

Comprehensive Annual Financial Report



City of Redondo Beach, California

For the year ending June 30, 2017

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CITY OF REDONDO BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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December 19, 2017

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, 2017. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

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

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

PROFILE OF THE CITY OF REDONDO BEACH

The City of Redondo Beach, incorporated in 1892, is located in the South Bay part of Los Angeles County and spans 6.3 square miles. According to the State of California's Department of Finance, Redondo Beach has a population of 68,907 as of January 1, 2017, remaining relatively flat with 2016. The City remains a highly residential, non-industrial community. It is a highly educated, upscale community where the median cost of a home is \$1,032,500.

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, Portofino Inn, Homewood Suites, DHL Global Forwarding, Residence Inn Redondo Beach, and Target Store.

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Significant Events, Accomplishments and Economic Development Activities

Over the years, Redondo Beach has remained fiscally sound through proactive management, disciplined oversight of expenditures, continued encouragement of a diversified revenue base, and the cultivation of public/private partnerships that reduce City costs, create new public amenities and increase revenue. These financial practices have enabled the City to 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 2016-2017, 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, but received significant public opposition that resulted in a voter approved land use initiative and a series of lawsuits. It is unclear if, when, how and in what final form the Waterfront Revitalization may proceed. The South Bay Galleria continues to work towards redeveloping its center and expects their proposed site plan to be evaluated by the Planning Commission in early 2018.

One of the highlights in FY 2016-2017 was the completion of the 184-room Homewood Suites Hotel, which joined the Residence Inn by Marriot and Hilton Garden Inn Hotels constructed on Marine Avenue in the prior year. Now these three hotels together generate more than \$3 million per year in ongoing Transient Occupancy Tax (TOT). Additionally, the City welcomed the completion of the new 54-room Shade Hotel in the waterfront along Harbor Drive. Shade opened its doors to the public in October 2016 and is on track to generate more than \$600 thousand per year in TOT and several hundred thousand dollars of annual Harbor Uplands Fund lease revenue.

Two significant mixed-use projects were also approved this past year. A 52-unit condominium project with roughly 10,000 square feet of commercial space was authorized and is now in construction along Pacific Coast Highway (PCH) near the City's southern border. Additionally, a 115-unit apartment project with a revitalized 110 room hotel (that is currently dormant) and approximately 20,000 square feet of commercial space was approved and is expected to be constructed in the next couple of years on the corner of PCH and Palos Verdes Blvd.

While positive from an economic development standpoint, these projects raised concerns in the community about the City's mixed-use zoning allowances and in part led to the initiation of a comprehensive General Plan Update process that will better align land use and zoning requirements with community interests. A 27-member General Plan Advisory Committee was formed in FY 2016-2017 and hopes to present their recommendations on Land Use and a variety of other General Plan Elements to the Planning Commission and City Council in FY 2018-19. The last comprehensive update of the City's General Plan occurred in 1992.

The regional economy has also been a positive for Redondo Beach. Property values (and tax revenue) in the City continue to grow at substantial rates driven in large part by the City's close proximity to LAX, the Silicon Beach jobs center, the community's high quality of life, and the continued excellence and success of the Redondo Beach Unified School District.

Additionally, the City continues to work on several specific economic development goals and objectives including:

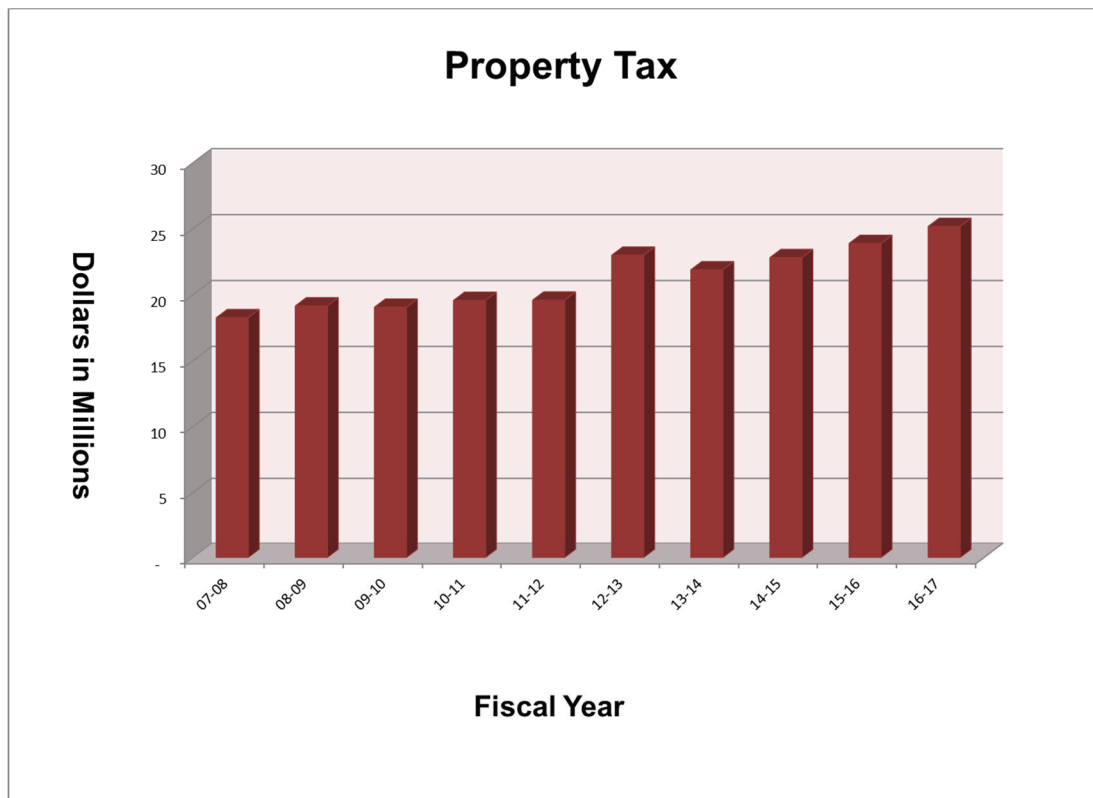
- Continued evaluation and participation in the prospective sale of the AES property and the formation of a coalition of public agencies to assist in creating a new regional park and open space amenity.
- Implementation of a subsidized storefront improvement program and the creation of a City Manager's task force focused on revitalizing the Artesia Boulevard business corridor and attracting a contemporary mix of new stores, restaurants and neighborhood service providers.
- 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.
- 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 the implementation of an outdoor dining permit program that encourages further restaurant investment and enhancement.
- Administering the Environmental Impact Report and Project Application for the proposed redevelopment of the South Bay Galleria.
- Processing of applications and environmental review for a strategic 150,000-square foot manufacturing facility addition at Northrop Grumman to create the "Factory of the Future".
- Timely processing and inspection of the two recently approved mixed-use projects on the PCH corridor.
- Additional investments in critical public 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 on the following pages.

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 2016-2017 citywide assessed valuation experienced a positive change of \$765 million, or 5.4%, to \$15.1 billion. The City's assessed valuation amount is derived 81.6% from residential properties, 8.4% from commercial properties, 3.6% from industrial properties, and the remaining 6.4% from vacant, institutional, and other properties. During FY 2016-2017, property tax revenue (including homeowners' exemptions) increased \$1,289,196, or 5.4%, to \$25.2 million. This increase reflects the continued improving economy and housing market. Improvements are seen in the median sale price of a single-family home in Redondo Beach at an all-time high of \$1,032,500 (a \$107,500, or 11.6%, increase from 2015), foreclosure levels back to historical norms, and median prices and numbers of sale transactions up throughout California.

