, was as follows:

<b>Governmental Funds:</b>	
General Fund	\$ 709,684
Capital Improvement Projects	123,036
Non-Major Funds	13,207
Total Governmental Funds	<u>845,927</u>
<b>Proprietary Funds:</b>	
Harbor Tidelands - Enterprise Fund	313,588
Harbor Uplands - Enterprise Fund	232,322
Wastewater Fund - Enterprise Fund	3,067
Solid Waste - Enterprise Fund	111,581
Transit - Enterprise Fund	5,226
Internal Service Funds	13,674
Total Proprietary Funds	<u>679,458</u>
<b>Fiduciary Funds:</b>	
Agency Funds	12,182
Total Fiduciary Funds	<u>12,182</u>
<b>Total Accounts Receivable</b>	<u><u>\$ 1,537,567</u></u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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4. RECEIVABLES, (Continued)

B. *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, 2016, was as follows:

**Governmental Funds:**

General Fund	\$ 111,632
Non-Major Funds	18,738
Total Governmental Funds	<u>130,370</u>

**Proprietary Funds:**

Harbor Tidelands - Enterprise Fund	33,968
Harbor Uplands - Enterprise Fund	9,254
Wastewater - Enterprise Fund	31,317
Total Proprietary Funds	<u>74,539</u>

**Fiduciary Funds:**

Redevelopment Obligation Retirement Fund	<u>42</u>
Total Fiduciary Funds	<u>42</u>
<b>Total</b>	<u><u>\$ 204,951</u></u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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4. RECEIVABLES, (Continued)

C. *Taxes Receivable*

At June 30, 2016, the City had the following taxes receivable:

	Governmental Funds		Proprietary Funds		Total
	General Fund	Non-Major Governmental Funds	Wastewater Fund	Solid Waste Fund	
<b>Type of Taxes:</b>					
Property Taxes	\$ 1,974,009	\$ -	\$ 66,510	\$ 48,538	\$ 2,089,057
Sales Taxes	1,862,541	-	-	-	1,862,541
Transient Occupancy Taxes	672,585	-	-	-	672,585
Utility Users Taxes	660,534	-	-	-	660,534
Franchise Taxes	320,320	-	-	-	320,320
Transfer Taxes	213,328	-	-	-	213,328
Other	-	19,961	-	-	19,961
Total taxes	<u>\$ 5,703,317</u>	<u>\$ 19,961</u>	<u>\$ 66,510</u>	<u>\$ 48,538</u>	<u>\$ 5,838,326</u>

D. *Loans Receivable*

At June 30, 2016, the City had the following loans receivable:

	Governmental Funds		Proprietary Fund	Total
	General Fund	Non-Major Governmental Funds	Harbor Tidelands Fund	
Home Rehabilitation Loans	\$ -	\$ 615,906	\$ -	\$ 615,906
Housing Assistance Loans	-	476,563	-	476,563
Senior Housing Program	-	2,837,294	-	2,837,294
Computer Loan Program	32,074	-	-	32,074
Harbor Area Business Loans	-	-	93,786	93,786
Total	<u>\$ 32,074</u>	<u>\$ 3,929,763</u>	<u>\$ 93,786</u>	<u>\$ 4,055,623</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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4. RECEIVABLES, (Continued)

D. *Loans Receivable, (Continued)*

Home Rehabilitation Loans

At June 30, 2016, the City was owed, in its Low and Moderate Income Housing Asset Special Revenue Fund, \$615,906 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 government funds. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Housing Assistance Loans

At June 30, 2016, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$476,563 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, 2016, the loan receivable included accrued interest of \$637,294.

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, 2016, the loan receivable balance was \$32,074.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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4. RECEIVABLES, (Continued)

D. *Loans Receivable, (Continued)*

Harbor Area Business Loans

At June 30, 2016, the City's Harbor Tidelands Enterprise Fund was owed \$93,786 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 first contract call for interest at 1.6% per annum. Principal and accrued interest are payable annually with \$63,501, outstanding at June 30, 2016. The terms of the twenty-seven year \$104,844 second contract call for interest at 4.7% per annum. Principal and accrued interest are payable annually with \$30,285 outstanding at June 30, 2016.

5. INTERFUND TRANSACTIONS

A. *Government-Wide Financial Statements*

Internal Balances

At June 30, 2016, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable
	Business-Type Activities
Internal Balances Payable	
Governmental Activities	\$ 451,659

Transfers

The City had the following transfers as of June 30, 2016:

	Transfers In
	Business-Type Activities
Transfers Out	
Governmental Activities	\$ 784,726

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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5. INTERFUND TRANSACTIONS, (Continued)

B. Fund Financial Statements

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2016:

	Due from Other Funds				
	General Fund	Capital Improvement Projects	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	Total
Due to Other Funds					
General Fund	\$ -	\$ 2,600,000	\$ 1,450,000	\$ -	\$ 4,050,000
Other Intergovernmental Grants	1,287,136		-	-	1,287,136
Transit Enterprise Fund	741,588	-	-	-	741,588
Non-Major Governmental Funds	428,111	-	-	289,929	718,040
Total	<u>\$ 2,456,835</u>	<u>\$ 2,600,000</u>	<u>\$ 1,450,000</u>	<u>\$ 289,929</u>	<u>\$ 6,796,764</u>

Of the \$2,456,835 due from other funds in the General Fund, \$2,122,549 was to cover the negative cash balances and \$334,286 was for repayment of over-reimbursement of expenditures made on the Housing Authority's behalf and Kincaid's loan payment.

The \$2,600,000 due from other funds in the Capital Improvement Projects fund was a year-end transfer from the General Fund to fund future capital improvement projects. The \$1,450,000 due from other funds in the non-major funds was a year-end transfer from the General Fund to fund future reconstruction of major City facilities and open space acquisitions.

The \$289,929 due from other funds in the Harbor Tidelands Enterprise Fund was for Kincaid's Restaurant rental income in excess of the Public Financing Authority's obligations passed through to the Harbor Tidelands Fund.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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5. INTERFUND TRANSACTIONS, (Continued)

B. Fund Financial Statements, (Continued)

Advances to/from Other Funds

The City had the following long-term advance to other funds as of June 30, 2016:

	Advance to Other Funds
Advance from Other Funds	General Fund
Public Financing Authority	\$ 988,402

During the 2009-10 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, 2016, the amount owed on the loan was \$988,402.

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, 2016 was \$5,380,000.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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5. INTERFUND TRANSACTIONS, (Continued)

B. Fund Financial Statements, (Continued)

Transfers

The City had the following transfers as of June 30, 2016:

Transfers Out	Transfers In						Total
	General Fund	Other Intergovernmental Grants	Capital Improvement Projects	Non-Major Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 1,920	\$ 5,021,978	\$ 3,353,233	\$ 290,492	\$ 116,991	\$ 8,784,614
Enterprise Funds:							
Harbor Tidelands	87,222	-	-	-	-	-	87,222
Non-Major Governmental Funds	-	-	-	-	581,456	-	581,456
Total	\$ 87,222	\$ 1,920	\$ 5,021,978	\$ 3,353,233	\$ 871,948	\$ 116,991	\$ 9,453,292

The \$87,222 transfer from Harbor Tidelands Enterprise Fund to the General Fund was for the property tax in lieu fee.

The \$1,920 transfer from General Fund to Other Intergovernmental Grants Fund was for employee wage adjustments.

Of the \$5,021,978 transfer from the General Fund to the Capital Improvement Projects Fund, \$5,018,000 was for capital improvement project funding, and \$3,978 was for employee wage adjustments.

The \$49,329 transfer from General Fund to Non-Major Governmental Funds, \$160,492 to Enterprise Funds and \$116,991 to Internal Service Funds were for employee wage adjustments. The \$2,150,000 to Non-Major Governmental Funds was for seed funding for major facilities and open space acquisition. The \$130,000 transfer to Enterprise Funds was for sidewalk cleaning. The remaining \$1,153,904 transfer to Non-Major Governmental Funds was for a street landscaping and lighting district subsidy.

\$581,456 was transferred from a Non-Major Governmental Fund to Transit Enterprise Fund for a transit subsidy.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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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.

A. *Government-Wide Financial Statements*

At June 30, 2016, 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	2,649,956	2,312,274	4,962,230
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	73,226,939	13,635,529	86,862,468
Depreciable assets:			
Buildings and improvements	46,909,912	31,402,770	78,312,682
Furniture and equipment	8,180,551	671,271	8,851,822
Automotive equipment	15,847,424	3,774,863	19,622,287
Leased equipment	2,206,294	277,949	2,484,243
Infrastructure	81,300,150	27,035,753	108,335,903
Total depreciable assets	154,444,331	63,162,606	217,606,937
Less accumulated depreciation for:			
Buildings and improvements	(20,453,734)	(17,238,756)	(37,692,490)
Furniture and equipment	(7,273,721)	(647,861)	(7,921,582)
Automotive equipment	(9,602,929)	(2,188,554)	(11,791,483)
Leased equipment	(1,296,401)	(189,932)	(1,486,333)
Infrastructure	(50,035,795)	(11,796,170)	(61,831,965)
Total accumulated depreciation	(88,662,580)	(32,061,273)	(120,723,853)
Total depreciable assets, net	65,781,751	31,101,333	96,883,084
Total capital assets, net	\$ 139,008,690	\$ 44,736,862	\$ 183,745,552

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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6. CAPITAL ASSETS, (Continued)

A. Government-Wide Financial Statements, (Continued)

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

	Balance at June 30, 2015	Additions	Deletions	Reclassifications	Balance at June 30, 2016
Non-depreciable assets:					
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	6,669,282	3,526,957	-	(7,546,283)	2,649,956
Work in progress	1,003,491	-	(1,003,491)	-	-
Infrastructure - streets	54,054,036	-	-	-	54,054,036
Total non-depreciable assets	<u>78,249,756</u>	<u>3,526,957</u>	<u>(1,003,491)</u>	<u>(7,546,283)</u>	<u>73,226,939</u>
Depreciable assets:					
Buildings and improvements	46,643,121	-	-	266,791	46,909,912
Furniture and equipment	8,155,070	174,863	(149,382)	-	8,180,551
Automotive equipment	15,979,900	738,636	(871,112)	-	15,847,424
Leased equipment	2,089,932	116,362	-	-	2,206,294
Infrastructure	74,020,658	-	-	7,279,492	81,300,150
Total depreciable assets	<u>146,888,681</u>	<u>1,029,861</u>	<u>(1,020,494)</u>	<u>7,546,283</u>	<u>154,444,331</u>
Less accumulated depreciation for:					
Buildings and improvements	(19,247,630)	(1,206,104)	-	-	(20,453,734)
Furniture and equipment	(7,140,752)	(282,351)	149,382	-	(7,273,721)
Automotive equipment	(9,069,389)	(1,383,030)	849,490	-	(9,602,929)
Leased equipment	(1,002,413)	(293,988)	-	-	(1,296,401)
Infrastructure	(48,372,183)	(1,663,612)	-	-	(50,035,795)
Total accumulated depreciation	<u>(84,832,367)</u>	<u>(4,829,085)</u>	<u>998,872</u>	<u>-</u>	<u>(88,662,580)</u>
Total depreciable assets, net	<u>62,056,314</u>	<u>(3,799,224)</u>	<u>(21,622)</u>	<u>7,546,283</u>	<u>65,781,751</u>
Governmental activities capital assets, net	<u>\$ 140,306,070</u>	<u>\$ (272,267)</u>	<u>\$ (1,025,113)</u>	<u>\$ -</u>	<u>\$ 139,008,690</u>

## CITY OF REDONDO BEACH

### Notes to the Financial Statements

For the year ended June 30, 2016

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6. CAPITAL ASSETS, (Continued)

A. *Government-Wide Financial Statements, (Continued)*

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2016 as follows:

**Governmental Activities:**

General government	\$ 53,748
Public safety	264,206
Public works	2,461,112
Culture and leisure services	843,063
Housing and community development	2,546

**Internal Service Funds:**

Vehicle Replacement	802,003
Building Occupancy	4,812
Information Technology	327,732
Emergency Communications	69,863

<b>Total depreciation expense</b>	<b>\$ 4,829,085</b>
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**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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6. CAPITAL ASSETS, (Continued)

A. Government-Wide Financial Statements, (Continued)

The following is a summary of changes in the capital assets for business-type activities for the year ended June 30, 2016:

	Balance at June 30, 2015	Additions	Deletions	Reclassifications	Balance at June 30, 2016
Nondepreciable assets:					
Land	\$ 11,323,255	\$ -	\$ -	\$ -	\$ 11,323,255
Construction in progress	2,216,813	789,848	-	(694,387)	2,312,274
Total non-depreciable	<u>13,540,068</u>	<u>789,848</u>	<u>-</u>	<u>(694,387)</u>	<u>13,635,529</u>
Depreciable assets:					
Buildings and improvements	30,708,383	-	-	694,387	31,402,770
Furniture and equipment	660,269	11,002	-	-	671,271
Automotive equipment	3,812,140	-	(37,277)	-	3,774,863
Leased equipment	277,949	-	-	-	277,949
Infrastructure	27,035,753	-	-	-	27,035,753
Total depreciable assets	<u>62,494,494</u>	<u>11,002</u>	<u>(37,277)</u>	<u>694,387</u>	<u>63,162,606</u>
Less accumulated depreciation:					
Buildings and improvements	(16,588,222)	(650,534)	-	-	(17,238,756)
Furniture and equipment	(647,028)	(833)	-	-	(647,861)
Automotive equipment	(2,135,854)	(89,977)	37,277	-	(2,188,554)
Leased equipment	(189,932)	-	-	-	(189,932)
Infrastructure	(11,448,247)	(347,923)	-	-	(11,796,170)
Total accumulated depreciation	<u>(31,009,283)</u>	<u>(1,089,267)</u>	<u>37,277</u>	<u>-</u>	<u>(32,061,273)</u>
Total depreciable assets, net	<u>31,485,211</u>	<u>(1,078,265)</u>	<u>-</u>	<u>694,387</u>	<u>31,101,333</u>
Business-type activities capital assets, net	<u>\$ 45,025,279</u>	<u>\$ (288,417)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,736,862</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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6. CAPITAL ASSETS, (Continued)

A. *Government-Wide Financial Statements, (Continued)*

Depreciation expense for business-type activities for the fiscal year ended June 30, 2016 was charged as follows:

Harbor Tidelands	\$ 401,017
Harbor Uplands	399,283
Wastewater	197,556
Solid Waste	14,744
Transit	76,667
<b>Total depreciation expense</b>	<b>\$ 1,089,267</b>

B. *Fund Financial Statements*

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.

7. COMPENSATED ABSENCES PAYABLE

The following is a summary of compensated absences payable transactions for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
Compensated absences payable	\$ 2,503,412	\$ 2,880,085	\$ 2,831,319	\$ 2,552,178	\$ 695,951	\$ 1,856,227
<b>Business-Type Activities</b>						
Compensated absences payable	327,378	305,155	311,336	321,197	87,588	233,609
<b>Total</b>	<b>\$ 2,830,790</b>	<b>\$ 3,185,240</b>	<b>\$ 3,142,655</b>	<b>\$ 2,873,375</b>	<b>\$ 783,539</b>	<b>\$ 2,089,836</b>

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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8. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2016:

	Balance			Balance	Amounts	Amounts
	June 30, 2015	Additions	Deletions	June 30, 2016	Due Within	Due in More
					One Year	than One Year
Governmental Activities:						
PFA 2008 Refunding Revenue Bonds	\$ 3,485,000	\$ -	\$ (715,000)	\$ 2,770,000	\$ 745,000	\$ 2,025,000
Unamortized bond premium	68,356	-	(22,786)	45,570	22,786	22,784
Net pension liability	103,365,362	22,048,614	(8,368,345)	117,045,631	-	117,045,631
Capital Leases	750,436	116,363	(301,770)	565,029	311,764	253,265
<b>Total governmental activities</b>	<b>\$ 107,669,154</b>	<b>\$ 22,164,977</b>	<b>\$ (9,407,901)</b>	<b>\$ 120,426,230</b>	<b>\$ 1,079,550</b>	<b>\$ 119,346,680</b>
Business-Type Activities:						
Wastewater Revenue Refunding 2014, Series A	\$ 7,005,000	\$ -	\$ (245,000)	\$ 6,760,000	\$ 255,000	\$ 6,505,000
Unamortized bond premium	498,861	-	(26,255)	472,606	26,256	446,350
Boating and Waterways						
Construction Loan 88-21-84	567,581	-	(103,752)	463,829	108,421	355,408
Boating and Waterways						
Construction Loan 89-21-147	1,477,931	-	(220,033)	1,257,898	229,935	1,027,963
Net pension liability	11,201,504	2,554,233	(908,389)	12,847,348	-	12,847,348
Capital Leases	114,597	-	(56,193)	58,404	58,404	-
<b>Total business-type activities</b>	<b>\$ 20,865,474</b>	<b>\$ 2,554,233</b>	<b>\$ (1,559,622)</b>	<b>\$ 21,860,085</b>	<b>\$ 678,016</b>	<b>\$ 21,182,069</b>

The following amount was reported as deferred outflows of resources at the end of June 30, 2016:

	Balance			Balance	Amounts	Amounts
	June 30, 2015	Additions	Deletions	June 30, 2016	Due Within	Due in More
					One Year	than One Year
<b>Deferred outflows of resources</b>						
Deferred loss on refunding	\$ 488,447	\$ -	\$ (25,708)	\$ 462,739	\$ 25,708	\$ 437,031

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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8. LONG-TERM DEBT, (Continued)

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, 2016, the balance outstanding was \$2,770,000, with an unamortized premium of \$45,570.

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, 2016, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 745,000	\$ 95,900	\$ 840,900
2018	775,000	65,500	840,500
2019	805,000	33,900	838,900
2020	445,000	8,900	453,900
Total	<u>\$ 2,770,000</u>	<u>\$ 204,200</u>	<u>\$ 2,974,200</u>

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2016:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>\$ 68,356</u>	<u>\$ -</u>	<u>\$ (22,786)</u>	<u>\$ 45,570</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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8. LONG-TERM DEBT, (Continued)

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, 2016, was \$565,029 in governmental activities and \$58,404 in business-type activities.

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

	June 30, 2016
Equipment under capitalized lease, at cost	\$ 2,484,243
Accumulated depreciation	(1,486,333)
Equipment under capitalized lease, net	<u>\$ 997,910</u>

The annual debt service requirements outstanding at June 30, 2016 were as follows:

Governmental activities:

Year Ending June 30,	Principal	Interest
2017	\$ 311,764	\$ 30,149
2018	224,363	12,144
2019	28,902	1,408
Total	<u>\$ 565,029</u>	<u>\$ 43,701</u>

Business-type activities:

Year Ending June 30,	Principal	Interest
2017	\$ 58,404	\$ 2,297
Total	<u>\$ 58,404</u>	<u>\$ 2,297</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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8. LONG-TERM DEBT, (Continued)

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, 2016, the balance outstanding was \$6,760,000, with an unamortized bond premium of \$472,606.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2016, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 255,000	\$ 289,738	\$ 544,738
2018	265,000	279,538	544,538
2019	280,000	268,938	548,938
2020	290,000	257,738	547,738
2021	300,000	246,138	546,138
2022-2026	1,705,000	1,020,588	2,725,588
2027-2031	2,150,000	586,838	2,736,838
2032-2034	1,515,000	122,800	1,637,800
Total	<u>\$ 6,760,000</u>	<u>\$ 3,072,316</u>	<u>\$ 9,832,316</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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8. LONG-TERM DEBT, (Continued)

The following is a summary of the 2014 Revenue Bond Series A unamortized premium outstanding at June 30, 2016:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
\$ 498,861	\$ -	\$ (26,255)	\$ 472,606

*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, 2016, the balance outstanding was \$463,829.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 108,421	\$ 20,872	\$ 129,293
2018	113,300	15,993	129,293
2019	118,398	10,895	129,293
2020	123,710	5,567	129,277
Total	\$ 463,829	\$ 53,327	\$ 517,156

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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8. LONG-TERM DEBT, (Continued)

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, 2016, the balance outstanding was \$1,257,898.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 229,935	\$ 56,605	\$ 286,540
2018	240,282	46,258	286,540
2019	251,094	35,446	286,540
2020	262,394	24,146	286,540
2021	274,193	12,339	286,532
Total	<u>\$ 1,257,898</u>	<u>\$ 174,794</u>	<u>\$ 1,432,692</u>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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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.

	<u>Original Amount</u>	<u>Outstanding June 30, 2016</u>
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	\$ 1,781,585

10. OPERATING LEASE INCOME

A. *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 \$1,060,428. The balance as of June 30, 2016 was \$9,346,467.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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10. OPERATING LEASE INCOME, (Continued)

A. *Harbor Tidelands and Uplands Enterprise Operating Leases, (Continued)*

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2016:

Year Ending June 30,	Minimum Future Lease Rentals
2017	\$ 5,780,663
2018	5,749,911
2019	5,549,143
2020	5,501,410
2021	5,467,146
2022-2026	26,124,529
2027-2031	23,233,073
2032-2036	21,531,789
2037-2041	21,247,947
2042-2046	19,867,497
2047-2051	17,796,822
2052-2056	17,796,822
2057-2061	17,796,822
2062-2066	12,706,577
2067-2069	6,783,492
Totals	<u>\$ 212,933,643</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.

## CITY OF REDONDO BEACH

### Notes to the Financial Statements

For the year ended June 30, 2016

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#### 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 \$5,000,000 for each claim is provided by the Independent Cities Risk Management Authority (ICRMA), an insurance pool, in which a consortium of cities has agreed to share risks and losses. As of June 30, 2016, the estimated claims payable for workers' compensation was \$13,406,027, which included claims incurred but not reported (IBNR). The current year's portion of the claims was \$846,668.

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 \$2,000,000 is covered by the ICRMA. There is also excess coverage in the amount of \$18 million.

As of June 30, 2016, the estimated claims payable for general liability was \$3,199,687, which included IBNR. The current year's portion was \$129,308. Governmental activities claims and judgments are generally liquidated by the General Fund.

	Liability on June 30, 2016
General Liability	\$ 3,199,687
Workers' Compensation	13,406,027
Total	<u>\$ 16,605,714</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 ICRMA's actuary.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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11. RISK MANAGEMENT, (Continued)

Changes in the reported liability resulted from the following:

Year Ended June 30,	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year	Due in More than One Year
2014	\$ 16,327,294	\$ 1,671,249	\$ (2,416,803)	\$ 15,581,740	\$ 1,022,697	\$ 14,559,043
2015	15,581,740	6,221,365	(4,655,721)	17,147,384	981,277	16,166,107
2016	17,147,384	2,910,241	(3,451,911)	16,605,714	975,976	15,629,738

Effective July 17, 1990, the City became a member of the Independent Cities Risk Management Authority (ICRMA), a public entity risk pool currently operating as a common risk management and insurance program for 29 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the ICRMA provides that the pool will be self-sustaining through member premiums. The City continues to carry insurance from commercial companies for all other risks of loss, including coverage for property, earthquake and flood, automobile, physical damage and special events.

Condensed Financial Information of the ICRMA

Condensed audited financial information of ICRMA as of June 30, 2015 (most recent information available) is as follows:

	Total
<b>Assets</b>	<b>\$ 65,536,347</b>
Liabilities of member cities	\$ 56,767,356
Net position	8,768,991
<b>Total liabilities and net position</b>	<b>\$ 65,536,347</b>
Revenues	\$ 23,798,912
Cost and expenses	45,571,647
Net income	(21,772,735)
Net position - July 1, 2014	30,541,726
Net position - June 30, 2015	\$ 8,768,991

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS

A. *Pension Plans*

*Plan Descriptions*

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, 2014 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 5 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.

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

The Plans provisions and benefits in effect at June 30, 2016 are summarized as follows:

Miscellaneous			
	Tier 1	Tier 2	Tier 3
	On or after May 1, 2012 and before January 1, 2013		
	Prior to May 1, 2012	On or after January 1, 2013	
Hire date			
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	18.175%	18.175%	18.175%
Safety			
	Tier 1	Tier 2	Tier 3
	On or after May 1, 2012 and before January 1, 2013		
	Prior to May 1, 2012	On or after January 1, 2013	
Hire date			
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	48.057%	48.057%	48.057%

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

***Employees Covered***

At June 30, 2014 (valuation date), the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	419	276
Inactive employees entitled to but not yet receiving benefits	358	37
Active employees	272	146
Total	1,049	459

***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 CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the fiscal year ended June 30, 2016 for the respective miscellaneous and safety plans are \$3,517,053 and \$7,448,335.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

*Contributions, (Continued)*

<b>Pension Plan</b>	<b>Employee Contribution Percentage</b>	<b>City Portion</b>	<b>Employee Portion</b>
Miscellaneous Tier 1	7.00%	7.00%	0.00%
Miscellaneous Tier 2	7.00%	0.00%	7.00%
Miscellaneous Tier 3	6.50%	0.00%	6.50%
Fire Tier 1	9.00%	9.00%	0.00%
Fire Tier 2	9.00%	4.50%	4.50%
Fire Tier 3	11.25%	0.00%	11.25%
Police Tier 1	9.00%	9.00%	0.00%
Police Tier 2	9.00%	9.00%	0.00%
Police Tier 3	11.25%	0.00%	11.25%

Tier 1 Employees hired before May 1, 2012

Tier 2 Employees hired on or after May 1, 2012 and classic members of the CalPERS system

Tier 3 Employees hired on or after January 1, 2013 and new to the CalPERS system

i. Net Pension Liability

The City's net pension liability for each Plan 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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

i. Net Pension Liability

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

	Miscellaneous	Safety
Valuation Date	6/30/2014	6/30/2014
Measurement Date	6/30/2015	6/30/2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases (1)	3.30% to 14.20%	3.30% to 10.90%
Investment Rate of Return (2)	7.65%	7.65%
Mortality Rate Table (3)	Derivered 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) Net of pension plan investment and administrative expenses; includes inflation

(3) 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, 2014 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).

## CITY OF REDONDO BEACH

### Notes to the Financial Statements

For the year ended June 30, 2016

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#### 12. EMPLOYEE RETIREMENT PLANS, (Continued)

##### A. Pension Plans, (Continued)

##### i. Net Pension Liability, (Continued)

#### *Change of Assumptions*

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

#### *Discount Rate*

The discount rate used to measure the total pension liability for measurement date June 30, 2015 was 7.65 percent. The discount rate used to measure the total pension liability in the previous year was 7.50 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 plan, the test revealed the assets would not run out. Therefore, the current 7.65 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 7.65 percent is applied to all plans in the Public Employees Retirement Fund. 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.

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

i. Net Pension Liability, (Continued)

The following table 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 the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

***Pension Plan Fiduciary Net Position***

Information about the pension plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plans' fiduciary net position and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

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 Other Post-Employment Benefits (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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plans, (Continued)

i. Changes in the Net Pension Liability

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

*Miscellaneous Plan:*

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
<b>Balance at: 6/30/2014 (VD)<sup>1</sup></b>	<b>\$ 175,507,205</b>	<b>\$ 141,485,964</b>	<b>\$ 34,021,241</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service Cost	2,537,587	-	2,537,587
• Interest on the Total Pension Liability	12,947,817	-	12,947,817
• Differences between Expected and Actual Experience	(58,913)	-	(58,913)
• Changes of Assumptions	(3,072,251)	-	(3,072,251)
• Plan to Plan Resource Movement	-	2,745	(2,745)
• Contributions from the Employer	-	2,783,258	(2,783,258)
• Contributions from Employees	-	1,282,878	(1,282,878)
• Net Investment Income	-	3,161,165	(3,161,165)
• Benefit Payments, including Refunds of Employee Contributions	(8,784,656)	(8,784,656)	-
• Administrative Expense	-	(158,176)	158,176
<b>Net Changes during 2014-15</b>	<b>3,569,584</b>	<b>(1,712,786)</b>	<b>5,282,370</b>
<b>Balance at: 6/30/2015 (MD)<sup>1</sup></b>	<b>\$ 179,076,789</b>	<b>\$ 139,773,178</b>	<b>\$ 39,303,611</b>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plans, (Continued)

ii. Changes in the Net Pension Liability, (Continued)

*Safety Plan:*

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
<b>Balance at: 6/30/2014 (VD)<sup>1</sup></b>	<b>\$ 308,407,136</b>	<b>\$ 227,861,511</b>	<b>\$ 80,545,625</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service Cost	4,369,526	-	4,369,526
• Interest on the Total Pension Liability	22,764,197	-	22,764,197
• Differences between Expected and Actual Experience	854,509	-	854,509
• Changes of Assumptions	(5,276,514)	-	(5,276,514)
• Plan to Plan Resource Movement	-	(2,745)	2,745
• Contributions from the Employer	-	6,493,477	(6,493,477)
• Contributions from Employees	-	1,397,695	(1,397,695)
• Net Investment Income	-	5,030,896	(5,030,896)
• Benefit Payments, including Refunds of Employee Contributions	(17,197,393)	(17,197,393)	-
• Administrative Expense	-	(251,348)	251,348
<b>Net Changes during 2014-15</b>	<b>5,514,325</b>	<b>(4,529,418)</b>	<b>10,043,743</b>
<b>Balance at: 6/30/2015 (MD)<sup>1</sup></b>	<b>\$ 313,921,461</b>	<b>\$ 223,332,093</b>	<b>\$ 90,589,368</b>

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

ii. Changes in the Net Pension Liability, (Continued)

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

The following presents the net pension liability for each Plan as of the measurement date, calculated using the discount rate of 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1 % (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1 % (8.65%)
Miscellaneous Plan's Net Pension Liability	\$ 62,396,171	\$ 39,303,611	\$ 20,134,652
Safety Plan's Net Pension Liability	\$ 130,076,328	\$ 90,589,368	\$ 57,893,644

***Subsequent Events***

There were no subsequent events that would materially affect the results presented in this disclosure.

***Recognition of Gains and Losses***

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

ii. Changes in the Net Pension Liability, (Continued)

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

Difference between projected and actual earnings      5 year straight-line amortization

All other amounts      Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Miscellaneous Plan for the 2014-15 measurement period is 2.4 years, which was obtained by dividing the total service years of 2,513 (the sum of remaining service lifetimes of the active employees) by 1,049 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Safety Plan for the 2014-15 measurement period is 3.4 years, which was obtained by dividing the total service years of 1,579 (the sum of remaining service lifetimes of the active employees) by 459 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

*iii.* Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2014), the net pension liability was \$114,566,866.

For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense of \$7,577,773 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Miscellaneous	Safety	Total
Service Cost	\$ 2,537,587	\$ 4,369,526	\$ 6,907,113
Interest on the Total Pension Liability	12,947,817	22,764,197	35,712,014
Recognized Differences between Expected and Actual Experience	(24,547)	251,326	226,779
Recognized Changes of Assumptions	(1,280,105)	(1,551,916)	(2,832,021)
Plan to Plan Resource Movement	(2,745)	2,745	-
Employee Contributions	(1,282,878)	(1,397,695)	(2,680,573)
Projected Earnings on Pension Plan Investments	(10,598,110)	(17,038,739)	(27,636,849)
Recognized Differences between Projected and Actual Earnings on			
Plan Investments	(951,810)	(1,576,404)	(2,528,214)
Administrative Expense	158,176	251,348	409,524
<b>Total Pension Expense</b>	<b>\$ 1,503,385</b>	<b>\$ 6,074,388</b>	<b>\$ 7,577,773</b>

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Made Subsequent		
To Measurement Date	\$ 10,965,388	\$ -
Changes of Assumptions	-	(5,516,745)
Difference between Expected and		
Actual Experience	568,817	-
Net Difference between Projected and		
Actual Earnings on Pension Plan	-	(3,695,685)
Total	<b>\$ 11,534,205</b>	<b>\$ (9,212,430)</b>

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plans, (Continued)*

*iii.* Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (Continued)

These amounts above are net of outflows and inflow recognized in the 2014-15 measurement period expense. A total of \$10,965,388 was reported as deferred outflows of resources related to contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources, Net
2016	\$ (5,133,456)
2017	(4,350,664)
2018	(3,048,451)
2019	3,888,958
2020	-
Thereafter	-

*iv.* Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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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 all employees who retire with a minimum of 20 years of full-time public agency service. 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. At June 30, 2016, approximately 137 employees are eligible to receive post-employment benefits.

*Funding Policy.* The required contribution of the City is based on a percentage of PERSable payroll. For fiscal year 2016, the City contributed \$1,339,268 to the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation to the Plan:

	Total
Annual required contribution	\$ 1,339,268
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,339,268
Contributions made	(1,339,268)
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. *Other Post Employment Benefits, (Continued)*

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 1,340,110	\$ 1,340,110	100%	\$ -
6/30/2015	1,383,504	1,383,504	100%	-
6/30/2016	1,339,268	1,339,268	100%	-

*Funded Status and Funding Progress.* As of June 30, 2015, the most recent actuarial valuation date, the plan was 23.9 percent funded. The Actuarial Accrued Liability for benefits was \$21,115,000, and the actuarial value of assets was \$5,048,000, resulting in a UAAL of \$16,067,000. The actual covered payroll (annual payroll of active employees covered by the plan) was \$31,276,000 and the ratio of UAAL to the covered payroll was 51.37%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The table below shows a two-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2015, the date of the latest actuarial valuation. The schedule of funding progress presented immediately following the notes to the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. Other Post Employment Benefits, (Continued)

	(A)	(B)	(C)	(D)	(E)	(F)
						Unfunded Actuarial Liability as Percentage of
Actuarial Valuation Date	Actuarial Asset Value (A)	Actuarial Accrued Liability Entry Age (B)	Unfunded Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Actual Covered Payroll	Covered Payroll (C/E)
6/30/2013	\$ 4,006,000	\$ 17,146,000	\$ (13,140,000)	23.4%	\$ 32,356,000	40.61%
6/30/2015	5,048,000	21,115,000	(16,067,000)	23.9%	31,276,000	51.37%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.25% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate of actual premiums, which is reduced over six years to an ultimate rate of 5.0% for 2021 and thereafter. The actuarial assumption for inflation was 3 percent, and the aggregate payroll increases was 3.25 percent used in the actuarial valuation. The initial UAAL is being amortized as level percentage of projected payroll over a 30 year closed period (23 years remaining for fiscal year 2015/2016). Subsequent increases/ decreases in UAAL due to actuarial gains/losses or changes in assumptions or methods are amortized over 15 year closed periods. The average remaining amortization period may be no more than 30 years.

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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13. COMMITMENTS AND CONTINGENCIES, (Continued)

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, 2016, 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.

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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13. COMMITMENTS AND CONTINGENCIES, (Continued)

D. *Contingencies, (Continued)*

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.

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, 2016, was \$20,852,785.

## CITY OF REDONDO BEACH

### Notes to the Financial Statements

For the year ended June 30, 2016

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#### 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.