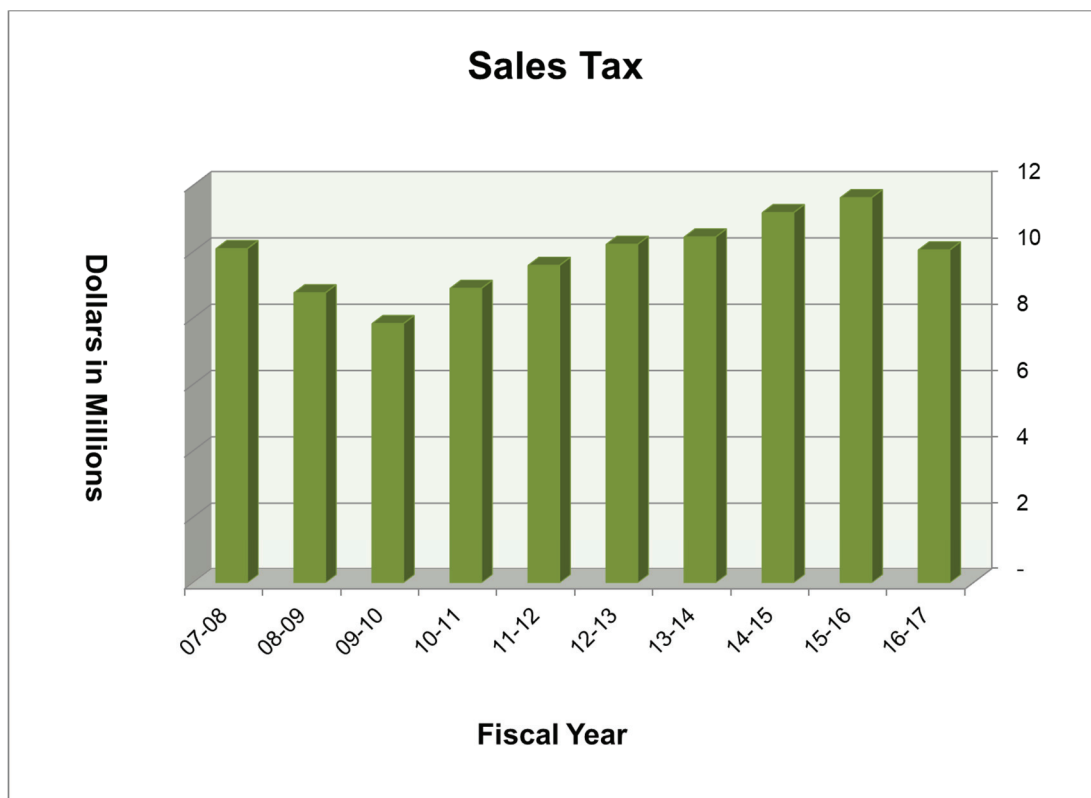


Sales Tax

The City's second largest revenue source is sales tax. The sales tax rate in Los Angeles County was 9.00% for the first half of FY 2016-2017 and 8.75% for the second half of the fiscal year applied to the sale price of taxable goods and services sold at retail. Redondo Beach receives 1% of taxable sales from the State Board of Equalization. FY 2015-2016 was the final year of the revenue swapping procedure commonly referred to as the "triple flip". With the triple flip, twenty-five percent of the City's traditional sales tax base was committed to the State for deficit reduction bonds and backfilled with the same amount but distributed on the same basis as property tax revenue to the City.

Sales tax revenue increased following the end of the recession. However, this trend did not continue through FY 2016-2017, with the City receiving \$10.1 million in sales tax revenue, a decrease of \$1.6 million, or 13.5%, from prior year partially due to the FY 2016-2017 State "triple flip" one-time final true-up payment. Population growth, local competition, consumer confidence, and unemployment are all factors that contribute to the volatility of this key tax-based operating revenue.

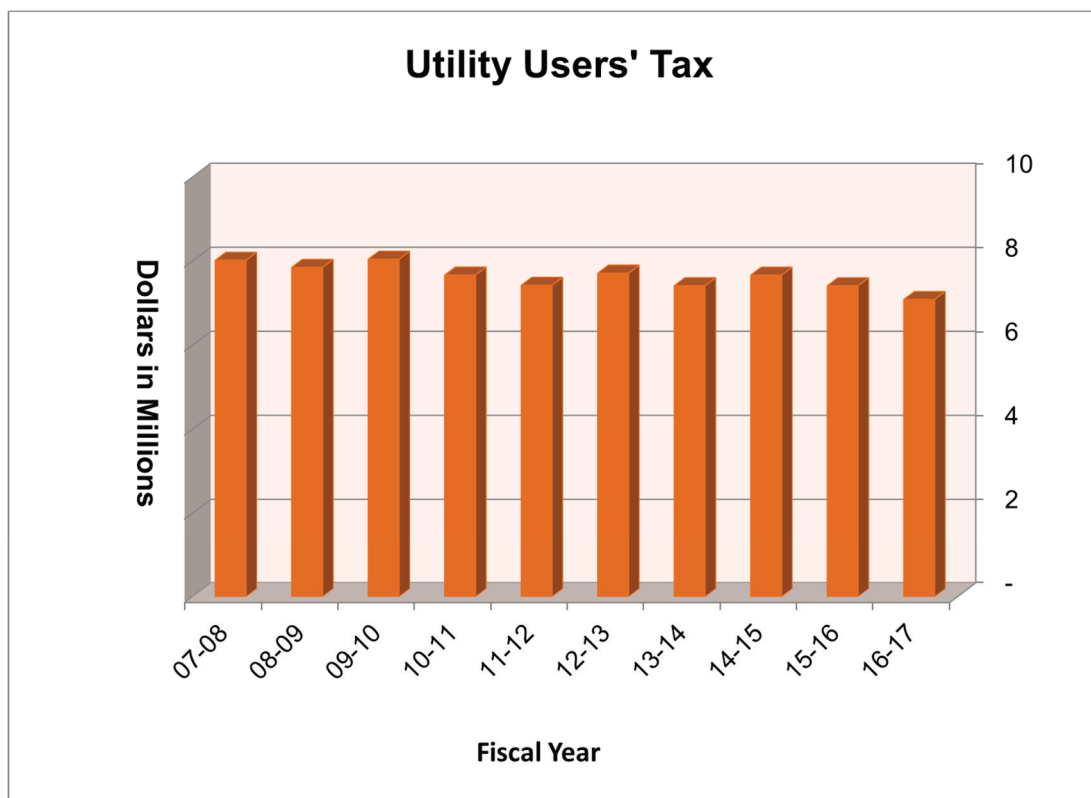
Although sales tax revenue decreased in FY 2016-2017, the City is committed to re-establishing a strong local economy through both business retention and business expansion, offsetting in part the loss of Nordstrom to a neighboring city at the end of calendar year 2015.



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.

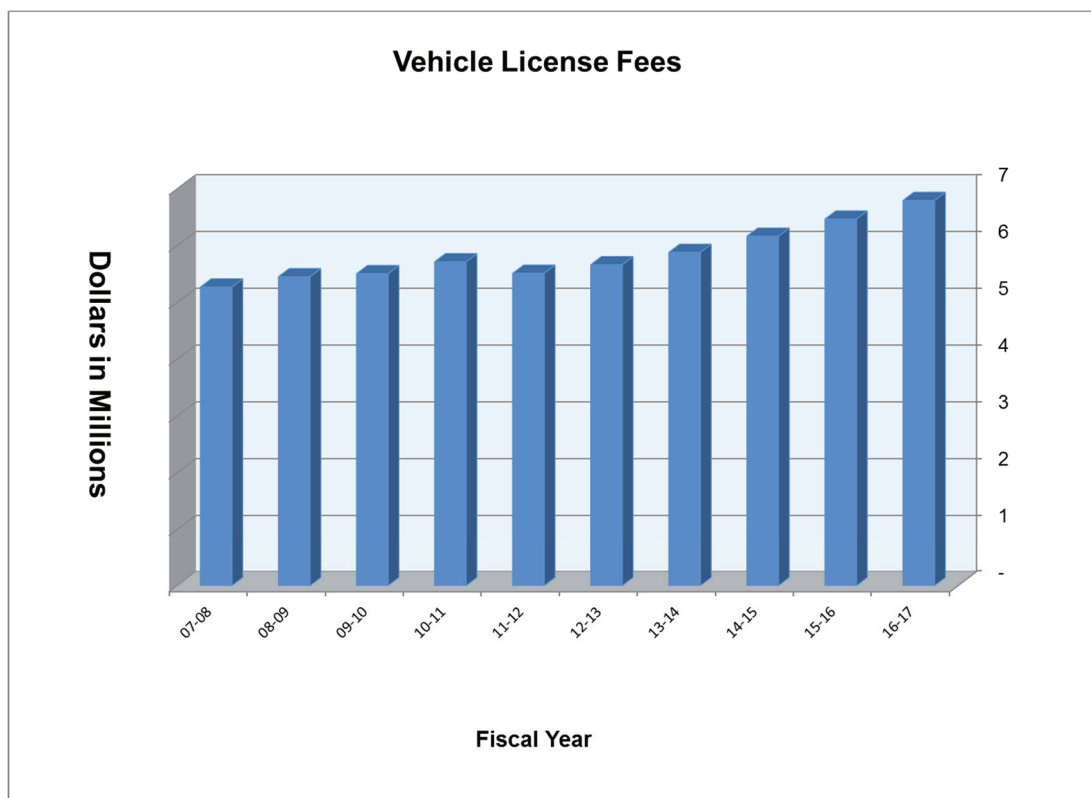
UUT revenue for FY 2016-2017 totaled \$7.1 million, reflecting a decrease from the prior year of \$326,867 or 4.4%. The UUT revenue decrease is primarily from a decrease in utility usage with a wet winter and continued conservation efforts.



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.