#### 15. CLASSIFICATION OF FUND BALANCES

GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* establishes fund balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this classification.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

15. CLASSIFICATION OF FUND BALANCES, (Continued)

		Special Revenue	Capital Projects		
		Other	Capital	Nonmajor	Total
	General	Intergovernmental	Improvement	Governmental	Governmental
	Fund	Grants	Projects	Funds	Funds
<b>Nonspendable</b>					
Prepaid costs	\$ 55,271	\$ -	\$ -	\$ -	\$ 55,271
Notes and loans receivable	32,074	-	-	-	32,074
<b>Total nonspendable</b>	<u>87,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,345</u>
<b>Restricted</b>					
Debt service	-	-	-	6,154,272	6,154,272
Public safety	-	-	-	969,439	969,439
Public works	-	-	-	956,019	956,019
Low and moderate income housing	-	-	-	4,912,366	4,912,366
Housing and community development	3,000,000	-	-	9,317,705	12,317,705
<b>Total restricted</b>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>22,309,801</u>	<u>25,309,801</u>
<b>Committed</b>					
Contingency	7,154,237	-	-	-	7,154,237
<b>Total committed</b>	<u>7,154,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,154,237</u>
<b>Assigned</b>					
Capital improvement projects	-		11,112,946	2,150,834	13,263,780
General government	183,830	-	-	-	183,830
Public safety	144,218	-	-	-	144,218
Cultural and leisure services	6,447	-	-	-	6,447
Public works	175,573	-	-	-	175,573
Carryover assignments	1,827,110	-	-	-	1,827,110
Compensated absences	477,621	-	-	-	477,621
Petty cash	14,850	-	-	-	14,850
Future year's appropriations	496,580	-	-	-	496,580
CalPERS	5,977,307	-	-	-	5,977,307
<b>Total assigned</b>	<u>9,303,536</u>	<u>-</u>	<u>11,112,946</u>	<u>2,150,834</u>	<u>22,567,316</u>
<b>Unassigned</b>	<u>1,694,671</u>	<u>(1,335,382)</u>	<u>-</u>	<u>(106,954)</u>	<u>252,335</u>
<b>Total fund balance</b>	<u>\$ 21,239,789</u>	<u>\$ (1,335,382)</u>	<u>\$ 11,112,946</u>	<u>\$ 24,353,681</u>	<u>\$ 55,371,034</u>

## CITY OF REDONDO BEACH

### Notes to the Financial Statements

For the year ended June 30, 2016

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#### 16. 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.

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.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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17. SUCCESSOR AGENCY LONG-TERM DEBT

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, 2016 is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year	Amounts Due in More than One Year
Successor Agency:						
County Deferral Loan - 1983 Tax Increment	\$ 6,934,419	\$ -	\$ -	\$ 6,934,419	\$ -	\$ 6,934,419
County Deferral Loan - 1984 Tax Increment	7,154,367	-	-	7,154,367	-	7,154,367
Bank of America Loan	495,000	-	(99,000)	396,000	99,000	297,000
City Loan - South Bay Center	5,705,000	-	(325,000)	5,380,000	355,000	5,025,000
<b>Total</b>	<b>\$ 20,288,786</b>	<b>\$ -</b>	<b>\$ (424,000)</b>	<b>\$ 19,864,786</b>	<b>\$ 454,000</b>	<b>\$ 19,410,786</b>

**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 tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2016, was \$6,934,419.

**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 tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2016, 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, 2016, was \$396,000.

**CITY OF REDONDO BEACH**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2016**

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18. RISKS & 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, 2016 (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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF REDONDO BEACH**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

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1. BUDGETARY INFORMATION

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

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

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

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

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, the Major Facilities Reconstruction Capital Projects Fund, and the Open Space Acquisition Capital Projects Fund.

The following are the budget comparison schedules for General Fund and Other Intergovernmental Grants Special Revenue Fund.

# CITY OF REDONDO BEACH

## Required Supplementary Information

For the year ended June 30, 2016

### 1. BUDGETARY INFORMATION, Continued

#### *Budget Comparison Schedule, General Fund*

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 23,116,552	\$ 23,116,552	\$ 23,116,552	\$ -
<b>RESOURCES (INFLOWS):</b>				
Taxes	58,381,000	58,919,000	64,304,427	5,385,427
Interdepartmental	7,588,928	8,176,790	8,176,790	-
Licenses and permits	1,492,313	1,487,313	1,766,741	279,428
Intergovernmental	50,000	91,500	111,661	20,161
Charges for services	6,403,607	6,480,167	7,643,605	1,163,438
Use of money and property	1,663,574	1,790,874	2,058,675	267,801
Fines and forfeitures	1,723,530	1,723,530	1,592,508	(131,022)
Miscellaneous	2,114,448	2,131,348	1,818,606	(312,742)
Transfers in	632,090	632,090	87,222	(544,868)
<b>Amount available for appropriation</b>	<b>103,166,042</b>	<b>104,549,164</b>	<b>110,676,787</b>	<b>6,127,623</b>

#### **CHARGES TO APPROPRIATIONS (OUTFLOWS):**

Current:				
General government:				
Mayor and city council	991,961	1,068,708	947,413	121,295
City clerk	904,095	938,906	944,779	(5,873)
City treasurer	471,917	478,232	151,652	326,580
				(continued)

# CITY OF REDONDO BEACH

## Required Supplementary Information

For the year ended June 30, 2016

### 1. BUDGETARY INFORMATION, Continued

#### *Budget Comparison Schedule, General Fund, Continued*

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City attorney	2,955,857	3,307,694	3,124,003	183,691
City manager	1,716,685	1,947,931	1,708,238	239,693
Human resources	936,956	983,660	1,030,683	(47,023)
Financial services	3,036,433	3,250,140	2,280,175	969,965
Public safety:				
Police	33,996,144	35,140,992	33,199,475	1,941,517
Fire	16,465,266	17,107,254	16,206,598	900,656
Public works:				
Public works	6,104,434	7,175,802	6,700,223	475,579
Housing and community development:				
Community development	3,109,319	3,940,165	2,915,018	1,025,147
Waterfront and economic development	465,560	491,877	425,136	66,741
Cultural and leisure services:				
Community services	6,211,089	6,646,000	6,561,637	84,363
Library	4,092,585	4,480,888	4,439,738	41,150
Transfers out	2,179,814	3,614,814	8,784,614	(5,169,800)
<b>Total charges to appropriations</b>	<b>83,638,115</b>	<b>90,603,063</b>	<b>89,436,998</b>	<b>1,166,065</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 19,527,927</b>	<b>\$ 13,946,101</b>	<b>\$ 21,239,789</b>	<b>\$ 7,293,688</b>

# CITY OF REDONDO BEACH

## Required Supplementary Information

For the year ended June 30, 2016

### 1. BUDGETARY INFORMATION, Continued

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

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (1,852,352)	\$ (1,852,352)	\$ (1,852,352)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	612,369	11,445,976	1,672,978	(9,772,998)
Transfers in	1,920	1,920	1,920	-
<b>Amount available for appropriation</b>	<b>(1,238,063)</b>	<b>9,595,544</b>	<b>(177,454)</b>	<b>(9,772,998)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public safety	66,220	297,772	280,184	17,588
Public works	79,649	79,649	74,228	5,421
Housing and community development	-	42,000	-	42,000
Capital outlay	468,420	11,507,600	803,516	10,704,084
<b>Total charges to appropriations</b>	<b>614,289</b>	<b>11,927,021</b>	<b>1,157,928</b>	<b>10,769,093</b>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<b>\$ (1,852,352)</b>	<b>\$ (2,331,477)</b>	<b>\$ (1,335,382)</b>	<b>\$ 996,095</b>

**CITY OF REDONDO BEACH**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

2. DEFINED BENEFIT PENSION PLAN

*Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period, Last Ten Years\**

Measurement Period	2013-2014		2014-2015	
	Miscellaneous	Safety	Miscellaneous	Safety
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 2,874,216	\$ 4,500,890	\$ 2,537,587	\$ 4,369,526
Interest	12,419,054	21,930,219	12,947,817	22,764,197
Difference Between Expected and Actual Experience	-	-	(58,913)	854,509
Changes of Assumptions	-	-	(3,072,251)	(5,276,514)
Benefit Payments, Including Refunds of Employee Contributions	(7,872,679)	(16,352,903)	(8,784,656)	(17,197,393)
<b>Net Change in Total Pension Liability</b>	<b>7,420,591</b>	<b>10,078,206</b>	<b>3,569,584</b>	<b>5,514,325</b>
<b>Total Pension Liability - Beginning</b>	<b>168,086,614</b>	<b>298,328,930</b>	<b>175,507,205</b>	<b>308,407,136</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 175,507,205</b>	<b>\$ 308,407,136</b>	<b>\$ 179,076,789</b>	<b>\$ 313,921,461</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 2,678,754	\$ 5,790,913	\$ 2,783,258	\$ 6,493,477
Contributions - Employee	1,301,991	2,003,854	1,282,878	1,397,695
Plan to Plan Resource Movement			2,745	(2,745)
Net Investment Income	21,314,935	34,672,500	3,161,165	5,030,896
Benefit Payments, Including Refunds of Employee Contributions	(7,872,679)	(16,352,903)	(8,784,656)	(17,197,393)
Administrative Expense	-	-	(158,176)	(251,348)
<b>Net Change in Fiduciary Net Position</b>	<b>17,423,001</b>	<b>26,114,364</b>	<b>(1,712,786)</b>	<b>(4,529,418)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>124,062,963</b>	<b>201,747,147</b>	<b>141,485,964</b>	<b>227,861,511</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 141,485,964</b>	<b>\$ 227,861,511</b>	<b>\$ 139,773,178</b>	<b>\$ 223,332,093</b>
<b>Plan Net Position Liability - Ending (a) - (b)</b>	<b>\$ 34,021,241</b>	<b>\$ 80,545,625</b>	<b>\$ 39,303,611</b>	<b>\$ 90,589,368</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>80.62%</b>	<b>73.88%</b>	<b>78.05%</b>	<b>71.14%</b>
<b>Covered Payroll</b>	<b>\$ 17,538,911</b>	<b>\$ 14,418,451</b>	<b>\$ 17,124,613</b>	<b>\$ 15,122,058</b>
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	<b>194%</b>	<b>559%</b>	<b>230%</b>	<b>599%</b>

\* Measurement period 2013-14 (fiscal year 2015) was the first year of implementation, therefore, only two years are presented.

**Notes to Schedule:**

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent for the 2014-2015 measurement period.

**CITY OF REDONDO BEACH**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

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2. DEFINED BENEFIT PENSION PLAN, (Continued)

*Schedule of Plan Contributions, Last Ten Years\**

	Fiscal Year 2014-15		Fiscal Year 2015-16	
	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially Determined Contribution	\$ 2,783,258	\$ 6,493,477	\$ 3,517,053	\$ 7,448,335
Contributions in Relation to the Actuarially Determined Contribution	(2,783,258)	(6,493,477)	(3,517,053)	(7,448,335)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 17,124,613	\$ 15,122,058	\$ 19,222,807	\$ 15,770,385
Contributions as a Percentage of Covered Payroll	16%	43%	18%	47%

\* Fiscal year 2015 was the 1st year of implementation, therefore, only two years are shown.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses; includes Inflation. For 2014-15, 7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**CITY OF REDONDO BEACH**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

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3. OTHER POST EMPLOYMENT BENEFITS

Schedule of Funding Progress for the City's Plan

	(A)	(B)	(C)	(D)	(E)	(F)
			(Unfunded)			(Unfunded)
		Entry Age	Overfunded			Overfunded
	Actuarial	Actuarial	Actuarial	Funded		Actuarial
	Asset	Accrued	Accrued	Ratio	Covered	Liability as
	Value	Liability	Liability		Payroll	Percentage of
Actuarial	(A)	(B)	(A-B)	(A/B)		(C/E)
Valuation						
Date						
6/30/2011	\$ 4,245,000	\$ 20,086,000	\$ (15,841,000)	21.1%	\$ 30,485,000	51.96%
6/30/2013	4,006,000	17,146,000	(13,140,000)	23.4%	32,356,000	40.61%
6/30/2015	5,048,000	21,115,000	(16,067,000)	23.9%	31,276,000	51.37%

**CITY OF REDONDO BEACH**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

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

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

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

The City commissioned a physical assessment of the street conditions as of June 30, 2014. 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 2016, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

**CITY OF REDONDO BEACH**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

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

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to City Council on December 17, 2002, City policy is to achieve an average rating of 80 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>
2014	84	Very Good	46%
		Good	41%
		Fair	8%
		Poor	5%
2015	84	Very Good	35%
		Good	53%
		Fair	8%
		Poor	4%
2016	85	Very Good	46%
		Good	43%
		Fair	7%
		Poor	4%

**CITY OF REDONDO BEACH**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

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

The City expended \$2,575,264 on street improvement projects for the fiscal year ended June 30, 2016. 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, 2016 through June 30, 2017 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 85 rating is presented below.

<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>
2011-2012	\$ 8,874,102	\$ 246,152	\$ 996,761	\$ 1,242,913
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

As of June 30, 2016, 42% of City streets were rated below the targeted average condition level of 80. 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**  
**For the year ended June 30, 2016**

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

Project	Project #	Budget	Capital Improvement		Total
			Project Fund	Other Fund	
			Expenditures	Expenditures	Expenditures
Bus Shelters & Benches	40120	\$ 1,672,170	\$ -	\$ 2,152	\$ 2,152
Pavement & Sidewalk Repairs	40140	173,432	-	-	-
Residential Street Rehabilitation	40190	2,674,066	102,655	1,111,175	1,213,830
Citywide Curb Ramp Improvements	40399	207,226	-	20,196	20,196
Traffic Calming Project	40470	119,010	-	-	-
Bicycle Trans Plan Implementation	40510	8,094	-	5,008	5,008
Riviera Village Improvements	40640	56,041	54,191	-	54,191
PCH/Torrance Blvd Right Hand Turn Lane	40650	77,938	-	-	-
Grant/Artesia Countdown Ped Signal	40710	32,957	-	-	-
North Redondo Beach Bikeway Lighting	40740	180,793	-	-	-
Artesia/Aviation NB Rt Turn Lane	40780	815,964	-	67,754	67,754
PV Boulevard/PCH WB Rt Turn Lane	40790	291,199	-	26,819	26,819
PCH Study Recommendations	40800	1,394,794	-	14,650	14,650
PCH/Torrance Boulevard NB Rt Turn Lane	40810	530,589	-	31,957	31,957
Beryl/190th Signal Study	40850	318,507	-	16,275	16,275
Beryl St. Improvements - Flagler to 190th	40860	1,122,450	-	68,268	68,268
Kingsdale Resurfacing - 182nd to Grant	40880	860,000	-	-	-
North Harbor Drive Cycle Track Project	40900	1,844,614	192,096	351,136	543,232
PCH/Catalina Entryway Prop Acquisition	40910	105,000	1,000	-	1,000
Aviation Blvd Resurfacing - MBB to Marine	40930	592,811	-	417,859	417,859
Bike Plan Grant - Beryl St. Bike Lanes	40940	137,073	-	142	142
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	305,612	-	4,388	4,388
PV Blvd/Catalina Intersection Improvements	40970	16,953	-	11,246	11,246
Riviera Village Imp - Phase IV	40980	723,964	-	-	-
Marine Avenue Resurfacing - Aviation to I405	40990	600,000	-	-	-
Riviera Village Parking Meter Replacement	41000	256,528	-	-	-
Bicycle Trans Plan Implementation - Phase 2	41010	291,775	-	-	-
Esplanade Resurfacing: Knob Hill to Catalina	41020	976,500	-	76,297	76,297
Prospect Resurfacing: Beryl to Del Amo	41030	50,000	-	-	-
LA County Pedestrian Path Widening	41040	50,000	-	-	-
		<u>\$ 18,296,725</u>	<u>\$ 349,942</u>	<u>\$ 2,225,322</u>	<u>\$ 2,575,264</u>

## **SUPPLEMENTARY INFORMATION**

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**MAJOR GOVERNMENTAL FUND BUDGETARY  
COMPARISON SCHEDULES**

# CITY OF REDONDO BEACH

## Major Governmental Fund Budgetary Comparison Schedule

### Capital Improvement Projects Capital Projects Fund

For the year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 6,466,040	\$ 6,466,040	\$ 6,466,040	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	268,500	268,500	269,933	1,433
Miscellaneous	250,500	250,500	229,372	(21,128)
Transfers in	371,978	921,978	5,021,978	4,100,000
<b>Amount available for appropriation</b>	<b>7,357,018</b>	<b>7,907,018</b>	<b>11,987,323</b>	<b>4,080,305</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current				
Public works	159,400	159,400	125,882	33,518
Capital outlay	2,187,000	7,201,594	748,495	6,453,099
<b>Total charges to appropriations</b>	<b>2,346,400</b>	<b>7,360,994</b>	<b>874,377</b>	<b>6,486,617</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 5,010,618</b>	<b>\$ 546,024</b>	<b>\$ 11,112,946</b>	<b>\$ 10,566,922</b>

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**State Gas Tax Fund** - To account for the City's share of State gas tax allocations. Gasoline taxes must be used for maintenance and improvement of City streets.

**Parks and Recreation Facilities Fund** - To account for revenues assessed on the construction of new residential units. Revenue is used solely for the acquisition, improvement and expansion of public parks and recreational facilities.

**Narcotic Seizure/Forfeiture Fund** - To account for the City's portion of monies seized during arrests and expenditures for related enforcement activities.

**Proposition A Fund** - To account for the operations of transit-related projects funded by a voter-approved, one-half cent sales tax levied within Los Angeles County.

**Proposition C Fund** - To account for the operations of transit-related projects funded by a voter-approved, one-half cent sales tax levied within Los Angeles County.

**Measure R Fund** - To account for monies received from the sales tax approved pursuant to Assembly Bill 2321, Measure R Ordinance of the Los Angeles County Metropolitan Transportation Authority for public transportation purposes.

**Local Transportation Article 3 Fund** - To account for the operation of transportation services in the City and the Dial-A-Ride Program which provides transportation to Redondo Beach and Hermosa Beach residents.

**Air Quality Improvement Fund** - To account for monies received from the South Coast Air Quality Management District, which are used to reduce air pollution from motor vehicles.

**Storm Drain Improvement Fund** - To account for the receipt of the storm drain impact fees and the related National Pollutant Discharge Elimination System implementation and enforcement costs.

**Street Landscaping and Lighting District Fund** - To account for the costs of establishing, improving and maintaining street landscaping and lighting in certain areas of the City. Costs of the projects are estimated and property owners are assessed their proportionate share.

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS (Continued)

**Community Development Block Grant Fund** - To account for Community Development Block Grant revenues and expenditures. Such revenues are restricted to the revitalization of low and moderate income areas within the City.

**Disaster Recovery Fund** - To account for monies received from agencies of the Federal and State governments for disaster recovery assistance.

**Housing Authority Fund** - To account for revenues and expenditures relating to low-cost housing for individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD).

**Subdivision Park Trust Fund** - To account for revenues and expenditures relating to Quimby Fees.

**Low-Mod Income Housing Asset Fund** - To account for all transferred housing assets of the dissolved Redevelopment Agency and funds generated from those housing assets.

### DEBT SERVICE FUND

**Public Financing Authority Fund** - To account for the payment of interest and principal on tax allocation bonds and other debt issued to finance City and redevelopment activities.

**Parking Authority Fund** - To account for debt service activity of the Parking Authority.

### CAPITAL PROJECTS FUNDS

**Pier Parking Structure Rehabilitation Fund** - To account for capital improvements to the Pier Parking Structure.

**Major Facilities Reconstruction Capital Projects Fund** - To account for the replacement of City facilities such as Police Stations, Fire Stations and City Hall.

**Open Space Acquisition Capital Projects Fund** - To account for the purchase of land within the City. The land purchased is to be used for open space purposes such as parks and community gardens.

# City of Redondo Beach

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2016

	Special Revenue						
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transportation Article 3
<b>ASSETS</b>							
Pooled cash and investments	\$ 476,986	\$ 115,026	\$ 977,098	\$ 1,994,976	\$ 5,155,486	\$ 790,750	\$ -
Receivables:							
Accounts	1,761	-	-	-	-	-	-
Interest	911	-	2,089	4,968	10,280	-	-
Taxes	-	-	-	-	-	-	-
Notes and loans	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	5,080	-	-	-	17,683
Advance to other governments	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 479,658</b>	<b>\$ 115,026</b>	<b>\$ 984,267</b>	<b>\$ 1,999,944</b>	<b>\$ 5,165,766</b>	<b>\$ 790,750</b>	<b>\$ 17,683</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 24,920	\$ -	\$ 14,828	\$ -	\$ 8,438	\$ 1,376	\$ -
Due to other funds	-	-	-	-	-	-	18,322
Advances from other funds	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>24,920</b>	<b>-</b>	<b>14,828</b>	<b>-</b>	<b>8,438</b>	<b>1,376</b>	<b>18,322</b>
<b>Deferred inflows of resources:</b>							
Unavailable revenue	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficit):</b>							
Restricted	454,738	115,026	969,439	1,999,944	5,157,328	789,374	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(639)
<b>Total fund balances</b>	<b>454,738</b>	<b>115,026</b>	<b>969,439</b>	<b>1,999,944</b>	<b>5,157,328</b>	<b>789,374</b>	<b>(639)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>							
	<b>\$ 479,658</b>	<b>\$ 115,026</b>	<b>\$ 984,267</b>	<b>\$ 1,999,944</b>	<b>\$ 5,165,766</b>	<b>\$ 790,750</b>	<b>\$ 17,683</b>

# City of Redondo Beach

## Combining Balance Sheet

### Non-Major Governmental Funds, Continued

June 30, 2016

	Special Revenue						
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
<b>ASSETS</b>							
Pooled cash and investments	\$ 140,282	\$ 501,281	\$ 99,727	\$ -	\$ -	\$ 1,044,366	\$ 1,092,194
Receivables:							
Accounts	-	-	460	-	-	-	-
Interest	259	-	-	-	-	-	-
Taxes	-	-	19,961	-	-	-	-
Notes and loans	-	-	-	476,563	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	23,298	-	7,125	-	-	-	-
Advance to other governments	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments with fiscal agents	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 163,839</b>	<b>\$ 501,281</b>	<b>\$ 127,273</b>	<b>\$ 476,563</b>	<b>\$ -</b>	<b>\$ 1,044,366</b>	<b>\$ 1,092,194</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ 127,273	\$ 30,809	\$ -	\$ 2,274	\$ -
Due to other funds	-	-	-	63,750	11,753	211,481	-
Advances from other funds	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>127,273</b>	<b>94,559</b>	<b>11,753</b>	<b>213,755</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue	-	-	-	476,566	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>476,566</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficit):</b>							
Restricted	163,839	501,281	-	-	-	830,611	1,092,194
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(94,562)	(11,753)	-	-
<b>Total fund balances</b>	<b>163,839</b>	<b>501,281</b>	<b>-</b>	<b>(94,562)</b>	<b>(11,753)</b>	<b>830,611</b>	<b>1,092,194</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>							
	<b>\$ 163,839</b>	<b>\$ 501,281</b>	<b>\$ 127,273</b>	<b>\$ 476,563</b>	<b>\$ -</b>	<b>\$ 1,044,366</b>	<b>\$ 1,092,194</b>

# City of Redondo Beach

## Combining Balance Sheet

### Non-Major Governmental Funds, Continued

June 30, 2016

	Special Revenue	Debt Service		Capital Projects			Total
	Low-Mod Income Housing Asset	Public Financing Authority	Parking Authority	Pier Parking Structure Rehabilitation	Major Facilities Reconstruction	Open Space Acquisition	Non-Major Funds
<b>ASSETS</b>							
Pooled cash and investments	\$ 708,730	\$ 500,905	\$ 5,720	\$ 834	\$ 400,000	\$ 300,000	\$ 14,304,361
Receivables:							
Accounts	-	10,986	-	-	-	-	13,207
Interest	-	224	7	-	-	-	18,738
Taxes	-	-	-	-	-	-	19,961
Notes and loans	3,453,200	-	-	-	-	-	3,929,763
Due from other funds	-	-	-	-	500,000	950,000	1,450,000
Due from other governments	-	5,380,000	-	-	-	-	5,433,186
Advance to other governments	535,731	-	-	-	-	-	535,731
Restricted assets:							
Cash and investments with fiscal agents	-	1,658,338	-	-	-	-	1,658,338
<b>Total assets</b>	<b>\$ 4,697,661</b>	<b>\$ 7,550,453</b>	<b>\$ 5,727</b>	<b>\$ 834</b>	<b>\$ 900,000</b>	<b>\$ 1,250,000</b>	<b>\$ 27,363,285</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ 772	\$ -	\$ -	\$ -	\$ -	\$ 210,690
Due to other funds	-	412,734	-	-	-	-	718,040
Advances from other funds	-	988,402	-	-	-	-	988,402
<b>Total liabilities</b>	<b>-</b>	<b>1,401,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,917,132</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue	615,906	-	-	-	-	-	1,092,472
<b>Total deferred inflows of resources</b>	<b>615,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,092,472</b>
<b>Fund balances (deficit):</b>							
Restricted	4,081,755	6,148,545	5,727	-	-	-	22,309,801
Assigned	-	-	-	834	900,000	1,250,000	2,150,834
Unassigned	-	-	-	-	-	-	(106,954)
<b>Total fund balances</b>	<b>4,081,755</b>	<b>6,148,545</b>	<b>5,727</b>	<b>834</b>	<b>900,000</b>	<b>1,250,000</b>	<b>24,353,681</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,697,661</b>	<b>\$ 7,550,453</b>	<b>\$ 5,727</b>	<b>\$ 834</b>	<b>\$ 900,000</b>	<b>\$ 1,250,000</b>	<b>\$ 27,363,285</b>

# City of Redondo Beach

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2016

	Special Revenue						
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transportation Article 3
<b>REVENUES:</b>							
Intergovernmental	\$ 1,466,462	\$ -	\$ -	\$ 1,222,309	\$ 1,012,714	\$ 760,865	\$ 17,683
Charges for services	-	37,200	-	-	-	-	-
Use of money and property	3,578	-	13,029	21,678	62,092	1,775	-
Fines and forfeitures	-	-	53,269	-	-	-	-
Miscellaneous	4,412	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,474,452</b>	<b>37,200</b>	<b>66,298</b>	<b>1,243,987</b>	<b>1,074,806</b>	<b>762,640</b>	<b>17,683</b>
<b>EXPENDITURES:</b>							
Current:							
Public safety	-	-	133,169	-	-	-	-
Public works	1,572,376	-	-	-	3,405	3,851	-
Housing and community development	-	-	-	-	442	-	-
Capital outlay	84,077	9,159	44,987	-	353,987	1,387,103	20,196
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,656,453</b>	<b>9,159</b>	<b>178,156</b>	<b>-</b>	<b>357,834</b>	<b>1,390,954</b>	<b>20,196</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(182,001)	28,041	(111,858)	1,243,987	716,972	(628,314)	(2,513)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	21,328	-	-	-	-	-	-
Transfers out	-	-	-	(581,456)	-	-	-
<b>Total other financing sources (uses)</b>	<b>21,328</b>	<b>-</b>	<b>-</b>	<b>(581,456)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(160,673)</b>	<b>28,041</b>	<b>(111,858)</b>	<b>662,531</b>	<b>716,972</b>	<b>(628,314)</b>	<b>(2,513)</b>
<b>Fund Balances (deficit):</b>							
Beginning of year	615,411	86,985	1,081,297	1,337,413	4,440,356	1,417,688	1,874
End of year	\$ 454,738	\$ 115,026	\$ 969,439	\$ 1,999,944	\$ 5,157,328	\$ 789,374	\$ (639)

# City of Redondo Beach

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2016

	Special Revenue						
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
<b>REVENUES:</b>							
Intergovernmental	\$ 86,625	\$ -	\$ -	\$ 123,866	\$ -	\$ 5,783,925	\$ -
Charges for services	-	71,556	1,513,674	-	580	-	-
Use of money and property	1,557	-	-	-	-	150	4,500
Fines and forfeitures	-	-	-	-	-	-	-
Miscellaneous	-	-	23,442	-	78,680	-	360,000
<b>Total revenues</b>	<b>88,182</b>	<b>71,556</b>	<b>1,537,116</b>	<b>123,866</b>	<b>79,260</b>	<b>5,784,075</b>	<b>364,500</b>
<b>EXPENDITURES:</b>							
Current:							
Public safety	-	-	-	-	82,256	-	-
Public works	-	-	2,718,424	-	-	-	-
Housing and community development	39,652	-	-	141,967	-	5,680,360	-
Capital outlay	-	1,880	-	20,793	-	-	42,086
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>39,652</b>	<b>1,880</b>	<b>2,718,424</b>	<b>162,760</b>	<b>82,256</b>	<b>5,680,360</b>	<b>42,086</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	48,530	69,676	(1,181,308)	(38,894)	(2,996)	103,715	322,414
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	597	-	1,181,308	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>597</b>	<b>-</b>	<b>1,181,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>49,127</b>	<b>69,676</b>	<b>-</b>	<b>(38,894)</b>	<b>(2,996)</b>	<b>103,715</b>	<b>322,414</b>
<b>Fund Balances (deficit):</b>							
Beginning of year	114,712	431,605	-	(55,668)	(8,757)	726,896	769,780
End of year	\$ 163,839	\$ 501,281	\$ -	\$ (94,562)	\$ (11,753)	\$ 830,611	\$ 1,092,194

# City of Redondo Beach

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2016

	Special Revenue	Debt Service		Capital Projects			Total Non-Major Funds
	Low-Mod Income Housing Asset	Public Financing Authority	Parking Authority	Pier Parking Structure Rehabilitation	Major Facilities Reconstruction	Open Space Acquisition	
<b>REVENUES:</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,474,449
Charges for services	350	-	-	-	-	-	1,623,360
Use of money and property	88,002	858,206	24	3	-	-	1,054,594
Fines and forfeitures	-	-	-	-	-	-	53,269
Miscellaneous	179,899	-	-	-	-	-	646,433
<b>Total revenues</b>	<b>268,251</b>	<b>858,206</b>	<b>24</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>13,852,105</b>
<b>EXPENDITURES:</b>							
Current:							
Public safety	-	-	-	-	-	-	215,425
Public works	-	-	-	-	-	-	4,298,056
Housing and community development	13,797	151,773	-	-	-	-	6,027,991
Capital outlay	-	-	-	-	-	-	1,964,268
Debt Service:							
Principal retirement	-	715,000	-	-	-	-	715,000
Interest and fiscal charges	-	152,896	-	-	-	-	152,896
<b>Total expenditures</b>	<b>13,797</b>	<b>1,019,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,373,636</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	254,454	(161,463)	24	3	-	-	478,469
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	-	-	-	-	900,000	1,250,000	3,353,233
Transfers out	-	-	-	-	-	-	(581,456)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>900,000</b>	<b>1,250,000</b>	<b>2,771,777</b>
<b>Net change in fund balances</b>	<b>254,454</b>	<b>(161,463)</b>	<b>24</b>	<b>3</b>	<b>900,000</b>	<b>1,250,000</b>	<b>3,250,246</b>
<b>Fund Balances (deficit):</b>							
Beginning of year	3,827,301	6,310,008	5,703	831	-	-	21,103,435
End of year	\$ 4,081,755	\$ 6,148,545	\$ 5,727	\$ 834	\$ 900,000	\$ 1,250,000	\$ 24,353,681

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### State Gas Tax Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 615,411	\$ 615,411	\$ 615,411	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	13,000	13,000	3,578	(9,422)
Intergovernmental	1,442,462	1,442,462	1,466,462	24,000
Miscellaneous	4,000	4,000	4,412	412
Transfers in	21,328	21,328	21,328	-
<b>Amount available for appropriation</b>	<b>2,096,201</b>	<b>2,096,201</b>	<b>2,111,191</b>	<b>14,990</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	1,589,921	1,751,347	1,572,376	178,971
Capital outlay	308,000	440,058	84,077	355,981
<b>Total charges to appropriations</b>	<b>1,897,921</b>	<b>2,191,405</b>	<b>1,656,453</b>	<b>534,952</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 198,280</b>	<b>\$ (95,204)</b>	<b>\$ 454,738</b>	<b>\$ 549,942</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Parks and Recreation Facilities Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 86,985	\$ 86,985	\$ 86,985	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	20,000	20,000	37,200	17,200
<b>Amount available for appropriation</b>	106,985	106,985	124,185	17,200
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital Outlay	-	28,884	9,159	19,725
<b>Total charges to appropriations</b>	-	28,884	9,159	19,725
<b>FUND BALANCE - ENDING</b>	\$ 106,985	\$ 78,101	\$ 115,026	\$ 36,925

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Narcotic Seizure/Forfeiture Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 1,081,297	\$ 1,081,297	\$ 1,081,297	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	3,000	3,000	13,029	10,029
Fines and forfeitures	21,000	21,000	53,269	32,269
<b>Amount available for appropriation</b>	<b>1,105,297</b>	<b>1,105,297</b>	<b>1,147,595</b>	<b>42,298</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public safety	58,699	233,309	133,169	100,140
Capital outlay	-	62,559	44,987	17,572
<b>Total charges to appropriations</b>	<b>58,699</b>	<b>295,868</b>	<b>178,156</b>	<b>117,712</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,046,598</b>	<b>\$ 809,429</b>	<b>\$ 969,439</b>	<b>\$ 160,010</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Proposition A Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 1,337,413	\$ 1,337,413	\$ 1,337,413	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	7,500	7,500	21,678	14,178
Intergovernmental	1,227,285	1,227,285	1,222,309	(4,976)
<b>Amount available for appropriation</b>	<u>2,572,198</u>	<u>2,572,198</u>	<u>2,581,400</u>	<u>9,202</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Transfers out	<u>1,824,868</u>	<u>1,824,868</u>	<u>581,456</u>	<u>1,243,412</u>
<b>Total charges to appropriations</b>	<u>1,824,868</u>	<u>1,824,868</u>	<u>581,456</u>	<u>1,243,412</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 747,330</u>	<u>\$ 747,330</u>	<u>\$ 1,999,944</u>	<u>\$ 1,252,614</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Proposition C Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 4,440,356	\$ 4,440,356	\$ 4,440,356	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	25,000	25,000	62,092	37,092
Intergovernmental	1,018,001	1,018,001	1,012,714	(5,287)
<b>Amount available for appropriation</b>	<b>5,483,357</b>	<b>5,483,357</b>	<b>5,515,162</b>	<b>31,805</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	1,490	3,405	3,405	-
Housing and community development	607	442	442	-
Capital outlay	1,028,355	6,661,979	353,987	6,307,992
<b>Total charges to appropriations</b>	<b>1,030,452</b>	<b>6,665,826</b>	<b>357,834</b>	<b>6,307,992</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 4,452,905</b>	<b>\$ (1,182,469)</b>	<b>\$ 5,157,328</b>	<b>\$ 6,339,797</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Measure R Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 1,417,688	\$ 1,417,688	\$ 1,417,688	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	3,900	3,900	1,775	(2,125)
Intergovernmental	763,510	763,510	760,865	(2,645)
<b>Amount available for appropriation</b>	<b>2,185,098</b>	<b>2,185,098</b>	<b>2,180,328</b>	<b>(4,770)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	-	3,851	3,851	-
Capital outlay	570,000	2,206,352	1,387,103	819,249
<b>Total charges to appropriations</b>	<b>570,000</b>	<b>2,210,203</b>	<b>1,390,954</b>	<b>819,249</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,615,098</b>	<b>\$ (25,105)</b>	<b>\$ 789,374</b>	<b>\$ 814,479</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Local Transportation Article 3 Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ 1,874	\$ 1,874	\$ 1,874	\$ -
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	43,310	43,310	17,683	(25,627)
<b>Amount available for appropriation</b>	45,184	45,184	19,557	(25,627)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital outlay	26,000	74,040	20,196	53,844
<b>Total charges to appropriations</b>	26,000	74,040	20,196	53,844
<b>FUND BALANCE - ENDING</b>	\$ 19,184	\$ (28,856)	\$ (639)	\$ 28,217