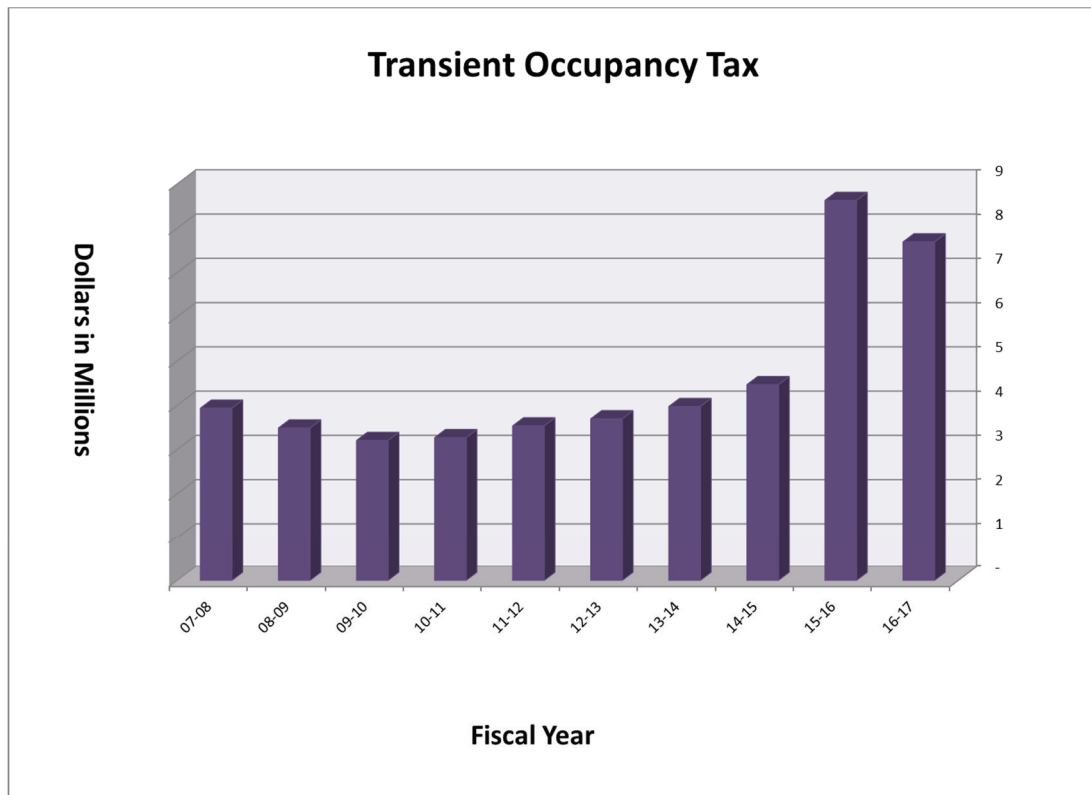
Since FY 2006-2007, the City has seen increased VLF revenue due to the growth in property tax in lieu of VLF but lower motor vehicle in-lieu tax. In FY 2016-2017, VLF revenue totaled \$6.8 million, increasing \$327,445, or 5.1%, from the prior year. This increase comprises gains in both property tax in lieu of VLF and motor vehicle in-lieu tax revenues of \$323,788 and \$3,657, 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. Through FY 2016-2017, generally 10% of the TOT received by the City was contributed to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City. This amount 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 was 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 would need to be negotiated as a contract amendment.

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



CAPITAL IMPROVEMENT PROJECT PLANNING, ACOMPLISHMENTS AND ACTIVITIES

Over the past year, the City focused on maintaining and improving its core infrastructure and completing several high-profile street improvement projects. Notable projects included the Beryl Street Drainage and Street Improvements Project from Flagler Lane to 190th Street, the Marine Avenue Resurfacing Project, and the Esplanade Resurfacing Project from Knob Hill to Catalina Avenue. The City's established process for evaluating, reviewing, and prioritizing future capital efforts concentrates on enhancing the quality of existing public facilities, streets, sewers, and open spaces. The FY 2017-2018 capital budget continues the reinvestment in current infrastructure and includes significant funding for traffic mitigation projects, street rehabilitation, transit center reconstruction, Artesia Boulevard and North Redondo Beach Bike Path enhancements, and, due to new mandates, stormwater drainage and treatment projects.

In FY 2016-2017, the City continued to plan, design, and construct a significant program of capital improvement projects. Street improvement projects, with the greatest variety of funding sources, continued to represent much of the work plan. However, several other projects were completed throughout the City as well.

The City continued to make progress on its five Regional Measure R funded transportation-related capital projects. The City awarded a public works contract and initiated construction of the right-turn lane project at Palos Verdes Boulevard and Pacific Coast Highway. A similar project at Pacific Coast Highway and Torrance Boulevard is at Caltrans for final design review. Another right-turn lane project located on Aviation Boulevard at Artesia Boulevard has been conceptually designed and the City is negotiating with the property owner to secure the right-of-way necessary for construction. Additionally, a consultant was retained to study arterial traffic improvements along Pacific Coast Highway (PCH) and complete construction documents for a southbound right-turn lane at Torrance Boulevard. The City also retained an engineering firm to complete plans and specifications for the southbound right-turn lane on Inglewood Avenue at Manhattan Beach Boulevard.

Two important partnership projects with neighboring cities were constructed in FY 2016-2017. They included the Beryl Street Drainage and Street Improvements Project from Flagler Lane to 190th Street (\$2.0 million), with the City of Torrance, and the Marine Avenue Resurfacing Project (\$800,000), with the City of Hawthorne.

Construction was completed on the Esplanade Resurfacing Project from Knob Hill to Catalina Avenue (\$950,000) and on another phase of the annual Citywide Curb Ramp Improvement effort (\$390,000). Additionally, plans and specifications for construction of the final portion of the Residential Resurfacing Project were completed and approved by the City Council. Construction was initiated in October.

Significant improvements were completed at the Anderson Park, Perry Park and Veterans Park Senior Centers (\$250,000). The project included removal of shuffleboard courts and the installation of new concrete paving as well as interior and exterior painting. The RBPAC East Roof Repair Project (\$195,000) was completed just prior to the winter rains. The Police Department's interior office improvements were completed in the report writing room, interview room, and juvenile detention areas. Construction of the Police Station Security and Parking Lot Improvements Project and the Ensenada Parkette Improvement Project were initiated in the summer of 2017 and have since been completed. Additionally, the tennis courts were resurfaced at both Anderson Park and Alta Vista Park.

The City continues to devote significant resources to the maintenance and improvement of its wastewater infrastructure. In June, the City Council awarded a construction contract for the 2017 Sanitary Sewer Facilities Rehabilitation Project. The \$2.2 million-dollar project includes repair and/or replacement of over 5,600 linear feet of defective sewer mains, installation of 600 linear feet of new sewer main, eight (8) main line defective spot repairs, and work associated with twenty-nine (29) manhole locations. In addition, design for the Rindge Pump Station was completed. Construction on this important project will occur in FY 2017-2018.

The City awarded a \$1.0 million public works contract as part of the Pier Parking Structure Repairs Project. The project, which is nearing completion, will repair joints, leaks, damaged floors, and other structural members of the pier parking structure. Additionally, the City Council recently awarded a contract to prepare plans and specifications for the Anderson Park Improvements Project. The project includes installation of new restrooms and the installation of a new picnic area. Work on the \$725,000 Riviera Village Streetscape Improvements Project, Phase IV also continues. Design is complete and construction will occur this winter. Design of the new Transit Center has also been completed and bidding is expected to occur in January.

In summary, the City completed 13 CIP projects in FY 2016-2017 and designed an additional 15 projects for execution in FY 2017-2018 for a total capital expenditure of approximately \$6.7 million. The FY 2017-2018 capital budget contains \$41.6 million of carryover funding for 56 previously approved projects and \$18 million of appropriations for 27 new and existing projects for a total FY 2017-2018 capital budget of approximately \$59.6 million and 83 projects. The combined effect of the City's continuing capital project planning and execution efforts will impact the community for generations to come.

CASH MANAGEMENT POLICIES AND PRACTICES

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

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

The level of investments maintained with LAIF fluctuates in accordance with variations in both the City's operational and capital improvement program cash flow requirements. The LAIF balance is generally maintained at a level of \$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, 2017, the City's general portfolio was invested as follows:

Market Value Comparison of Investment Portfolio Positions FY 2016-2017								
Investment Type	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
	\$MM	%	\$MM	%	\$MM	%	\$MM	%
Cash in Banks & Money Markets	\$ 5.45	5.9%	\$ 7.10	7.5%	\$ 6.05	6.4%	\$ 4.51	4.4%
Local Agency Investment Fund (LAIF)	\$ 7.50	8.2%	\$ 15.00	15.9%	\$ 20.00	21.1%	\$ 20.00	19.4%
Federal Agency Issues	\$ 49.18	53.7%	\$ 42.89	45.6%	\$ 44.90	47.5%	\$ 50.84	49.7%
Corporate Medium Term Notes	\$ 15.06	16.4%	\$ 14.98	15.9%	\$ 13.98	14.8%	\$ 11.98	11.7%
Bank Certificates of Deposit	\$ 4.50	4.9%	\$ 4.24	4.5%	\$ 3.74	3.9%	\$ 3.24	3.1%
Treasuries	\$ 10.02	10.9%	\$ 9.98	10.6%	\$ 5.97	6.3%	\$ 11.96	11.7%
Total Investment Portfolio	\$ 91.71	100.0%	\$ 94.19	100.0%	\$ 94.64	100.0%	\$102.53	100.0%
Weighted Average Maturity (Years)	1.47		1.34		1.51		1.77	
Portfolio Yield %	0.89%		0.95%		0.97%		1.14%	
LAIF Yield	0.63%		0.71%		0.79%		0.98%	
Yield on Two-Year CMT Benchmark	0.76%		0.85%		0.94%		1.09%	

As required by GASB 31, the City recorded the unrealized gain/loss on certain investments to account for the market value at June 30, 2017. The portfolio market value, \$102,527,296, fell below the book value of \$102,900,199 by \$372,903 of the current market value of the investments within the City's investment portfolio. This unrealized loss in the value of investments results from structural factors and interest rate movements within the financial marketplace over the past year impacting the market valuation of the City's investments in both Federal Agency issues and Corporate Medium Term Notes.

RISK MANAGEMENT

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For FY 2016-17, 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, 2017, the City recorded the following:

Workers' Compensation Claims

Claims payable totaled \$16.68 million representing an increase of \$3.27 million, or 24.4%, from the prior period. This increase is attributable to higher estimated reserves and the settlement of claims in previous years.

Liability Claims

Claims payable totaled \$5.54 million representing an increase of \$2.34 million, or 73.1%, from the prior period. This increase is attributable to higher estimated reserves and the settlement of claims in previous years.

Unemployment Insurance

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department (EDD) to provide salary continuance for terminated employees. For FY 2016-2017, reimbursement to EDD was \$13,517.

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 2016-2017, 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 2016-2017 was 51.67%, up from 48.06% in FY 2015-2016, with the miscellaneous employees' rate increasing from 18.18% to 20.61%. Rates will increase from FY 2016-2017 levels for the 2017-2018 fiscal year (including a conversion of the flat dollar amount unfunded liability portion to an estimated percentage of payroll) to 56.89% for safety employees and 22.42% 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 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 \$13.6 million, which includes the employer and employer-paid member contributions. Approximately 83.9%, or \$11.4 million, was charged to the General Fund. The anticipated total City contribution for FY 2017-2018 is estimated to be approximately \$14.6 million and is expected to increase again in FY 2018-2019.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY 2016-2017 total cost for Social Security and Medicare coverage was \$1.9 million, of which \$1.3 million, or 67.5%, 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 \$1.4 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, 2017, the City was providing benefits to 126 participants.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016. This makes 24 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 2016-2017, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet and exceed the criteria to receive this certificate, and we will be submitting it to GFOA for consideration.

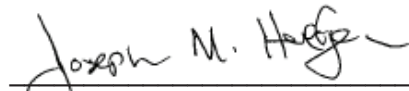
ACKNOWLEDGMENTS

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

Respectfully submitted,



MARNI RUHLAND
Interim Finance Director



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, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



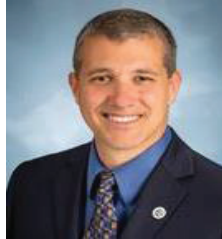
Bill Brand
Mayor



Nils Nehrenheim
Councilmember
District 1



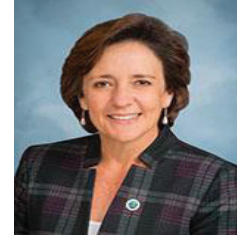
Todd Loewenstein
Councilmember
District 2



Christian Horvath
Councilmember
District 3



John Gran
Councilmember
District 4



Laura Emdee
Councilmember
District 5

CITY OFFICIALS

Joseph Hoefgen
City Manager

Michael Witzansky
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Steven Diels
City Treasurer

John LaRock
Community Services Director

Robert Metzger
Fire Chief

Stephen Proud
Waterfront and Economic Development Director

Chris Benson
Information Technology Director

Marni Ruhland
Interim Finance Director

Aaron Jones
Community Development Director

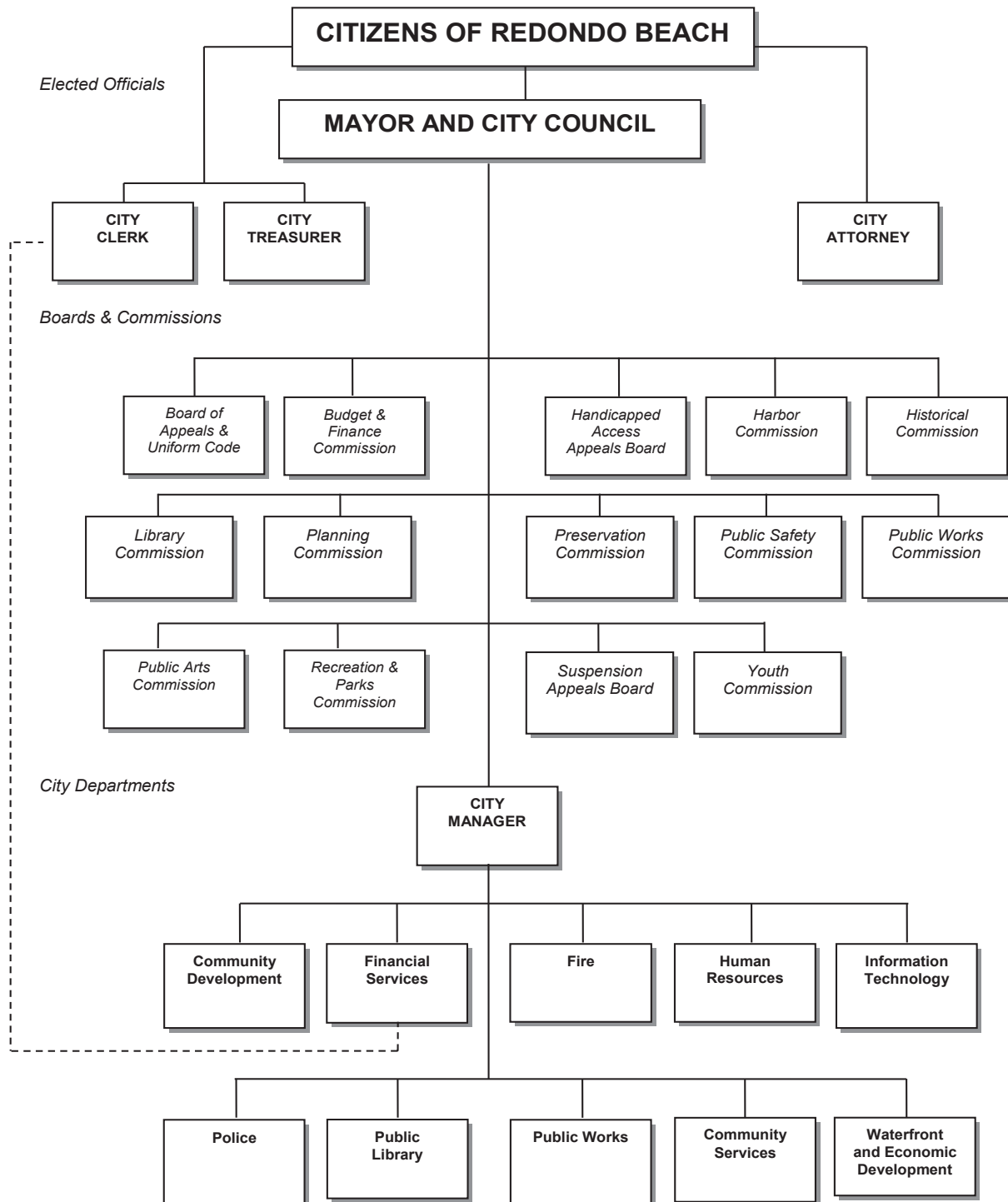
Keith Kauffman
Chief of Police

Susan Anderson
Library Director

Ted Semaan
Public Works Director

Diane Strickfaden
Human Resources Director

ORGANIZATIONAL CHART FY 2016-17



**ORGANIZATIONAL CHART
FY 2016-17**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Redondo Beach, California, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California, as of June 30, 2017, 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, the budgetary comparison schedules for the general fund, other intergovernmental grants fund, low-mod income housing fund, the modified approach for the City's streets infrastructure capital assets, the schedule of changes in net pension liability and related ratios, the schedule of contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 19, 2017

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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, 2017. 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, 2017 by \$144.0 million – assets and deferred outflows for governmental activities exceeded liabilities and deferred inflows by \$78.3 million and assets and deferred outflows for business-type activities exceeded liabilities and deferred inflows by \$65.7 million.