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Air Quality Improvement Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 114,712	\$ 114,712	\$ 114,712	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	500	500	1,557	1,057
Intergovernmental	80,000	80,000	86,625	6,625
Transfers in	597	597	597	-
<b>Amount available for appropriation</b>	<b>195,809</b>	<b>195,809</b>	<b>203,491</b>	<b>7,682</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	71,861	71,366	39,652	31,714
<b>Total charges to appropriations</b>	<b>71,861</b>	<b>71,366</b>	<b>39,652</b>	<b>31,714</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 123,948</b>	<b>\$ 124,443</b>	<b>\$ 163,839</b>	<b>\$ 39,396</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Storm Drain Improvement Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 431,605	\$ 431,605	\$ 431,605	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	36,000	65,000	71,556	6,556
<b>Amount available for appropriation</b>	467,605	496,605	503,161	6,556
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital outlay	50,000	464,167	1,880	462,287
<b>Total charges to appropriations</b>	50,000	464,167	1,880	462,287
<b>FUND BALANCE - ENDING</b>	\$ 417,605	\$ 32,438	\$ 501,281	\$ 468,843

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Street Landscaping and Lighting District Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ -	\$ -	\$ -	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	1,541,500	1,541,500	1,513,674	(27,826)
Miscellaneous	35,000	35,000	23,442	(11,558)
Transfers in	1,081,640	1,266,640	1,181,308	(85,332)
<b>Amount available for appropriation</b>	<u>2,658,140</u>	<u>2,843,140</u>	<u>2,718,424</u>	<u>(124,716)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	<u>2,658,140</u>	<u>2,901,517</u>	<u>2,718,424</u>	<u>183,093</u>
<b>Total charges to appropriations</b>	<u>2,658,140</u>	<u>2,901,517</u>	<u>2,718,424</u>	<u>183,093</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ -</u>	<u>\$ (58,377)</u>	<u>\$ -</u>	<u>\$ 58,377</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Community Development Block Grant Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (55,668)	\$ (55,668)	\$ (55,668)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	266,182	568,285	123,866	(444,419)
<b>Amount available for appropriation</b>	210,514	512,617	68,198	(444,419)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	133,163	200,256	141,967	58,289
Capital outlay	133,019	368,029	20,793	347,236
<b>Total charges to appropriations</b>	266,182	568,285	162,760	405,525
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ (55,668)</u>	<u>\$ (55,668)</u>	<u>\$ (94,562)</u>	<u>\$ (38,894)</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Disaster Recovery Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (8,757)	\$ (8,757)	\$ (8,757)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	1,440	580	580	-
Miscellaneous	-	22,367	78,680	56,313
<b>Amount available for appropriation</b>	<b>(7,317)</b>	<b>14,190</b>	<b>70,503</b>	<b>56,313</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public Safety	17,060	17,060	82,256	(65,196)
<b>Total charges to appropriations</b>	<b>17,060</b>	<b>17,060</b>	<b>82,256</b>	<b>(65,196)</b>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<b>\$ (24,377)</b>	<b>\$ (2,870)</b>	<b>\$ (11,753)</b>	<b>\$ (8,883)</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Housing Authority Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 726,896	\$ 726,896	\$ 726,896	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	150	150
Intergovernmental	5,795,686	5,795,686	5,783,925	(11,761)
<b>Amount available for appropriation</b>	6,522,582	6,522,582	6,510,971	(11,611)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	5,760,585	5,760,585	5,680,360	80,225
<b>Total charges to appropriations</b>	5,760,585	5,760,585	5,680,360	80,225
<b>FUND BALANCE - ENDING</b>	\$ 761,997	\$ 761,997	\$ 830,611	\$ 68,614

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Subdivision Park Trust Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 769,780	\$ 769,780	\$ 769,780	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	4,500	4,500
Miscellaneous	200,620	200,620	360,000	159,380
<b>Amount available for appropriation</b>	970,400	970,400	1,134,280	163,880
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital outlay	55,000	199,748	42,086	157,662
<b>Total charges to appropriations</b>	55,000	199,748	42,086	157,662
<b>FUND BALANCE - ENDING</b>	\$ 915,400	\$ 770,652	\$ 1,092,194	\$ 321,542

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Low-Mod Income Housing Asset Special Revenue Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 3,827,301	\$ 3,827,301	\$ 3,827,301	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	88,002	88,002
Charges for services	900	900	350	(550)
Miscellaneous	99,803	99,803	179,899	80,096
<b>Amount available for appropriation</b>	<b>3,928,004</b>	<b>3,928,004</b>	<b>4,095,552</b>	<b>167,548</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	10,500	10,500	13,797	(3,297)
<b>Total charges to appropriations</b>	<b>10,500</b>	<b>10,500</b>	<b>13,797</b>	<b>(3,297)</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 3,917,504</b>	<b>\$ 3,917,504</b>	<b>\$ 4,081,755</b>	<b>\$ 164,251</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Public Financing Authority Debt Service Fund

For the year ended June 30, 2016

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ 6,310,008	\$ 6,310,008	\$ 6,310,008	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	1,184,071	1,184,071	858,206	(325,865)
<b>Amount available for appropriation</b>	<u>7,494,079</u>	<u>7,494,079</u>	<u>7,168,214</u>	<u>(325,865)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	254,575	254,575	151,773	102,802
Debt Service:				
Principal retirement	776,600	776,600	715,000	61,600
Interest and fiscal charges	152,896	152,896	152,896	-
<b>Total charges to appropriations</b>	<u>1,184,071</u>	<u>1,184,071</u>	<u>1,019,669</u>	<u>164,402</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 6,310,008</u>	<u>\$ 6,310,008</u>	<u>\$ 6,148,545</u>	<u>\$ (161,463)</u>

## INTERNAL SERVICE FUNDS

**Vehicle Replacement Fund** - To account for the cost of maintaining and replacing City vehicles. Such costs are billed to City departments at a rate which provides the future acquisition and operating costs of City vehicles.

**Building Occupancy Fund** - To account for the cost of maintaining and improving City buildings. Such costs are billed to City departments at a rate which provides for the annual maintenance and improvement costs.

**Information Technology Fund** - To account for the cost of maintaining and replacing City computer and telecommunications equipment. Such costs are billed to City departments at a rate which provides for the annual maintenance and replacement costs.

**Self-Insurance Program Fund** - To account for the costs of providing liability, workers' compensation and unemployment insurance to all City departments. Such costs are billed to City departments at a rate which provides for the annual insurance costs.

**Emergency Communications Fund** - To account for the cost of maintaining and replacing various City communication equipment, primarily for Public Safety. Such costs are billed to the City's designated departments at a rate that provides for the annual maintenance and replacement costs.

**Major Facilities Repair Fund** - To account for monies received from user departments within the City for major facilities repair costs.

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# CITY OF REDONDO BEACH

## Combining Statement of Net Position

### All Internal Service Funds

June 30, 2016

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 7,281,457	\$ 82,667	\$ 42,903	\$ 11,783,871	\$ 3,026,358	\$ 820,675	\$ 23,037,931
Accounts receivable	11,096	27	-	-	2,551	-	13,674
Total current assets	7,292,553	82,694	42,903	11,783,871	3,028,909	820,675	23,051,605
Noncurrent assets:							
Capital assets - net of accumulated depreciation	3,848,470	91,943	1,082,509	-	172,658	-	5,195,580
Total noncurrent assets	3,848,470	91,943	1,082,509	-	172,658	-	5,195,580
<b>Total assets</b>	<b>11,141,023</b>	<b>174,637</b>	<b>1,125,412</b>	<b>11,783,871</b>	<b>3,201,567</b>	<b>820,675</b>	<b>28,247,185</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related items	53,895	127,924	115,406	24,178	183,290	-	504,693
<b>Total deferred outflows of resources</b>	<b>53,895</b>	<b>127,924</b>	<b>115,406</b>	<b>24,178</b>	<b>183,290</b>	<b>-</b>	<b>504,693</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	146,324	137,841	64,423	500,806	1,373	-	850,767
Accrued compensated absences	5,219	16,303	25,340	4,084	43,306	-	94,252
Accrued claims and judgments	-	-	-	975,976	-	-	975,976
Bonds, notes, and capital leases	-	-	308,456	-	-	-	308,456
Total current liabilities	151,543	154,144	398,219	1,480,866	44,679	-	2,229,451
Noncurrent liabilities:							
Accrued compensated absences	13,919	43,479	67,587	10,891	115,504	-	251,380
Accrued claims and judgments	-	-	-	15,629,738	-	-	15,629,738
Bonds, notes, and capital leases	-	-	253,265	-	-	-	253,265
Net pension liability	684,019	1,320,968	1,216,997	290,300	2,305,157	-	5,817,441
Total noncurrent liabilities	697,938	1,364,447	1,537,849	15,930,929	2,420,661	-	21,951,824
<b>Total liabilities</b>	<b>849,481</b>	<b>1,518,591</b>	<b>1,936,068</b>	<b>17,411,795</b>	<b>2,465,340</b>	<b>-</b>	<b>24,181,275</b>

# CITY OF REDONDO BEACH

## Combining Statement of Net Position

### All Internal Service Funds

June 30, 2016

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related items	\$ 72,563	\$ 77,721	\$ 78,014	\$ 27,379	\$ 240,186	\$ -	\$ 495,863
<b>Total deferred inflows of resources</b>	<u>72,563</u>	<u>77,721</u>	<u>78,014</u>	<u>27,379</u>	<u>240,186</u>	<u>-</u>	<u>495,863</u>
<b>NET POSITION (DEFICIT)</b>							
Net investment in capital assets	3,848,470	91,943	520,788	-	172,658	-	4,633,859
Unrestricted	6,424,404	(1,385,694)	(1,294,052)	(5,631,125)	506,673	820,675	(559,119)
<b>Total net position</b>	<u>\$ 10,272,874</u>	<u>\$ (1,293,751)</u>	<u>\$ (773,264)</u>	<u>\$ (5,631,125)</u>	<u>\$ 679,331</u>	<u>\$ 820,675</u>	<u>\$ 4,074,740</u>

# CITY OF REDONDO BEACH

## Combining Statement of Revenues, Expenditures and Change in Net Position

### All Internal Service Funds

For the year ended June 30, 2016

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
<b>OPERATING REVENUES:</b>							
Sales and service charges	\$ 3,520,056	\$ 3,878,838	\$ 3,216,503	\$ 6,513,587	\$ 3,750,669	\$ 128,404	\$ 21,008,057
Miscellaneous	58,628	4,763	7,084	-	-	-	70,475
<b>Total operating revenues</b>	<u>3,578,684</u>	<u>3,883,601</u>	<u>3,223,587</u>	<u>6,513,587</u>	<u>3,750,669</u>	<u>128,404</u>	<u>21,078,532</u>
<b>OPERATING EXPENSES:</b>							
Personnel services	462,094	1,096,454	944,575	204,296	1,884,017	-	4,591,436
Contractual services	187,121	427,426	917,003	178,401	125,981	-	1,835,932
Administrative and general expenses	1,011,743	1,248,189	320,782	5,673,322	59,942	-	8,313,978
Internal service charges	230,125	499,322	442,972	61,708	691,699	-	1,925,826
Depreciation	802,003	4,812	327,732	-	69,863	-	1,204,410
<b>Total operating expenses</b>	<u>2,693,086</u>	<u>3,276,203</u>	<u>2,953,064</u>	<u>6,117,727</u>	<u>2,831,502</u>	<u>-</u>	<u>17,871,582</u>
<b>OPERATING INCOME</b>	<u>885,598</u>	<u>607,398</u>	<u>270,523</u>	<u>395,860</u>	<u>919,167</u>	<u>128,404</u>	<u>3,206,950</u>
<b>NONOPERATING REVENUES AND EXPENSES:</b>							
Gain on sale of capital assets	64,860	-	-	-	-	-	64,860
Miscellaneous	-	-	41,997	35,967	-	-	77,964
<b>Total nonoperating revenues (expenses)</b>	<u>64,860</u>	<u>-</u>	<u>41,997</u>	<u>35,967</u>	<u>-</u>	<u>-</u>	<u>142,824</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>950,458</u>	<u>607,398</u>	<u>312,520</u>	<u>431,827</u>	<u>919,167</u>	<u>128,404</u>	<u>3,349,774</u>
Transfers in	<u>13,192</u>	<u>28,393</u>	<u>25,024</u>	<u>5,329</u>	<u>45,053</u>	<u>-</u>	<u>116,991</u>
<b>Change in net position</b>	<u>963,650</u>	<u>635,791</u>	<u>337,544</u>	<u>437,156</u>	<u>964,220</u>	<u>128,404</u>	<u>3,466,765</u>
<b>NET POSITION (DEFICIT)</b>							
Beginning of year	9,309,224	(1,929,542)	(1,110,808)	(6,068,281)	(284,889)	692,271	607,975
End of year	<u>\$ 10,272,874</u>	<u>\$ (1,293,751)</u>	<u>\$ (773,264)</u>	<u>\$ (5,631,125)</u>	<u>\$ 679,331</u>	<u>\$ 820,675</u>	<u>\$ 4,074,740</u>

# CITY OF REDONDO BEACH

## Combining Statement of Cash Flows

### All Internal Service Funds

For the year ended June 30, 2016

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash received from customers and users	\$ 3,573,177	\$ 3,883,574	\$ 3,265,584	\$ 6,549,554	\$ 3,748,118	\$ 128,404	\$ 21,148,411
Cash payments to suppliers for goods and services	(1,695,830)	(2,307,732)	(1,774,896)	(6,321,640)	(881,506)	-	(12,981,604)
Cash payments to employees for services	(502,600)	(1,162,682)	(1,008,592)	(220,408)	(1,981,890)	-	(4,876,172)
<b>Net cash provided by operating activities</b>	<b>1,374,747</b>	<b>413,160</b>	<b>482,096</b>	<b>7,506</b>	<b>884,722</b>	<b>128,404</b>	<b>3,290,635</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers in	13,192	28,393	25,024	5,329	45,053	-	116,991
Repayment of due to other funds	-	(358,886)	(70,133)	-	-	-	(429,019)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>13,192</b>	<b>(330,493)</b>	<b>(45,109)</b>	<b>5,329</b>	<b>45,053</b>	<b>-</b>	<b>(312,028)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(738,636)	-	(92,315)	-	-	-	(830,951)
Principal paid on capital debt	-	-	(301,769)	-	-	-	(301,769)
Proceeds from sales of capital assets	86,482	-	-	-	-	-	86,482
<b>Net cash used by capital and related financing activities</b>	<b>(652,154)</b>	<b>-</b>	<b>(394,084)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,046,238)</b>
<b>Net increase in cash and cash equivalents</b>	<b>735,785</b>	<b>82,667</b>	<b>42,903</b>	<b>12,835</b>	<b>929,775</b>	<b>128,404</b>	<b>1,932,369</b>
<b>CASH AND CASH EQUIVALENTS:</b>							
Beginning of year	6,545,672	-	-	11,771,036	2,096,583	692,271	21,105,562
End of year	<u>\$ 7,281,457</u>	<u>\$ 82,667</u>	<u>\$ 42,903</u>	<u>\$ 11,783,871</u>	<u>\$ 3,026,358</u>	<u>\$ 820,675</u>	<u>\$ 23,037,931</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>							
Operating income	\$ 885,598	\$ 607,398	\$ 270,523	\$ 395,860	\$ 919,167	\$ 128,404	\$ 3,206,950
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	802,003	4,812	327,732	-	69,863	-	1,204,410
Miscellaneous	-	-	41,997	35,967	-	-	77,964
Actuarial pension expense	23,308	55,322	49,909	10,457	79,266	-	218,262
Pension contributions subsequent to measurement date	(54,427)	(129,186)	(116,545)	(24,417)	(185,099)	-	(509,674)
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	(5,507)	(27)	-	-	(2,551)	-	(8,085)
Increase (decrease) in accounts payable	(266,841)	(132,795)	(94,139)	133,461	(3,884)	-	(364,198)
Increase (decrease) in accrued claims and judgements	-	-	-	(541,670)	-	-	(541,670)
Increase (decrease) in compensated absences	(9,387)	7,636	2,619	(2,152)	7,960	-	6,676
<b>Total adjustments</b>	<b>489,149</b>	<b>(194,238)</b>	<b>211,573</b>	<b>(388,354)</b>	<b>(34,445)</b>	<b>-</b>	<b>83,685</b>
<b>Net cash provided by operating activities</b>	<b>\$ 1,374,747</b>	<b>\$ 413,160</b>	<b>\$ 482,096</b>	<b>\$ 7,506</b>	<b>\$ 884,722</b>	<b>\$ 128,404</b>	<b>\$ 3,290,635</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>							
Capital lease additions	\$ -	\$ -	\$ 113,054	\$ -	\$ -	\$ -	\$ 113,054

## FIDUCIARY FUNDS

### AGENCY FUNDS

The agency funds are used to account for assets held by the City as an agent. Agency funds include the following:

**Deposits Fund** - To account for monies received and disbursed by the City in its capacity as an agent, including refundable deposits and payroll.

**Assessment District 92-1 Fund** - To account for monies held for debt service transactions of the Manhattan Beach Boulevard Assessment District (District 92-1) Bonds for which the City is not obligated.