Changes in Net Position - The City's net position increased \$1.6 million in fiscal year 2016-2017. Net position of governmental activities decreased \$(2.5) million, and net position of business-type activities increased \$4.0 million.

- *Fund Highlights*

Governmental Funds - At the close of fiscal year 2016-2017, the City's total governmental funds reported a fund balance of \$55.3 million, a decrease of \$(1.0) million from the prior year. Highlighted below are this year's major funds included in this grouping.

General Fund - The fund balance of the General Fund (including Special Revenue – CalPERS Reserve Fund of \$7.4 million) on June 30, 2017 was \$18.5 million, an decrease of \$2.7 million from the prior year.

Special Revenue - Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants Fund on June 30, 2017 was negative \$1.5 million, an increase to the negative fund balance by \$0.1 million from the prior year.

Special Revenue - Low-Mod Income Housing Fund - The fund balance of the Special Revenue - Low-Mod Income Housing Fund on June 30, 2017 was \$4.2 million, an increase of \$0.1 million from the prior year.

Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2017, was \$12.4 million, an increase of \$1.3 from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

- *Statement of Net Position*

The Statement of Net Position presents summarized information of all the City's assets and liabilities, 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), the Redondo Beach Community Financing Authority (CFA), and the Redondo Beach Housing Authority. Because the City Council acts as the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

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

Fund Financial Statements

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

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

- ***Governmental Funds***

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

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

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

- *Proprietary Funds*

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

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

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

- *Fiduciary Funds*

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes disclosure of the modified approach for the city pavement infrastructure and budgetary 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
Fiscal Year Ended June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
Current and Other Assets	\$ 87,549,795	\$ 86,706,837	\$ 43,167,968	\$ 39,363,739	\$ 130,717,763	\$ 126,070,576
Capital Assets, Net Depreciation	141,354,746	139,008,690	45,067,288	44,736,862	186,422,034	183,745,552
Total Assets	228,904,541	225,715,527	88,235,256	84,100,601	317,139,797	309,816,128
Deferred Outflows of Resources	28,950,330	10,353,215	3,336,023	1,643,729	32,286,353	11,996,944
Long-Term Liabilities						
Outstanding	169,395,334	139,584,122	23,789,897	22,181,282	193,185,231	161,765,404
Other Liabilities	6,873,587	7,323,214	1,667,168	1,045,205	8,540,755	8,368,419
Total Liabilities	176,268,921	146,907,336	25,457,065	23,226,487	201,725,986	170,133,823
Deferred Inflows of Resources	3,265,583	8,373,823	395,560	838,607	3,661,143	9,212,430
Net Investment in Capital Assets	139,053,697	135,628,091	37,169,598	37,542,589	176,223,295	173,170,680
Restricted	22,833,987	26,346,341	-	-	22,833,987	26,346,341
Unrestricted	(83,567,317)	(81,186,849)	28,549,056	24,136,647	(55,018,261)	(57,050,202)
Total Net Position	\$ 78,320,367	\$ 80,787,583	\$ 65,718,654	\$ 61,679,236	\$ 144,039,021	\$ 142,466,819

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 \$144.0 million at the close of fiscal year ending June 30, 2017.

The largest portion of the City's total net position (122.3%) 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 2016-2017 total net position increased by \$1.6 million, or 1.1%, from the prior year. The governmental activities net position decreased \$(2.5) million, or (3.1)%, and business-type activities net position increased \$4.0 million, or 6.5%.

Within total assets, the increase in capital assets, net of accumulated depreciation by \$2.7 million, or 1.5%, was primarily attributable to the recent completion of infrastructure and park projects throughout the City. This increase in capital assets also resulted in a corresponding increase in Net Investments in Capital Assets. However, the increase in net position is primarily due to a decrease in deferred inflows of resources related to pensions of \$(5.6) million with a difference between projected and actual earnings on the pension plan.

City of Redondo Beach's Change in Net Position
Fiscal Year Ended June 30, 2016 and 2017

	Governmental Activities		Business-Type Activities		Total	
Revenues:	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
Program revenues:						
Charges for services	\$ 25,329,764	\$ 24,295,405	\$ 21,756,925	\$ 21,621,941	\$ 47,086,689	\$ 45,917,346
Operating grants and contributions	8,563,072	8,135,187	1,888,902	2,200,958	10,451,974	10,336,145
Capital grants and contributions	492,146	912,045	-	-	492,146	912,045
Total program revenues	34,384,982	33,342,637	23,645,827	23,822,899	58,030,809	57,165,536
General revenues:						
Property taxes	34,375,818	32,766,493	-	-	34,375,818	32,766,493
Transient occupancy taxes	7,689,889	8,627,801	-	-	7,689,889	8,627,801
Sales taxes	10,059,087	12,347,884	-	-	10,059,087	12,347,884
Franchise taxes	1,706,371	1,963,752	-	-	1,706,371	1,963,752
Business license taxes	1,201,068	1,186,567	-	-	1,201,068	1,186,567
Utility users' taxes	7,085,063	7,411,930	-	-	7,085,063	7,411,930
Other taxes	731,571	-	-	-	731,571	-
Motor vehicle in-lieu - unrestricted	31,132	27,475	-	-	31,132	27,475
Use of money and property	3,038,633	1,184,588	99,085	450,632	3,137,718	1,635,220
Other	1,521,902	2,826,066	212,030	289,269	1,733,932	3,115,335
Gain (loss) on sale of capital assets	-	71,254	-	11,868	-	83,122
Total general revenues	67,440,534	68,413,810	311,115	751,769	67,751,649	69,165,579
Total revenue	101,825,516	101,756,447	23,956,942	24,574,668	125,782,458	126,331,115

	Governmental Activities		Business-Type Activities		Total	
	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
Expenses:						
General government	10,846,646	10,944,620	-	-	10,846,646	10,944,620
Public safety	55,489,827	46,244,936	-	-	55,489,827	46,244,936
Public works	14,135,326	12,915,567	-	-	14,135,326	12,915,567
Cultural and leisure services	12,496,716	11,556,891	-	-	12,496,716	11,556,891
Housing and community development	9,769,288	8,757,638	-	-	9,769,288	8,757,638
Interest on long-term debt	80,782	124,522	-	-	80,782	124,522
Harbor Tidelands	-	-	6,395,134	5,652,988	6,395,134	5,652,988
Harbor Uplands	-	-	4,479,269	4,469,890	4,479,269	4,469,890
Wastewater	-	-	2,917,527	2,144,353	2,917,527	2,144,353
Solid Waste	-	-	3,973,666	3,763,513	3,973,666	3,763,513
Transit	-	-	3,626,075	3,536,593	3,626,075	3,536,593
Total expenses	102,818,585	90,544,174	21,391,671	19,567,337	124,210,256	110,111,511
Change in net position before transfers	(993,069)	11,212,273	2,565,271	5,007,331	1,572,202	16,219,604
Transfers	(1,474,147)	(784,726)	1,474,147	784,726	-	-
Change in net position	(2,467,216)	10,427,547	4,039,418	5,792,057	1,572,202	16,219,604
Net position, beginning of year, as restated	80,787,583	70,360,036	61,679,236	55,887,179	142,466,819	126,247,215
Net position, end of year	\$ 78,320,367	\$ 80,787,583	\$ 65,718,654	\$ 61,679,236	\$ 144,039,021	\$ 142,466,819

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net position. As reflected above, total revenues decreased in fiscal year 2016-2017 by \$(0.5) million, or (0.4)%. Increases in program revenues are primarily reflected in charges for services. General revenue decreased overall as a result of lower sales tax revenue and the fiscal year 2015-2016 recording of the Marine Avenue hotel reserve account. However, property tax revenue growth did increase in fiscal year 2016-2017.

Citywide total expenses increased \$14.1, or 12.8%, when compared to fiscal year 2015-2016. The increase in expenses was primarily related to increased personnel costs with compensation adjustments, higher CalPERS rates and an increase in hiring for vacant positions and fiscal year 2016-2017 significant increases in expenditures for liability claims, based on actuarial projections.

Governmental Activities

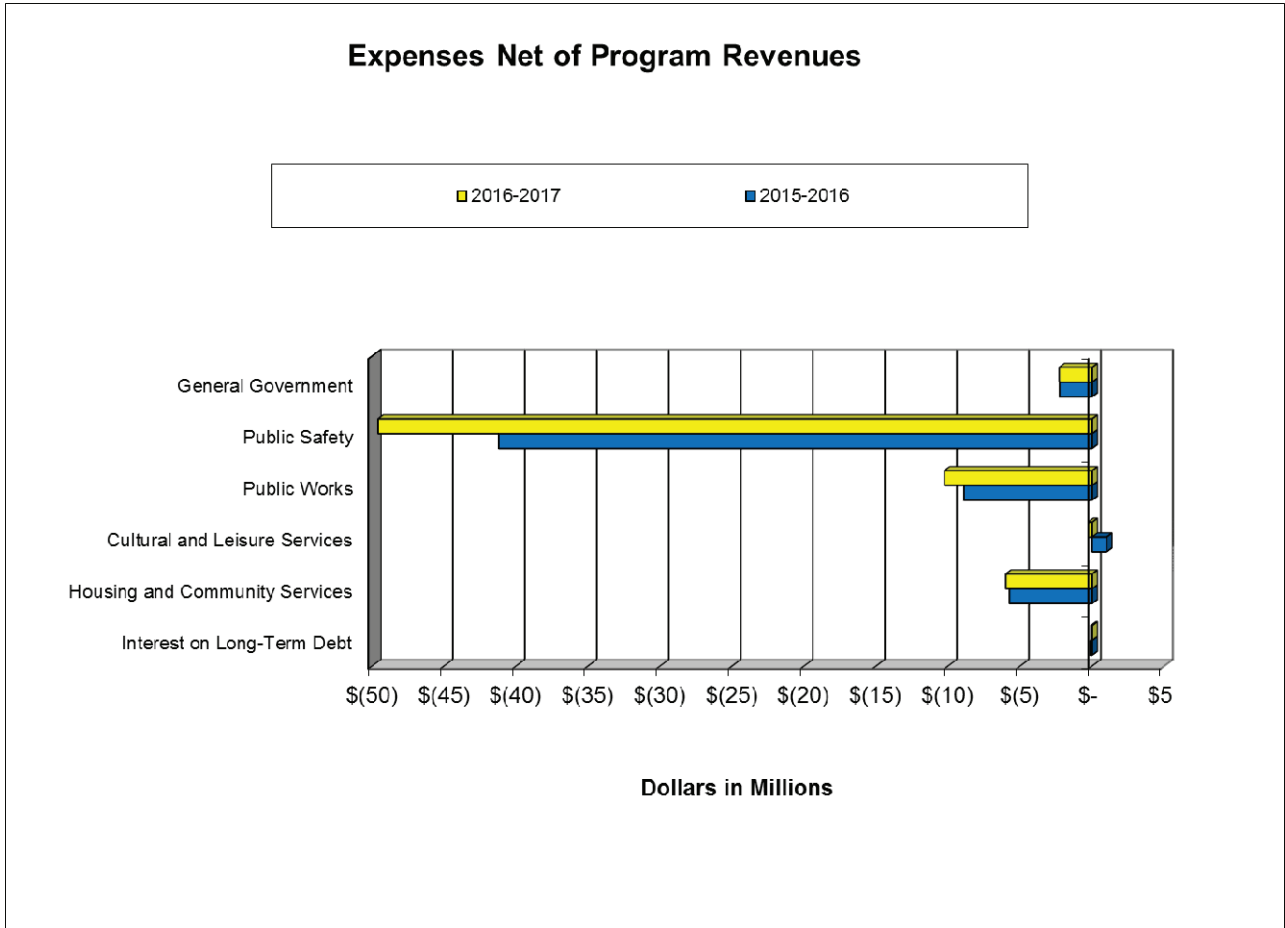
As reflected in the Changes in Net Position schedule above, the total governmental activity expenses were \$102.8 million in fiscal year 2016-2017; and total revenues from governmental activities were \$101.8 million, of which 33.8% were derived from program revenues primarily consisting of charges for services and grants.

As shown on the following chart, the governmental activity expenses net of program revenues, decreased \$11.2 million, or 19.6%, in fiscal year 2016-2017. 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.

	Impact to Net Position		Percent
	2016-2017	2015-2016	Increase (Decrease)
Governmental Activities:			
Expenses Net of Program Revenues*			
General government	\$ (2,276,140)	\$ (2,254,786)	0.9 %
Public safety	(49,578,435)	(41,201,494)	20.3 %
Public works	(10,244,782)	(8,893,127)	15.2 %
Cultural and leisure services	(268,018)	1,005,180	(126.7) %
Housing and community development	(5,985,446)	(5,732,788)	4.4 %
Interest on long term debt	(80,782)	(124,522)	(35.1) %
Total Governmental Activity Expenses			
Net of Program Revenues	\$ (68,433,603)	\$ (57,201,537)	19.6 %

**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.*

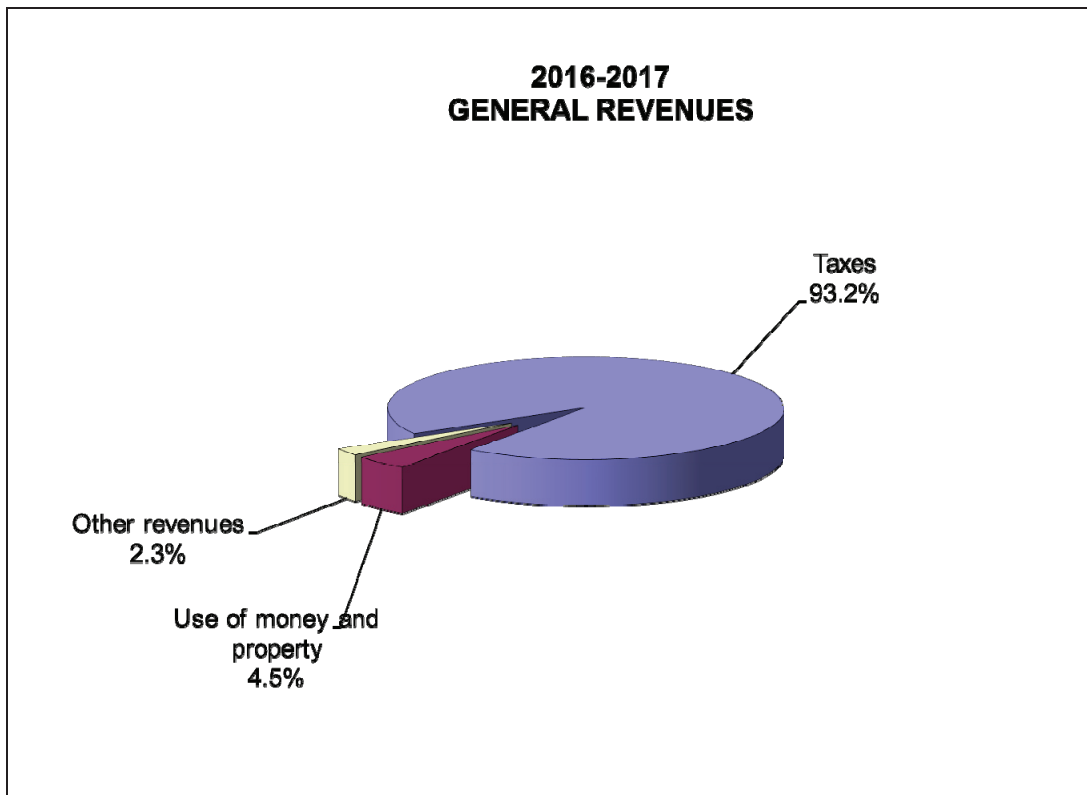
The chart below is a graphical representation of the schedule above.



General Revenues Related to Governmental Activities

General Revenues	2016-2017	2015-2016	Increase / (Decrease)
Taxes	\$ 62,848,867	\$ 64,304,427	(2.3) %
Use of money and property	3,038,633	1,184,588	156.5 %
Other revenues	1,553,034	2,924,795	(46.9) %
Total General Revenues	\$ 67,440,534	\$ 68,413,810	(1.4) %

General revenues are all other revenues not attributable to a specific program and, therefore, not categorized as program revenues. These revenues include taxes, use of money and property, and other revenues and decreased 1.4% over prior year.



Business-Type Activities

The City has five business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, Wastewater, and Transit. The total net position of the business-type activities increased by \$4.0 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 2016-2017, the total net position of the Harbor Tidelands increased \$0.3 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 2016-2017, the total net position of Harbor Uplands increased by \$1.0 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 2016-2017, the total net position of Wastewater increased \$2.7 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 2016-2017, the total net position of Solid Waste remained relatively flat from the prior year.

Transit operations provide transportation services mainly to the cities of Redondo Beach, Hermosa Beach, and Manhattan Beach. The transit system is supported through bus passes, passenger fares, contributions from other local jurisdictions, Transportation Development Act Article 4 funding, and Propositions A and C discretionary funding. In fiscal year 2016-2017, the total net position of Transit did not change from the prior year.