# City of Redondo Beach

## Combining Statement of Fiduciary Net Position

### Agency Funds

June 30, 2016

	Deposits	Assessment District 92-1	Total Agency Funds
<b>ASSETS:</b>			
Pooled cash and investments	\$ -	\$ 178,012	\$ 178,012
Receivables:			
Accounts	12,182	-	12,182
Deposits	936,076	-	936,076
Total Assets	<u>\$ 948,258</u>	<u>\$ 178,012</u>	<u>\$ 1,126,270</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 233,483	\$ -	\$ 233,483
Due to other governments	714,775	-	714,775
Deposits payable	-	178,012	178,012
Total Liabilities	<u>\$ 948,258</u>	<u>\$ 178,012</u>	<u>\$ 1,126,270</u>

# City of Redondo Beach

## Combining Statement of Changes in Fiduciary Net Position

### Agency Funds

For the year ended June 30, 2016

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
<u>Deposits</u>				
<b>ASSETS:</b>				
Pooled cash and investments	\$ 98,422	\$ 3,797,613	\$ (3,896,035)	\$ -
Receivables:				
Accounts	20,118	558,106	(566,042)	12,182
Deposits	202,129	4,641,186	(3,907,239)	936,076
Total Assets	<u>\$ 320,669</u>	<u>\$ 8,996,905</u>	<u>\$ (8,369,316)</u>	<u>\$ 948,258</u>

<b>LIABILITIES:</b>				
Accounts payable	\$ 320,669	\$ 4,229,109	\$ (4,316,295)	\$ 233,483
Due to other governments	-	714,775	-	714,775
Total Liabilities	<u>\$ 320,669</u>	<u>\$ 4,943,884</u>	<u>\$ (4,316,295)</u>	<u>\$ 948,258</u>

### Assessment District 92-1

<b>ASSETS:</b>				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Total Assets	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>

<b>LIABILITIES:</b>				
Deposits payable	\$ 178,012	\$ -	\$ -	178,012
Total Liabilities	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>

# City of Redondo Beach

## Combining Statement of Changes in Fiduciary Net Position

### Agency Funds

For the year ended June 30, 2016

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
<u>Total - All Agency Funds</u>				
<b>ASSETS:</b>				
Pooled cash and investments	\$ 276,434	\$ 3,797,613	\$ (3,896,035)	\$ 178,012
Receivables:				
Accounts	20,118	558,106	(566,042)	12,182
Deposits	202,129	4,641,186	(3,907,239)	936,076
Total Assets	<u>\$ 498,681</u>	<u>\$ 8,996,905</u>	<u>\$ (8,369,316)</u>	<u>\$ 1,126,270</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 320,669	\$ 4,229,109	\$ (4,316,295)	\$ 233,483
Due to other governments	-	714,775	-	714,775
Deposits payable	178,012	-	-	178,012
Total Liabilities	<u>\$ 498,681</u>	<u>\$ 4,943,884</u>	<u>\$ (4,316,295)</u>	<u>\$ 1,126,270</u>



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## INDEPENDENT AUDITOR'S 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

Honorable Mayor and Members of the City Council  
of the City of Redondo Beach  
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 (City), as of and for the year ended June 30, 2016, 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 15, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Redondo Beach, California (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 of Redondo Beach, California's internal control.

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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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP

December 15, 2016  
San Bernardino, California

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net investment in capital assets	\$ 135,153,851	\$ 134,543,764	\$ 135,170,376	\$ 137,743,367	\$ 140,306,635	\$ 143,049,830	\$ 142,096,684	\$ 138,614,141	\$ 139,555,634	\$ 135,628,091
Restricted	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725	19,059,951	16,503,649	26,346,341
Unrestricted	(16,364,199)	(14,805,067)	876,969	(766,752)	(12,443,192)	21,623,137	24,173,154	28,918,308	(85,699,247)	(81,186,849)
Total governmental activities net position	153,294,177	154,623,061	153,875,358	153,780,052	157,753,492	182,534,770	183,973,563	186,592,400	70,360,036	80,787,583
Business-type activities:										
Net investment in capital assets	38,139,435	36,923,208	35,414,035	35,985,952	34,790,325	34,957,595	38,936,171	36,646,484	37,629,261	37,542,589
Unrestricted	22,770,297	25,271,647	25,564,850	25,550,889	27,481,003	24,616,381	28,210,687	27,250,666	18,257,918	24,136,647
Total business-type activities net position	60,909,732	62,194,855	60,978,885	61,536,841	62,271,328	59,573,976	67,146,858	63,897,150	55,887,179	61,679,236
Primary government:										
Net investment in capital assets	173,293,286	171,466,972	170,584,411	173,729,319	175,096,960	178,007,425	181,032,855	175,260,625	177,184,895	173,170,680
Restricted	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725	19,059,951	16,503,649	26,346,341
Unrestricted	6,406,098	10,466,580	26,441,819	24,784,137	15,037,811	46,239,518	52,383,841	56,168,974	(67,441,329)	(57,050,202)
Total primary government net position	\$ 214,203,909	\$ 216,817,916	\$ 214,854,243	\$ 215,316,893	\$ 220,024,820	\$ 242,108,746	\$ 251,120,421	\$ 250,489,550	\$ 126,247,215	\$ 142,466,819

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)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Government activities:										
General government	\$ 10,019,467	\$ 10,234,450	\$ 9,234,672	\$ 7,618,055	\$ 7,951,800	\$ 8,560,957	\$ 11,974,780	\$ 10,177,409	\$ 10,293,394	\$ 10,944,620
Public Safety	38,269,521	40,835,961	42,293,976	40,737,832	41,849,863	43,020,839	43,141,036	44,022,014	47,331,250	46,244,936
Housing and community development	12,194,088	14,063,015	17,696,101	16,227,602	13,159,622	13,822,831	10,085,882	10,115,114	9,229,689	8,757,638
Cultural and leisure services	9,499,827	10,143,340	7,586,649	6,543,884	7,002,619	7,389,274	10,933,176	10,042,640	10,990,481	11,556,891
Public works	14,986,259	13,601,505	12,538,423	17,930,811	12,381,276	10,589,076	11,588,895	11,817,281	15,500,144	12,915,567
Interest on long-term debt	1,696,368	2,419,799	1,747,427	1,077,588	1,014,572	637,624	266,651	194,200	152,348	124,522
AB 1484 demand payment	-	-	-	-	-	9,914,969	-	-	-	-
Total governmental activities expenses	86,665,530	91,298,070	91,097,248	90,135,772	83,359,752	93,935,570	87,990,420	86,368,658	93,497,306	90,544,174
Business-type activities:										
Harbor Tidelands	4,902,841	5,075,571	5,360,523	5,372,721	5,415,810	7,689,071	4,998,098	5,040,308	5,279,836	5,652,988
Harbor Uplands	4,503,160	5,416,019	5,288,345	4,441,227	4,571,399	3,952,061	3,657,127	4,051,432	4,230,371	4,469,890
Solid Waste	3,493,852	3,129,337	3,228,498	3,364,549	3,574,516	3,431,017	3,610,925	3,580,040	3,506,271	3,763,513
Transit	-	-	-	-	3,102,333	3,113,076	3,288,696	3,346,989	3,366,535	3,536,593
Wastewater	2,122,793	1,853,206	2,092,245	2,207,319	2,476,972	3,196,442	1,880,835	2,557,592	2,022,271	2,144,353
Total business-type activities expenses	15,022,646	15,474,133	15,969,611	15,385,816	19,141,030	21,381,667	17,435,681	18,576,361	18,405,284	19,567,337
Total primary government expenses	101,688,176	106,772,203	107,066,859	105,521,588	102,500,782	115,317,237	105,426,101	104,945,019	111,902,590	110,111,511
<b>Component Units:</b>										
<b>Program Revenues</b>										
Governmental activities:										
Charges for Services:										
General government	6,434,951	6,337,391	4,798,599	6,804,342	6,941,477	10,416,465	11,315,431	7,539,299	9,083,395	8,689,834
Public Safety	1,290,081	1,437,688	2,669,185	2,097,003	4,133,005	4,448,833	4,466,605	4,942,725	4,611,279	4,503,948
Housing and community development	4,989,531	5,186,896	4,056,523	4,556,546	2,613,104	1,743,286	2,246,976	2,858,612	2,681,729	2,160,284
Cultural and leisure services	1,842,631	1,747,849	1,219,916	1,211,155	1,553,477	1,615,347	1,770,757	5,942,540	6,733,424	6,606,802
Public works	1,771,922	1,733,379	4,518,076	1,923,289	1,834,052	2,127,381	2,170,823	2,386,890	2,154,679	2,334,537
Operating grants and contributions	12,366,720	14,480,137	9,137,687	8,715,661	8,928,050	8,590,969	9,925,853	8,052,877	8,170,736	8,135,187
Capital grants and contributions	4,916,505	4,863,545	3,486,113	6,605,139	6,976,620	4,582,744	705,357	294,342	2,310,026	912,045
Total governmental activities program revenues	33,612,341	35,786,885	29,886,099	31,913,135	32,979,785	33,525,025	32,601,802	32,017,285	35,745,268	33,342,637

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Harbor Tidelands	5,067,315	6,084,834	5,270,090	5,408,349	5,475,085	5,290,706	5,572,625	5,870,760	6,526,625	6,490,927
Harbor Uplands	4,103,636	4,400,815	4,038,226	3,935,048	3,672,769	4,009,954	3,760,715	4,311,358	4,585,998	5,314,448
Solid Waste	3,481,133	2,845,736	2,992,476	3,356,843	3,454,839	3,312,471	3,396,353	3,369,217	3,569,336	3,832,166
Transit	-	-	-	-	519,082	676,020	349,454	352,756	360,519	366,314
Wastewater	1,842,479	1,739,468	2,293,090	2,437,816	2,444,086	2,575,279	3,764,711	4,568,330	5,433,185	5,618,086
Operating grants and contributions	68,841	70,150	162,512	17,769	1,231,111	1,395,363	1,672,668	1,754,397	1,848,671	2,200,958
Capital grants and contributions	-	-	-	-	-	-	2,545,504	-	-	-
Total business-type activities program revenues	14,563,404	15,141,003	14,756,394	15,155,825	16,796,972	17,259,793	21,062,030	20,226,818	22,324,334	23,822,899
Total primary government program revenues	48,175,745	50,927,888	44,642,493	47,068,960	49,776,757	50,784,818	53,663,832	52,244,103	58,069,602	57,165,536
Net (expense)/revenue										
Governmental activities	(53,053,189)	(55,511,185)	(61,211,149)	(58,222,637)	(50,379,967)	(60,410,545)	(55,388,618)	(54,351,373)	(57,752,038)	(57,201,537)
Business-type activities	(459,242)	(333,130)	(1,213,217)	(229,991)	(2,344,058)	(4,121,874)	3,626,349	1,650,457	3,919,050	4,255,562
Total primary government net expense	(53,512,431)	(55,844,315)	(62,424,366)	(58,452,628)	(52,724,025)	(64,532,419)	(51,762,269)	(52,700,916)	(53,832,988)	(52,945,975)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes										
Property taxes, levied for general purpose	27,136,137	27,311,112	28,612,395	29,598,821	28,320,076	28,335,561	30,728,698	30,175,663	31,424,789	32,766,493
Transient occupancy taxes	3,738,839	3,933,009	3,485,290	3,204,045	3,267,209	3,533,501	3,693,144	3,970,786	4,464,811	8,627,801
Sales taxes	10,205,436	9,635,626	9,329,872	7,839,179	8,902,151	9,594,901	10,228,355	10,450,402	11,889,190	12,347,884
Franchise taxes	1,685,711	1,807,308	1,970,548	1,673,632	1,816,314	1,950,934	1,796,606	1,973,182	1,981,936	1,963,752
Business licenses taxes	1,289,608	1,385,726	1,293,056	1,256,462	1,240,024	1,203,591	1,018,677	1,296,531	1,178,016	1,186,567
Utility users taxes	7,878,429	8,018,564	7,848,157	8,043,207	7,667,130	7,422,089	7,711,580	7,412,250	7,664,385	7,411,930
Other taxes	-	-	-	11,200	-	-	8,703	1,840	5,149	-
Motor vehicle in lieu	429,612	293,685	205,403	198,745	310,907	33,693	34,912	28,894	27,910	27,475
Investment earnings	4,687,909	4,264,527	4,948,736	5,118,217	3,585,902	3,371,724	1,212,032	1,251,129	1,069,970	1,184,588
Other revenues	1,626,971	443,706	1,599,388	1,078,427	1,601,333	2,831,748	1,499,306	1,885,242	2,271,960	2,826,066
Gain (loss) on sale of capital assets	-	34,735	28,288	26,396	54,076	73,574	35,578	12,657	27,676	71,254
Transfers	-	(146,710)	1,142,313	79,000	(758,345)	(1,017,605)	(1,202,508)	(1,350,534)	(1,462,139)	(784,726)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-	27,858,112	-	-	-	-
Total governmental activities	58,678,652	56,981,288	60,463,446	58,127,331	56,006,777	85,191,823	56,765,083	57,108,042	60,543,653	67,629,084
Business-type activities:										
Investment earnings	1,439,428	1,329,922	944,480	801,184	408,915	241,958	69,851	331,919	237,235	450,632
Gain (loss) on sale of capital assets	-	-	-	(16,398)	-	-	-	(79,277)	-	11,868
Other revenues	138,877	141,621	195,080	176,052	307,915	181,532	2,674,174	400,396	375,982	289,269
Transfers	-	146,710	(1,142,313)	(79,000)	758,345	1,017,605	1,202,508	1,350,534	1,462,139	784,726
Total business-type activities	1,578,305	1,618,253	(2,753)	881,838	1,475,175	1,441,095	3,946,533	2,003,572	2,075,356	1,536,495
Total primary government	60,256,957	58,599,541	60,460,693	59,009,169	57,481,952	86,632,918	60,711,616	59,111,614	62,619,009	69,165,579
<b>Change in Net Position</b>										
Governmental activities	5,625,463	1,470,103	(747,703)	(95,306)	5,626,810	24,781,278	1,376,465	2,756,669	2,791,615	10,427,547
Business-type activities	1,119,063	1,285,123	(1,215,970)	651,847	(868,883)	(2,680,779)	7,572,882	3,654,029	5,994,406	5,792,057
Totally primary government	\$ 6,744,526	\$ 2,755,226	\$ (1,963,673)	\$ 556,541	\$ 4,757,927	\$ 22,100,499	\$ 8,949,347	\$ 6,410,698	\$ 8,786,021	\$ 16,219,604

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									
	2007	2008	2009	2010	2011 *	2012 *	2013 *	2014*	2015*	2016*
General fund										
Reserved	\$ 781,710	\$ 902,881	\$ 634,743	\$ 514,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated	10,143,013	11,363,952	9,353,252	9,321,572	-	-	-	-	-	-
Undesignated	214,115	314,926	37,327	(75,211)	-	-	-	-	-	-
Nonspendable	-	-	-	-	167,035	76,547	120,831	82,255	90,836	87,345
Restricted	-	-	-	-	-	-	-	-	-	3,000,000
Committed	-	-	-	-	5,595,596	5,712,942	5,889,783	6,188,191	6,738,848	7,154,237
Assigned	-	-	-	-	7,891,828	7,601,191	11,275,445	12,025,746	10,500,675	9,303,536
Unassigned	-	-	-	-	-	-	272,083	2,674,597	5,786,193	1,694,671
Total general fund	11,138,838	12,581,759	10,025,322	9,760,910	13,654,459	13,390,680	17,558,142	20,970,789	23,116,552	21,239,789
All other governmental funds										
Reserved	21,109,217	21,158,335	15,551,248	13,938,764	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	8,108,628	7,429,282	4,494,765	5,265,375	-	-	-	-	-	-
Capital projects funds	1,581,516	1,614,077	5,052	5,054	-	-	-	-	-	-
Debt service funds	5,028	5,028	1,222,686	1,165,476	-	-	-	-	-	-
Designated, reported in:										
Special revenue funds	2,948,322	3,567,481	2,696,956	2,043,237	-	-	-	-	-	-
Capital projects funds	6,326,050	8,926,207	9,891,290	-	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	(2,831,086)	(2,368,822)	5,803,471	7,103,415	-	-	-	-	-	-
Capital projects funds	4,050,994	3,414,086	2,317,151	5,365,603	-	-	-	-	-	-
Debt service funds	(13,958,851)	(12,990,180)	(14,007,225)	(15,428,315)	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,012	57,995	-	2,952,500	2,749,394	-
Nonspendable, reported in:										
Special revenue funds	-	-	-	-	-	2,898,234	-	-	-	-
Restricted	-	-	-	-	8,524,280	10,472,386	16,010,908	13,408,799	12,107,627	22,309,801
Restricted, reported in:										
Special revenue funds	-	-	-	-	13,257,981	-	-	-	-	-
Debt service funds	-	-	-	-	8,107,706	7,362,829	6,818,696	6,450,252	6,310,008	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	3,503,086	3,113,179	6,956,943	6,466,871	2,150,834
Assigned, reported in:										
Capital projects funds	-	-	-	-	1,645,977	-	-	-	-	11,112,946
Special revenue funds	-	-	-	-	-	535,731	-	-	-	-
Unassigned	-	-	-	-	841,689	3,170,437	-	(99,891)	(64,425)	(106,954)
Unassigned, reported in:										
Special revenue funds	-	-	-	-	(3,027,926)	(1,319,919)	(1,044,377)	(1,551,713)	(1,852,352)	(1,335,382)
Capital projects funds	-	-	-	-	3,040,646	-	-	-	-	-
Debt service funds	-	-	-	-	(15,046,266)	-	-	-	-	-
Total all other governmental funds	\$ 27,339,818	\$ 30,755,494	\$ 27,975,394	\$ 19,458,609	\$ 17,345,099	\$ 26,680,779	\$ 24,898,406	\$ 28,116,890	\$ 25,717,123	\$ 34,131,245

NOTE: \*The change of fund balance descriptions is due to the implementation of GASB 34.