INTERNAL SERVICE FUNDS

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

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

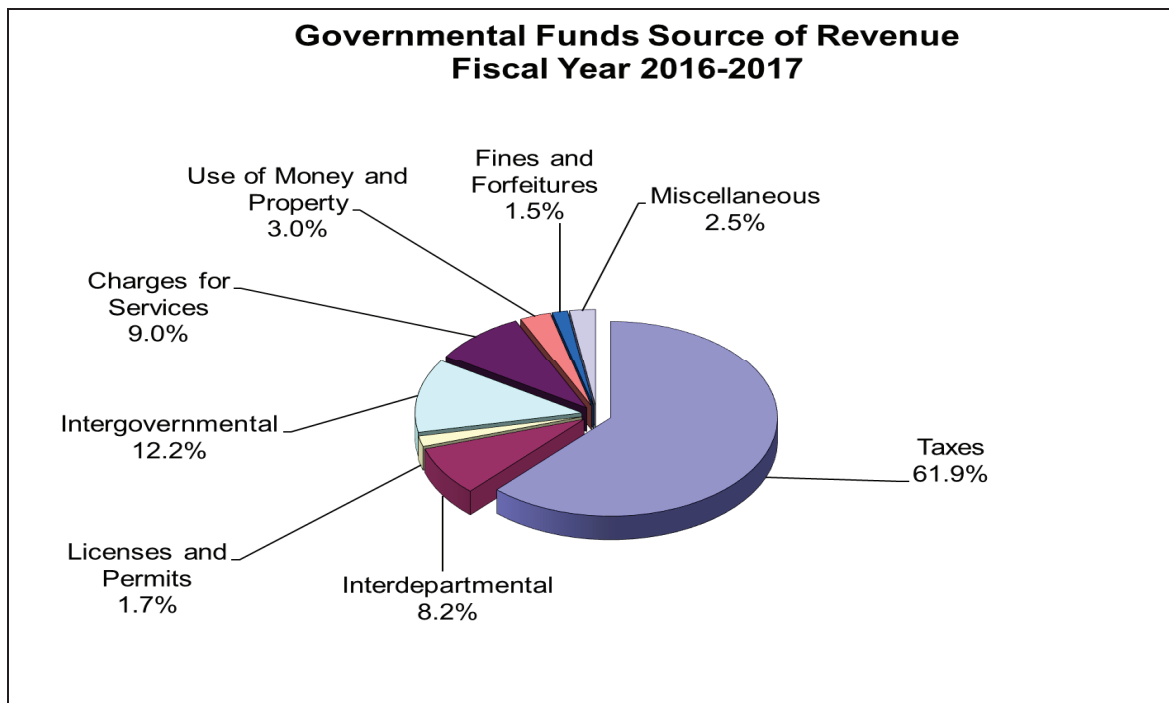
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore,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

Governmental Funds

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

Governmental Funds - The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2017, 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 16-17	Percent of Total	Increase (Decrease) FY 15-16	Percent Increase (Decrease)
Taxes	\$ 62,848,867	61.9 %	\$ (1,455,560)	(2.3) %
Interdepartmental	8,292,178	8.2 %	115,388	1.4 %
Licenses & permits	1,755,119	1.7 %	(11,622)	(0.7) %
Intergovernmental	12,359,047	12.2 %	99,959	0.8 %
Charges for services	9,128,589	9.0 %	(408,309)	(4.3) %
Use of money & property	3,038,633	3.0 %	(74,636)	(2.4) %
Fines & forfeitures	1,523,928	1.5 %	(121,849)	(7.4) %
Miscellaneous	2,540,369	2.5 %	(154,042)	(5.7) %
Total	101,486,730	100.0 %	(2,010,671)	(1.9) %

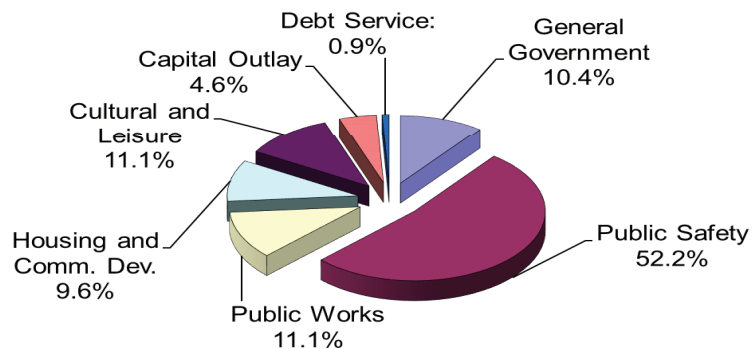


Total governmental fund revenues increased \$(2.0) million, or (1.9)%, from fiscal year 2015-2016. Taxes decreased \$(1.5) million, or (2.3)%, primarily from transient occupancy tax revenue. The fiscal year 2015-2016 revenue amount included \$3 million from the initial recording of the Marine Avenue hotel reserve account. Charges for services decreased \$(0.4) million, or (4.3)%, primarily due to one-time fiscal year 2015-2016 construction activity.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2017, 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 16-17	Percent of Total	Increase (Decrease) FY 15-16	Percent Increase (Decrease)
Current:				
General government	\$ 10,535,983	10.4 %	\$ 349,040	3.4 %
Public safety	52,875,881	52.2 %	2,974,199	6.0 %
Public works	11,235,682	11.1 %	37,293	0.3 %
Housing and community development	9,759,833	9.6 %	391,688	4.2 %
Cultural and leisure services	11,265,379	11.1 %	264,004	2.4 %
Capital outlay	4,682,977	4.6 %	1,149,082	32.5 %
Debt service	866,999	0.9 %	(897)	(0.1) %
	<u>\$ 101,222,734</u>	<u>100.0 %</u>	<u>\$ 5,164,409</u>	<u>5.4</u>

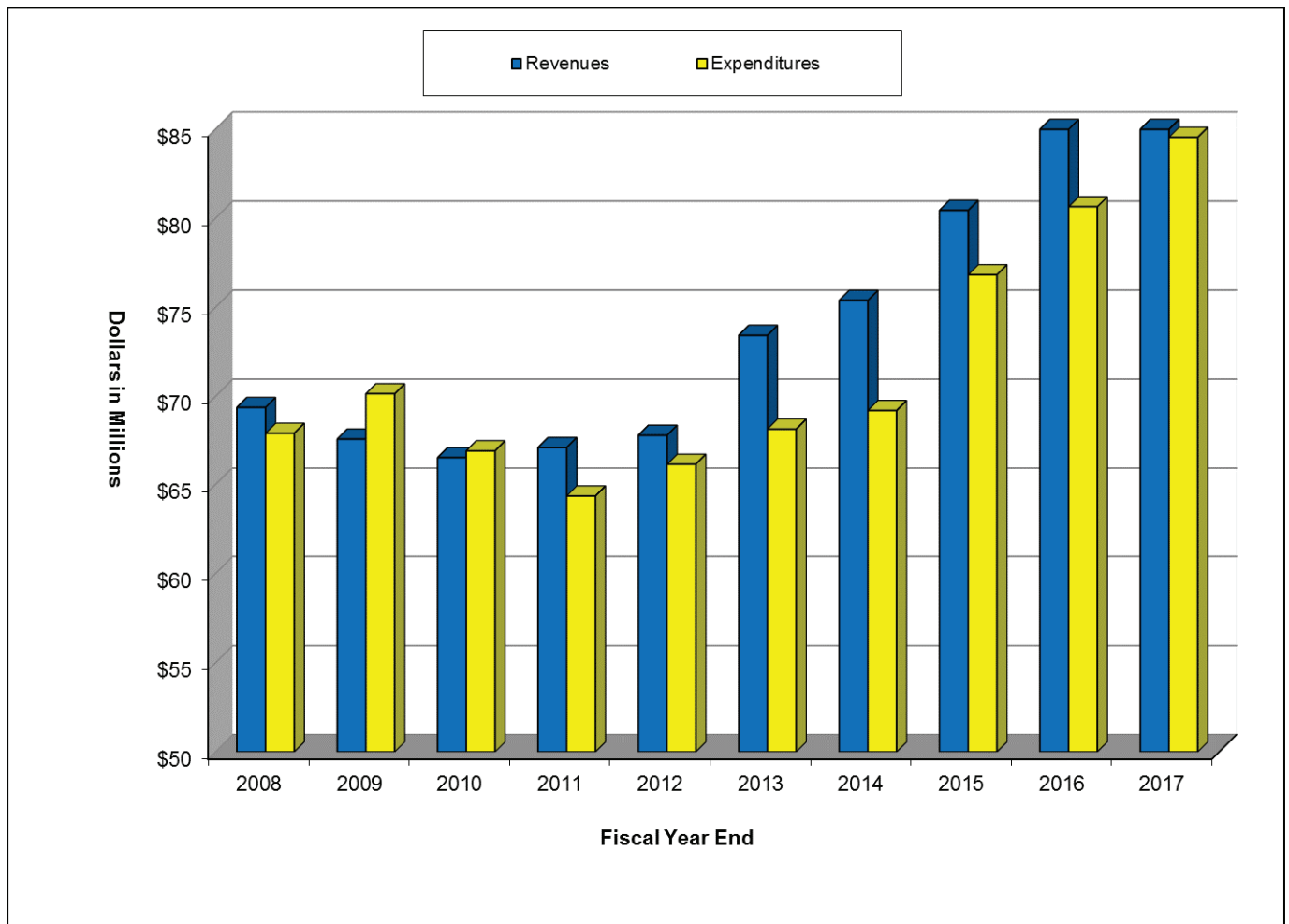
**Governmental Funds Expenditures by Category
Fiscal Year 2016-2017**