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes	\$ 52,569,593	\$ 53,052,490	\$ 52,330,017	\$ 49,946,499	\$ 51,768,825	\$ 51,875,943	\$ 55,882,844	\$ 55,958,439	\$ 58,603,127	\$ 64,304,427
Interdepartmental	6,314,753	6,314,750	6,655,458	6,681,277	6,383,731	6,249,628	6,656,858	7,143,371	7,588,928	8,176,790
Licenses and permits	1,660,339	1,306,025	1,006,075	930,523	1,248,916	1,343,422	1,259,505	1,504,502	1,333,512	1,766,741
Intergovernmental	15,771,721	16,660,368	13,991,411	15,619,990	14,545,341	16,339,864	13,380,088	11,096,634	14,091,278	12,259,088
Charges for services	7,627,197	6,814,267	6,947,073	7,279,164	7,485,670	7,486,013	7,461,642	8,401,697	8,511,455	9,536,898
Use of money and property	5,228,621	6,279,652	5,680,333	4,929,845	3,512,619	3,760,501	3,146,954	2,499,563	2,795,350	3,113,269
Fines and forfeitures	1,117,196	1,984,683	1,845,838	1,875,287	1,785,067	1,634,786	1,663,966	1,836,166	1,960,083	1,645,777
Other revenues	787,722	559,093	1,703,984	999,916	1,447,680	2,948,048	1,062,143	1,816,196	2,147,500	2,694,411
Total Revenues	91,077,142	92,971,328	90,160,189	88,262,501	88,177,849	91,638,205	90,514,000	90,256,568	97,031,233	103,497,401
<b>Expenditures:</b>										
Current:										
General government	9,878,387	9,033,018	8,693,889	7,901,358	7,582,969	8,085,175	9,285,279	9,157,309	9,757,869	10,186,943
Public safety	38,254,942	40,909,913	42,869,798	41,964,634	41,450,374	42,244,015	42,480,962	43,653,885	48,274,212	49,901,682
Housing and community development	11,960,230	13,970,479	17,569,049	16,392,441	12,882,944	13,549,748	9,360,093	9,116,267	8,883,086	9,368,145
Cultural and leisure services	9,120,765	9,780,910	7,372,691	7,427,423	6,671,934	5,282,197	8,567,569	8,789,002	10,023,420	11,001,375
Public works	10,218,116	11,046,771	9,554,993	8,787,700	9,450,771	7,395,866	9,212,829	9,362,140	10,325,935	11,198,389
AB 1484 demand payment	-	-	-	-	-	-	-	-	-	-
Capital outlay	5,318,230	4,121,712	5,683,727	11,562,615	8,384,700	5,491,358	6,357,661	1,248,965	7,382,451	3,533,895
Debt service:										
Principal	757,671	1,526,811	3,448,829	2,492,055	777,554	1,750,000	1,380,000	665,000	695,000	715,000
Interest	1,698,884	2,902,761	1,738,532	1,069,040	1,017,824	641,376	270,903	240,736	187,296	152,896
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Total Expenditures	87,207,225	93,292,375	96,931,508	97,597,266	88,219,070	94,354,704	86,915,296	82,233,304	95,529,269	96,058,325
Excess of Revenues Over (Under) Expenditures	3,869,917	(321,047)	(6,771,319)	(9,334,765)	(41,221)	(2,716,499)	3,598,704	8,023,264	1,501,964	7,439,076
<b>Other Financing Sources (Uses):</b>										
Transfers in	6,611,051	11,074,552	5,482,661	2,707,679	17,341,414	11,497,255	3,223,702	2,768,840	1,394,604	8,464,353
Transfers out	(7,853,397)	(6,630,271)	(4,595,668)	(2,743,425)	(15,834,081)	(13,478,178)	(4,437,317)	(4,160,973)	(3,150,572)	(9,366,070)
Refunding bonds issued	-	7,645,000	700,000	-	-	-	-	-	-	-
Other debts issued	476,292	648,720	547,789	589,314	301,197	246,200	-	-	-	-
Bond premium	-	227,862	-	-	-	-	-	-	-	-
Refunding bonds redeemed	-	(7,645,000)	(700,000)	-	-	-	-	-	-	-
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	-	13,523,123	-	-	-	-
Total Other Financing Sources (Uses)	(766,054)	5,320,863	1,434,782	553,568	1,808,530	11,788,400	(1,213,615)	(1,392,133)	(1,755,968)	(901,717)
Net Change in Fund Balances	\$ 3,103,863	\$ 4,999,816	\$ (5,336,537)	\$ (8,781,197)	\$ 1,767,309	\$ 9,071,901	\$ 2,385,089	\$ 6,631,131	\$ (254,004)	\$ 6,537,359
Debt service as a percentage of noncapital expenditures	3.09%	5.23%	6.03%	4.32%	2.30%	2.77%	2.09%	1.13%	1.01%	0.95%

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

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

Fiscal Year Ended June 30	City				Redevelopment				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Exemptions	Taxable Assessed Value	
2007	9,681,892,573	375,435,811	(47,879,656)	10,009,448,728	347,940,107	55,919,195	(547,874)	403,311,428	0.261%
2008	10,414,844,031	363,370,583	(75,561,247)	10,702,653,367	371,338,622	62,307,947	(771,134)	432,875,435	0.245%
2009	10,967,218,597	377,551,863	(67,013,974)	11,277,756,486	371,987,381	64,908,544	(158,162)	436,737,763	0.244%
2010	11,070,789,692	362,332,212	(66,883,744)	11,366,238,160	409,520,646	55,988,588	(866,778)	464,642,456	0.250%
2011	11,088,815,868	609,276,121	(82,655,891)	11,615,436,098	397,519,636	31,015,873	(864,841)	427,670,668	0.235%
2012	11,385,441,715	432,094,319	(56,430,405)	11,761,105,629	389,564,455	54,640,221	(658,821)	443,545,855	0.232%
2013	11,606,153,109	503,602,130	(59,615,627)	12,050,139,612	441,667,976	37,592,938	(671,996)	478,588,918	0.245%
2014	12,119,561,792	479,888,191	(86,536,840)	12,512,913,143	453,832,698	38,326,859	(352,000)	491,807,557	0.232%
2015	12,740,467,541	424,217,169	(73,103,981)	13,091,580,729	470,317,505	55,967,662	(221,000)	526,064,167	0.231%
2016	13,389,390,286	445,897,750	(74,129,707)	13,761,158,329	481,010,582	48,097,617	-	529,108,199	0.229%

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 re-assessed 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 2015-16 Combined Tax Rolls

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City basic rate	0.16617	0.16617	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539
Redevelopment agency	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	-	-	-	-
Overlapping Rates:										
Los Angeles County Detention Facilities 1987 Debt	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350
Community College	0.03570	0.01647	0.01703	0.01487	0.01614	0.01688	0.01849	0.01750	0.01742	0.01745
Unified School District	0.02970	0.02844	0.04714	0.05519	0.06977	0.08610	0.08162	0.09242	0.09689	0.09174
Total Direct Rate	0.21166	0.18715	0.18608	0.18774	0.18818	0.18575	0.18746	0.15783	0.16226	0.16250

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 2015/2016 Tax Rate Table

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

Taxpayer	2016		2007	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Northrop Grumman Systems Corporation (formerly TRW Inc.)	\$ 491,627,751	3.44%	\$ 201,846,450	1.94%
South Bay Center SPE LLC	238,842,252	1.67%	184,560,727	1.77%
AES Redondo Beach, LLC	142,903,823	1.00%	-	-
The Kobe Group INC	72,314,057	0.51%	-	-
Noble House Recp Hotel Venture LLC	65,935,486	0.46%	-	-
LPF Redondo Beach Inc	46,676,555	0.33%	-	-
HPT IHG 2 Properties Trust	45,626,976	0.32%	49,480,200	0.48%
Redondo Distribution Center LLC	43,859,140	0.31%	-	-
MKEG P LLC	39,433,582	0.28%	34,680,000	0.33%
SCG 616 Esplanade Street LLC	34,951,994	0.24%	-	-
TRW, INC	-	-	213,285,574	2.05%
Portofino Partners	-	-	33,648,449	0.32%
Target Corporation	-	-	33,096,499	0.32%
Harbor Cove Limited	-	-	30,992,475	0.30%
Avalon California Value LLC	-	-	25,194,933	0.24%
Haagen Redondo LLC	-	-	24,660,566	0.24%
	<u>\$ 1,222,171,616</u>	<u>8.55%</u>	<u>\$ 831,445,873</u>	<u>7.98%</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 2015/2016 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
2007	\$ 21,893,557	\$ 21,130,547	96.51%	\$ 477,535	\$ 21,608,082	98.70%
2008	23,253,318	22,214,291	95.53%	646,294	22,860,585	98.31%
2009	24,948,068	23,904,011	95.82%	1,156,615	25,060,626	100.45%
2010	25,278,747	24,462,121	96.77%	1,204,949	25,667,070	101.54%
2011	25,809,271	25,195,837	97.62%	1,083,378	26,279,214	101.82%
2012	26,025,500	25,493,811	97.96%	799,155	26,292,966	101.03%
2013	27,652,911	27,193,269	98.34%	789,478	27,982,747	101.19%
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%

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
	Tax Allocation Bonds	Revenue Bonds	Refunding Revenue Bonds	Loans	Net Pension Liability	Capital Leases	County AB 1484	Wastewater Revenue Bonds	Construction Loans	Net Pension Liability	Capital Leases			
2007	\$ 3,010,000	\$ 8,765,000	\$ 2,380,000	\$ 14,067,018	\$ -	\$ 919	\$ -	\$ 9,715,898	\$ 4,181,161	\$ -	\$ -	\$ 42,119,996	10.79%	624
2008	2,930,000	-	10,113,873	14,508,927	-	45,219	-	9,523,272	3,953,480	-	-	41,074,771	9.94%	609
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	-	103,365,362	750,436	-	7,503,861	2,045,512	11,201,504	114,597	128,534,628	23.62%	1,888
2016	-	-	2,815,570	-	117,045,631	565,029	-	7,232,606	1,721,727	12,847,348	58,404	142,286,315	-	2,047

NOTES: \* Personal income data was not available from the California Department of Finance subsequent to fiscal year 2015/2016. Percentages reflected are calculated using personal income of the County of Los Angeles.

Source: Note 8 of the Notes to Financial Statements  
California Department of Finance

**City of Redondo Beach**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2016**

City Assessed Valuation		\$	14,290,266,528	
Incremental Valuation			494,679,296	
Total Assessed Valuation		\$	<u>13,795,587,232</u>	
	Percentage Applicable		Outstanding Debt 6/30/16	Estimated Share of Overlapping Debt
Direct Debt:				
Successor Agency Credit Facility	100%		396,000	396,000
2014A Wastewater Revenue Refunding Bonds	100%		6,760,000	6,760,000
2014A Wastewater Revenue Refunding Bonds Unamortized Bond Premium	100%		472,605	472,605
Boating & Waterways Construction Loan 88-21-84	100%		463,829	463,829
Boating & Waterways Construction Loan 89-21-147	100%		1,257,898	1,257,898
Capital Leases	100%		623,433	623,433
Net Pension Liability (GASB 68)	100%		129,892,979	129,892,979
Public Financing Authority 2008 Refunding Revenue Bonds	100%		2,770,000	2,770,000
Public Financing Authority 2008 Unamortized Bond Premium	100%		45,570	45,570
Total direct debt		\$	<u>142,682,314</u>	<u>\$ 142,682,314</u>
Overlapping Debt:				
Redondo Beach Unified School District DS 2008 Ser A	100%		734,958	734,958
Redondo Beach Unified School District DS 2008 Ser B	100%		12,406,684	12,406,684
Redondo Beach Unified School District DS 2008 Ser C	100%		12,195,000	12,195,000
Redondo Beach Unified School District DS 2008 Ser D BABS	100%		22,765,000	22,765,000
Redondo Beach Unified School District DS 2010 Refunding Series 2000A	100%		10,300,172	10,300,172
Redondo Beach Unified School District DS 2010 Refund 2000CDE	100%		7,382,545	7,382,545
Redondo Beach Unified School District DS 2008 Series E	100%		9,480,000	9,480,000
Redondo Beach Unified School District DS 2008 Series F QSCB	100%		20,245,000	20,245,000
Redondo Beach Unified School District DS 2012 Ref Bond	100%		20,740,000	20,740,000
Redondo Beach Unified School District DS 2012 Series A	100%		7,985,000	7,985,000
Redondo Beach Unified School District DS 2013 Refunding Series 2000E	100%		20,000,000	20,000,000
Redondo Beach Unified School District DS 2012 Series B	100%		45,435,000	45,435,000
Redondo Beach Unified School District DS 2014 Ref Series 2008A	100%		38,460,000	38,460,000
* Metropolitan Water District	1.341%		44,916,916	602,395
El Camino CCD DS 2016	15.283%		185,825,000	28,399,338
El Camino CCD DS 2002 SERIES 2006B	15.283%		5,090,000	777,897
El Camino CCD DS 2002 SERIES 2012C	15.283%		180,631,166	27,605,573
El Camino CCD DS 2012 REF BONDS	15.283%		41,490,000	6,340,851
Total overlapping debt		\$	<u>686,082,441</u>	<u>\$ 291,855,413</u>
Total direct and overlapping debt				<u>\$ 434,537,727</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 2015/2016 Lien Date Tax Rolls

**City of Redondo Beach**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed value	\$ 14,290,266,528
Debt Limit (15% of assessed value)	2,143,539,979
Debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 2,143,539,979</u></u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 1,561,914,023	\$ 1,670,329,320	\$ 1,757,174,137	\$ 1,774,632,092	\$ 1,775,420,369	\$ 1,830,697,723	\$ 1,879,309,280	\$ 1,950,708,105	\$ 2,042,646,734	\$ 2,143,539,979
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	1,561,914,023	1,757,174,137	1,757,174,137	1,774,632,092	1,775,420,369	1,830,697,723	1,879,309,280	1,950,708,105	2,042,646,734	2,143,539,979
Total net debt applicable to the limit as a percentage of debt limit	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

Source: County of Los Angeles Auditor-Controller

**City of Redondo Beach**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Wastewater Revenue Bonds					
	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 1,609,643	\$ 798,094	\$ 811,549	\$ 190,000	\$ 472,513	1.22
2008	1,632,533	841,186	791,347	195,000	466,813	1.20
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

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 by with the issue of the 2014 Wastewater Refunding Revenue Bonds.

**City of Redondo Beach**  
**Demographic and Economic Statistics**  
**June 30, 2016**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income * (in millions)</b>	<b>Per Capita Personal Income *</b>	<b>Unemployment Rate **</b>
2007	67,495	\$ 390,296	\$ 57,826	4.7%
2008	67,488	413,317	61,243	6.6%
2009	67,646	402,281	40,867	10.8%
2010	68,105	403,014	41,025	11.5%
2011	66,970	420,803	42,564	11.9%
2012	67,007	443,006	44,474	11.2%
2013	67,396	466,098	46,530	9.6%
2014	67,717	499,768	49,400	8.7%
2015	68,095	544,168	53,521	7.4%
2016	69,494	-	-	5.6%

NOTES: \* Personal income data was not available from the California Department of Finance subsequent to fiscal year 2014/2015. Per Capita Personal Income is based on the metropolitan area of Los Angeles-Long Beach-Glendale, CA. Statistics not available subsequent to fiscal year 2014/2015. \*\* Unemployment rate is based on the metropolitan area of Los Angeles-Long Beach-Anaheim, CA.

Source: California Department of Finance, Demographic Research Unit  
California Department of Finance, Economic Research Unit  
U.S. Department of Labor

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

Employer	2016		2007
	Employees	Percentage of Total City Employment	Employees
Northrup Grumman (TRW)	4,591	14.53%	5,422
Redondo Beach Unified School District	710	2.25%	1,100
City of Redondo Beach	439	1.39%	496
Crowne Plaza Redondo Beach	339	1.07%	339
Cheesecake Factory	261	0.83%	261
United States Post Office	260	0.82%	233
Target Store	217	0.69%	-
DHL Global Forwarding	209	0.66%	244
Macy's (Robinson's May)	203	0.64%	288
Residence Inn Redondo Beach	172	0.54%	-
Beach Cities Health District	-	0.00%	620
Nordstrom, Inc.	-	0.00%	429

Source: City of Redondo Beach

**City of Redondo Beach**  
**Full-Time City Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	59	60	58	52	52	49	50	49	51	53
Public Safety										
Police										
Officers	105	105	105	99	96	96	96	96	93	96
Civilians	58	58	59	58	59	59	59	60	60	58
Fire										
Firefighters and Officers	64	64	63	60	60	60	60	60	62	62
Civilians	6	6	5	5	3	3	3	3	3	3
Public Works	104	105	105	106	100	95	111	111	111	112
Cultural and Leisure Services	57	54	45	40	37	37	34	33	33	33
Housing & Community Development	34	35	38	30	31	30	15	15	15	17
Harbor, Business, & Transit	9	9	9	8	6	3	3	3	3	5
TOTAL	496	496	487	458	444	432	431	430	431	439

Source: City of Redondo Beach

**City of Redondo Beach**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Physical arrests	3,923	2,702	2,641	2,586	2,464	2,200	2,095	2,141	2,146	- *
Traffic citations issued	12,339	10,955	10,786	10,658	12,217	4,490	4,764	4,966	4,516	- *
Fire										
Number of runs - rescues	3,779	3,932	3,942	4,007	4,016	4,313	4,265	4,338	4,604	- *
Number of runs - structures & other	1,672	1,676	1,495	1,552	1,315	1,743	1,685	1,822	1,989	- *
Public Works										
Street rehabilitation (miles)	3.7	2.3	4.6	1.9	3.5	-	1.5	3.1	1.1	2.4
Culture and Leisure Services										
Library										
Number of items borrowed	844,947	831,354	858,934	809,968	920,941	933,939	806,890	621,139	584,643	545,316
Number of visitors	445,056	446,346	436,347 **	398,583**	437,529	455,030	370,357	333,869	350,958	343,395
Recreation and Community Services										
Admissions - Seaside Lagoon	82,071	76,578	82,921	63,056	63,799	80,381	70,935	82,414	81,328	87,422
Number of facility rentals - Seaside Lagoon	382	395	415	416	412	352	376	387	381	388
Housing & Community Development										
Number of permits issued	3,951	3,270	1,952	2,257	2,832	3,088	2,651	2,955	3,295	6,899
Number of plan checks issued	1,296	1,101	898	990	1,177	1,036	615	1,471	1,559	4,200
Number of inspections	19,916	17,634	12,755	8,605	6,848	8,514	5,048	4,411	10,326	12,827
Number of real estate reports	883	630	577	769	702	737	904	922	973	1,925
Number of bus boardings - Transit	298,206	365,701	393,534	404,983	378,326	403,041	401,827	410,585	415,259	407,272
Revenue miles - Transit	416,435	487,203	452,467	472,604	474,564	475,754	474,140	475,564	459,468	458,198

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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

# City of Redondo Beach

## Certification of Continuing Disclosure

### Redondo Beach Public Financing Authority 2008 Revenue Bonds

#### (South Bay Center Redevelopment Project)

**June 30, 2016**

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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 2015-16 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, 2016 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, 2016, neither the Successor Agency nor the Community Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2016, 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, 2016 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, 2016**

	Base Year										
<u>Secured *</u>	1983-84	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Land	\$ 9,772,776	\$ 51,658,838	\$ 52,688,442	\$ 53,742,204	\$ 56,292,008	\$ 55,363,042	\$ 63,866,252	\$ 65,121,571	\$ 64,955,237	\$ 68,936,775	\$ 70,394,775
Impts	16,977,265	178,831,940	182,405,613	185,761,187	202,649,015	191,933,851	182,264,908	230,445,447	227,165,770	239,067,472	245,063,955
Pers Prop	-	1,514	-	-	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	230,492,292	235,094,055	239,503,391	258,941,023	247,296,893	246,131,160	295,567,018	292,121,007	308,004,247	315,458,730
<u>Unsecured</u>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	11,408,416	13,236,695	13,336,333	12,530,739	13,273,687	13,028,973	14,769,340	13,789,880	16,189,462	12,820,554
Pers Prop	1,848,954	12,577,271	13,515,052	14,189,166	12,550,901	12,457,717	10,906,075	15,379,059	17,828,352	15,723,406	15,356,431
Exemptions	-	-	-	-	(50,000)	(50,000)	-	-	-	-	-
Total Unsecured	4,871,960	23,985,687	26,751,747	27,525,499	25,031,640	25,681,404	23,935,048	30,148,399	31,618,232	31,912,868	28,176,985
GRAND TOTAL	31,622,001	<u>\$ 254,477,979</u>	<u>\$ 261,845,802</u>	<u>\$ 267,028,890</u>	<u>\$ 283,972,663</u>	<u>\$ 272,978,297</u>	<u>\$ 270,066,208</u>	<u>\$ 325,715,417</u>	<u>\$ 323,739,239</u>	<u>\$ 339,917,115</u>	<u>\$ 343,635,715</u>
Incremental Value:		222,855,978	230,223,801	235,406,889	252,350,662	241,356,296	238,444,207	294,093,416	292,117,238	308,295,114	312,013,714
Incremental Value Change:		36,939,218	7,367,823	5,183,088	16,943,773	(10,994,366)	(2,912,089)	55,649,209	(1,976,178)	16,177,876	3,718,600
% Change:		19.87%	3.31%	2.25%	7.20%	-4.36%	-1.21%	23.34%	-0.67%	5.54%	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**  
**Revenue vs. Levy Analysis**  
**June 30, 2016**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Original Charge Secured Value	\$ 230,492,292	\$ 235,094,055	\$ 239,503,391	\$ 258,941,015	\$ 247,296,893	\$ 246,131,160	\$ 297,200,307	\$ 292,121,007	\$ 308,004,247	\$ 315,458,730
Adjustments to Original Charge	-	-	-	(2,894,618)	-	-	-	-	-	-
Base Year Secured Value	(26,750,040)	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)
Incremental Secured Value	203,742,252	208,344,014	212,753,350	229,296,356	220,546,852	219,381,119	270,450,266	265,370,966	281,254,206	288,708,689
Tax Rate	0.0100542	0.0100450	0.0100430	0.0100430	0.0100370	0.0100000	0.0100000	0.0100000	0.0100000	0.0100000
Adjusted Levy	2,048,455	2,092,816	2,136,682	2,302,823	2,213,629	2,193,811	2,704,503	2,653,710	2,812,542	2,887,087
Unitary Revenue	27,587	28,887	31,263	30,311	30,206	31,724	31,898	33,847	34,202	37,180
Total Secured/Unitary Levy	2,076,043	2,121,703	2,167,945	2,333,134	2,243,835	2,225,536	2,736,401	2,687,556	2,846,744	2,924,267
Original Charge Unsecured Value	23,985,683	26,751,747	27,525,499	25,031,637	25,681,404	23,935,048	30,466,133	31,667,073	31,912,868	28,176,985
Adjustments to Original Charge	848,749	2,200,114	549,859	2,168,472	240,106	-	-	-	(174,527)	-
Base Year Unsecured Value	(4,871,959)	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)
Incremental Unsecured Value	19,962,473	24,079,901	23,203,398	22,328,149	21,049,550	19,063,088	25,594,173	26,795,113	26,866,381	23,305,025
Tax Rate	0.0100604	0.0100542	0.0100450	0.0100430	0.0100430	0.0100000	0.0100000	0.0100000	0.0100000	0.0100000
Unsecured Adjusted Levy	200,831	242,103	233,078	224,242	211,401	190,631	255,942	267,951	268,664	233,050
Net Total Revenue	2,276,874	2,363,806	2,401,023	2,557,376	2,455,236	2,416,166	2,992,343	2,955,508	3,115,408	3,157,317
Remittance to Agency										
Secured/Unitary Remitted	2,075,997	2,122,507	2,167,741	2,333,113	2,243,814	2,097,340	2,704,482	2,687,556	2,846,702	2,873,901
Unsecured Remitted	183,272	239,176	224,182	219,123	206,749	-	252,935	264,298	264,321	233,724
HOX Payments	-	-	-	-	-	-	-	-	-	-
Total Remittance to Agency:	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563	2,097,340	2,957,417	2,951,854	3,111,024	3,107,624
% of Collection to Levy	99.23%	99.91%	99.62%	99.80%	99.81%	86.80%	98.83%	99.88%	99.86%	98.43%
Grand Total Revenue										
Secured and Unsecured Revenue	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563	2,097,340	2,957,417	2,951,854	3,111,024	3,107,624
SB 813 Supplemental Payments	117,362	(2,883)	177,804	(51,122)	-	786	-	-	66,224	-
Redemptions/Open Roll Corrections	4,532	12,925	1,325	36	13	351	-	-	18	18
Taxpayer Refunds	5	(86)	(628)	(83,212)	(1,476)	30,658	-	(96,843)	(98,408)	(91,342)
Deferral Payments/Adjustments	(355,390)	(186,859)	(122,005)	(155,747)	(52,554)	-	-	38,608	(5,534)	(1,462)
Total Paid to Agency:	2,025,778	2,184,779	2,448,419	2,262,190	2,396,546	2,129,135	2,957,417	2,893,619	3,073,323	3,014,838
SB 2557 Charges (1)	(29,423)	(31,971)	(31,959)	(38,139)	(39,350)	(37,125)	(43,844)	(42,298)	(42,298)	(42,298)
Housing Set Aside	(405,156)	(436,956)	(489,684)	(452,438)	(479,309)	-	-	-	-	-
Tax Sharing Payments	(716,814)	(880,699)	(1,103,678)	(1,140,974)	(1,021,920)	(1,147,604)	(1,594,048)	(1,559,661)	(1,325,217)	(1,299,998)
Negative Balance from Prior Year	-	-	-	-	-	-	-	-	-	-
Net Grand Total Revenue:	\$ 874,385	\$ 835,153	\$ 823,098	\$ 630,639	\$ 855,966	\$ 944,407	\$ 1,319,525	\$ 1,291,661	\$ 1,705,809	\$ 1,672,543

Source: HdL Coren & Cone

# City of Redondo Beach

## Successor Agency of the City of Redondo Beach

### South Bay Center Redevelopment Project

#### Top Ten Taxable Property Owners

June 30, 2016

		Secured			Unsecured			Total		
				Percent of			Percent of			
		Value	Parcels	Secured Actual Value	Value	Parcels	Unsecured Actual Value	Value	Total Value	Use Code
1.	South Bay Center SPE LLC Pending Appeals on Parcels	\$ 236,982,536	4	82.08%	\$ 481,070	1	2.06%	\$ 237,463,606	76.11%	Commercial
2.	LPF Redondo Beach Inc.	46,676,555	3	16.17%	-	0	0.00%	46,676,555	14.96%	Commercial
3.	1519 Hawthorne Blvd. LLC Pending Appeals on Parcels	18,333,032	1	6.35%	-	0	0.00%	18,333,032	5.88%	Commercial
4.	Walgreen Pending Appeals on Parcels	7,401,522	7	2.56%	388,608	1	1.67%	7,790,130	2.50%	Commercial
5.	Outparcel Investment Partners V LLC	6,060,763	1	2.10%	-	0	0.00%	6,060,763	1.94%	Commercial
6.	Nordstrom Inc	-	0	0.00%	5,559,952	1	23.86%	5,559,952	1.78%	Unsecured
7.	SFM LLC	-	0	0.00%	2,096,647	1	9.00%	2,096,647	0.67%	Unsecured
8.	Kohls Department Store Pending Appeals on Parcels	-	0	0.00%	1,412,168	1	6.06%	1,412,168	0.45%	Unsecured
9.	Macy's West Stores Inc. Pending Appeals on Parcels	-	0	0.00%	1,281,032	1	5.50%	1,281,032	0.41%	Unsecured
10.	American Tower LLC Pending Appeals on Parcels	-	0	0.00%	830,385	1	3.56%	830,385	0.27%	Unsecured
		\$315,454,408	16	109.26%	\$12,049,862	7	51.70%	\$ 327,504,270	104.96%	
Project Area Incremental Value:		\$288,708,689			\$23,305,025			\$312,013,714		

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>	<u>Original Value</u>	<u>Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
<b>Currently Pending Appeals (FY Appeals)</b>							
<b>2012-13</b>							
Brandon Carver	u	Unsecured	Pending	1,713,281	748,058	(965,223)	-56.34%
Erin Stache	u	Unsecured	Pending	1,841,724	409,996	(1,431,728)	-77.74%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
				21,065,005	9,158,054		
<b>2013-14</b>							
Brandon Carver	u	Unsecured	Pending	949,527	932,418	(17,109)	-1.80%
Forever 21 Retail Inc	u	Unsecured	Pending	768,830	566,104	(202,726)	-26.37%
James Kurtzman	4082-018-005	Secured	Pending	19,550,000	8,000,000	(11,550,000)	-59.08%
Kohl'S Department Stores, Inc.	u	Unsecured	Pending	1,792,694	400,000	(1,392,694)	-77.69%
Victoria Arensky	u	Unsecured	Pending	491,330	293,225	(198,105)	-40.32%
				112,420,702	77,542,495		
<b>2014-15</b>							
Brandon Carver	u	Unsecured	Pending	960,436	863,728	(96,708)	-10.07%
James Kurtzman	4082-018-005	Secured	Pending	21,380,000	8,000,000	(13,380,000)	-62.58%
Kohl'S Department Stores, Inc.	u	Unsecured	Pending	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	Secured	Pending	25,919,011	17,000,000	(8,919,011)	-34.41%
Victoria Arensky	u	Unsecured	Pending	447,058	275,000	(172,058)	-38.49%
				105,394,497	54,699,181		

(Continued)

**City of Redondo Beach**  
**Successor Agency of the City of Redondo Beach**  
**South Bay Center Project Area**  
**Recent Appeals History, (Continued)**

**2015-16**

Anna Pelts	4081-026-008	Secured	Pending	657,476	329,000	(328,476)	-49.96%
Anna Pelts	4081-026-010	Secured	Pending	115,841	58,000	(57,841)	-49.93%
Anna Pelts	4081-026-002	Secured	Pending	4,646,257	2,322,000	(2,324,257)	-50.02%
Anna Pelts	4081-026-009	Secured	Pending	250,750	125,000	(125,750)	-50.15%
Anna Pelts	4081-026-011	Secured	Pending	794,889	397,000	(397,889)	-50.06%
Anna Pelts	4081-026-012	Secured	Pending	379,135	190,000	(189,135)	-49.89%
Anna Pelts	4081-026-013	Secured	Pending	557,174	279,000	(278,174)	-49.93%
ATC Indoor DAS LLC	u	Unsecured	Pending	778,565	432,536	(346,029)	-44.44%
Best Buy Stores LP, DBA Best Buy Mobile	u	Unsecured	Pending	67,245	30,000	(37,245)	-55.39%
Brooks Rainer	u	Unsecured	Pending	830,385	729,624	(100,761)	-12.13%
Catherine Courteau	4082-018-005	Secured	Pending	23,107,742	14,427,025	(8,680,717)	-37.57%
Kohl's Department Store Inc	u	Unsecured	Pending	1,412,168	690,000	(722,168)	-51.14%
Pacific Dental Services	u	Unsecured	Pending	372,704	190,000	(182,704)	-49.02%
South Bay Center SPE LLC	4082-018-010	Secured	Pending	157,348,512	100,000,000	(57,348,512)	-36.45%
South Bay Center SPE LLC/Macy's West Store	4082-018-004	Secured	Pending	26,436,872	17,000,000	(9,436,872)	-35.70%
Steven H. Friedhoff	u	Unsecured	Pending	1,281,032	640,500	(640,532)	-50.00%
Walgreen Company 001	u	Unsecured	Pending	388,608	-	(388,608)	-100.00%
				<u>219,425,355</u>	<u>137,839,685</u>		

**Most Recently Resolved Appeals Among Owners with Pending Appeals**

	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
<b>2012-13</b>							
Scott B. Brown	4082-018-004	Secured	Assessor Reduced	25,295,953	19,150,000	(6,145,953)	-24.30%
<b>2013-14</b>							
South Bay Center SPE LLC/Macy's West Stores Inc	4082-018-004	Secured	Assessor Reduced	24,214,209	20,500,000	(3,714,209)	-15.34%
<b>2014-15</b>							
NONE							
<b>2015-16</b>							
NONE							

# City of Redondo Beach

## Certification of Continuing Disclosure

### Redondo Beach Community Financing Authority 2014 Wastewater Refunding Revenue Bonds

#### (Wastewater System Financing Project)

June 30, 2016

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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 2015-16 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, 2016 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2016, 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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Use Classification</b>										
Each single family dwelling unit	\$ 5.00	\$ 5.00	\$ 7.00	\$ 7.12	\$ 7.12	\$ 7.25	\$ 10.25	\$ 13.25	\$ 13.25	\$ 13.25
Each unit in a 2-3 unit condo structure	5.00	5.00	7.00	7.12	7.12	7.25	10.25	13.25	13.25	13.25
Each unit in a 2-3 unit apartment structure	3.89	3.89	5.45	5.55	5.55	5.65	7.97	10.31	10.31	10.31
Each unit in a 4 or more unit condo structure	3.89	3.89	5.45	5.55	5.55	5.65	7.97	10.31	10.31	10.31
Each unit in a 4 or more unit apartment structure	2.68	2.68	3.75	3.82	3.82	3.88	5.49	7.09	7.09	7.09
Commercial/Industrial/Institutional parcels	0.43	0.43	0.60	0.61	0.61	0.62	0.88	1.13 *	1.13 *	1.13 *

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, 2016**

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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	94,094	\$130,791	2.5%
Northrop Grumman Systems	Aerospace	35,610	\$49,498	0.9%
Redondo Beach Unified - South Bay Union High	Education	29,081	\$40,423	0.8%
Beach Cities Health District	Hospital	22,460	\$31,219	0.6%
City of Redondo Beach Leased Properties	Harbor Facilities	18,931	\$26,314	0.5%
Marina Way Mole B	Harbor Facilities	16,593	\$23,064	0.4%
Crown Plaza Holiday Inn	Hotel	15,654	\$21,759	0.4%
City of Redondo Beach Leased Properties	Harbor Facilities	12,150	\$16,889	0.3%
Village at Redondon LLC	Apartment	8,915	\$16,704	0.3%
Seasons at Redondo	Senior Apartment	7,289	\$15,660	<u>0.3%</u>
				7.0%

**City of Redondo Beach**  
**Sewer Connections by Type of Customer**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Type of Customer</b>										
Residential	13,211	13,108	13,102	13,107	13,109	13,105	13,106	13,104	13,105	13,105
Industrial	74	68	66	61	56	61	61	61	61	59
Commercial	510	451	464	462	466	457	463	463	461	462
Institutional	64	62	89	61	58	61	59	59	59	59
Mixed use	44	42	43	43	42	43	43	43	43	43
Total	13,903	13,731	13,764	13,734	13,731	13,727	13,732	13,730	13,729	13,728

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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