Total governmental fund expenditures increased \$5.2 million, or 5.4%, from fiscal year 2016-2017. As mentioned earlier, the variances are attributable to:

- Current expenditures increased by \$4.0 million, or 4.4%, with higher personnel costs, reflecting compensation adjustments, higher CalPERS rates, and an increase in hiring for vacant positions, and increased internal service fund/overhead costs, reflecting higher liability and workers' compensation costs as well as large maintenance projects in fiscal year 2016-2017.
- Capital outlay expenditures substantially increased by \$1.1 million, or 32.5%, primarily from more capital improvement project expenses.
- Debt service expenditures decreased by \$(897) or (0.1)% in accordance with the debt payment schedules.

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



Since fiscal year 2010-2011, revenues have consistently exceeded expenditures in the General Fund. When compared to fiscal year 2015-2016, revenues decreased \$(2.1) million, or (2.4)%, while expenditures increased 3.9 million, or 4.8%

General Fund Balance

The fund balance of the General Fund as of June 30, 2017 was \$18.5 million (includes Special Revenue – PERS Reserve Fund of \$7.4 million), a decrease of \$(2.7) million, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

	FY 14-15	FY 15-16	FY 16-17
General Fund Contingency	\$ 6,738,848	\$ 7,154,237	\$ 7,409,689
Compensated Absences	489,418	477,621	658,694
Carryover Assignments	1,248,010	1,827,110	1,020,340
Encumbrances	531,965	510,068	1,452,623
Petty Cash	15,530	14,850	12,850
CalPERS	4,913,747	5,977,307	7,441,407
Future Year's Appropriations	3,302,185	496,580	1,225
Unassigned Balance	5,786,193	1,694,671	418,474

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, 2017 was \$(1.5) million, an increase to the negative balance of \$0.1 million, when compared to the prior year. Revenues and expenditures of the fund, where monies from Federal, State and other governmental agencies are used primarily for capital improvement projects, tend to fluctuate from year to year depending on resources received from other governmental agencies.

Low-Mod Income Housing Fund Balance

The fund balance of the Low-Mod Income Housing Fund as of June 30, 2017 was \$4.2 million, an increase of \$0.1 million, when compared to the prior year. Housing assets transferred from the dissolved Redevelopment Agency and funds generated from those assets are used to assist with housing needs for low- and moderate- income individuals.

Capital Improvement Projects Fund Balance

The fund balance of the Capital Improvements Projects Fund as of June 30, 2017 was \$12.4 million, an increase of \$1.3 million, when compared to the prior year. Revenues and expenditures of the fund, and transfers to and from the fund are used for capital improvement projects, tend to fluctuate from year to year depending on the size and status of current capital improvement projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended fiscal year 2016-2017 budget totaled \$93.2 million, including transfers out and including net amendments of \$4.2 million to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Appropriation of \$263,400 for the purchase of mobile and portable radios.
- Funding of prior-year encumbrances of \$510,068.
- Funding of carry-over appropriations of \$1,827,110.
- Increased mid-year appropriations by \$1,570,424.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$0.6 million and expenditures were \$5.0 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, 2017, net capital assets of the governmental and business-type activities totaled \$141.4 million and \$45.1 million, respectively. Depreciation on capital assets is recognized in the Government-Wide financial statements.

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

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

Prior to fiscal year 2008-2009, the City's PQI rating, an amalgam of the PCR and the International Roughness Index (IRI) established by the World Bank, was based on a 10.0 scale. In fiscal year 2008-2009, the PQI rating was converted to a 100 point scale to make it comparable to alternative pavement rating methods. In fiscal year 2016-2017, the City moved to the PCI rating, an alternate paving rating method, which is most frequently used by adjacent cities for an easier comparison. City policy was to achieve an average rating of PQI 80 for all streets by fiscal year 2008-2009 and maintain this rating on a go-forward basis. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of June 30, 2017 the City's street system was rated at a PCI of 70, which is equivalent to a PQI of 84.

The City's budget for street maintenance for the fiscal year ended June 30, 2017 was \$18.2 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, 2017 through June 30, 2018 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
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Construction in Progress	4,897,185	-	4,897,185
Building and Improvements	47,521,548	(21,628,311)	25,893,237
Furniture and Equipment	8,219,540	(7,510,574)	708,966
Automotive Equipment	17,063,963	(10,323,786)	6,740,177
Leased Equipment	2,206,294	(1,531,431)	674,863
Infrastructure	137,610,878	(51,693,507)	85,917,371
Total	\$ 234,042,355	\$ (92,687,609)	\$ 141,354,746
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Construction in Progress	3,534,702	-	3,534,702
Building and Improvements	31,402,770	(17,907,107)	13,495,663
Furniture and Equipment	671,271	(652,433)	18,838
Automotive Equipment	3,774,884	(2,279,434)	1,495,450
Leased Equipment	277,949	(189,932)	88,017
Infrastructure	27,285,800	(12,144,437)	15,141,363
Total	\$ 78,270,631	\$ (33,173,343)	\$ 45,097,288

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 2016-2017 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	Amount	Ratio of Debt to Assessed Value of Property	Debt per Capita
Net Direct Bonded Debt	\$ 8,530,000	0.06 %	\$ 123.79

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 2017-2018, 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 2017-2018 is projected to increase to \$25.0 million, excluding property tax in lieu of VLF and homeowners' exemptions, reflecting an incremental improvement in property values. Property tax revenue is the City's number one source of operating revenue.
- Sales and Use Tax revenue is projected to increase to \$10.7 million. One-time negative adjustments in fiscal year 2015-2016 by the State Board of Equalization in regards to the departure of Nordstrom from Redondo Beach account for the increase.
- Utility Users' Tax (UUT) revenue is projected to increase to \$7.4 million. Much of this growth is attributable to rising utility rates and increased water usage after a wet year in fiscal year 2015-2016. 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 \$8.8 million. This reflects the first full year of operation for the City's two new hotels in fiscal year 2017-2018.
- Investment Earnings for the General Fund for fiscal year 2017-2018 are projected to decrease to \$450,000. This decrease is attributable to a smaller portfolio in July (the beginning of the fiscal year) with a large prepayment of the City's CalPERS costs.

General Fund appropriations for fiscal year 2017-2018 are projected at \$89.0 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 2016-2017, Redondo Beach experienced a 5.4% change in real property assessed valuations, compared to last year's 4.9%. Hotel occupancy rates for the City's fifteen operating hotels increased by 2.9% from fiscal year 2015-2016 with a 10.9% revenue decrease primarily due to the fiscal year 2015-2016 initial recording of the \$3.0 million Marine Avenue hotel reserve account. Redondo Beach continues to exceed the countywide median in total taxable retail sales, ranking 35 out of 88 cities in Los Angeles County. Redondo Beach experienced a decrease in its unemployment rate from 3.3% in 2016 to 2.8% in 2017, which is well below the Los Angeles County and State of California 2017 unemployment rates of 4.6% and 4.7%, 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.

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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 64,826,352	\$ 42,224,745	\$ 107,051,097
Receivables:			
Accounts	907,111	683,110	1,590,221
Taxes	5,001,867	159,598	5,161,465
Notes and loans	3,666,241	42,673	3,708,914
Accrued interest	176,955	107,377	284,332
Internal balances	93,546	(93,546)	-
Prepaid costs	66,422	-	66,422
Due from other governments	7,605,070	44,011	7,649,081
Advances to Successor Agency	535,731	-	535,731
Restricted assets:			
Cash with fiscal agent	4,670,500	-	4,670,500
Capital assets not being depreciated	75,474,168	14,857,957	90,332,125
Capital assets, net of depreciation	65,880,578	30,209,331	96,089,909
Total Assets	228,904,541	88,235,256	317,139,797
Deferred Outflows of Resources:			
Deferred charge on refunding	-	437,032	437,032
Deferred pension related items	28,950,330	2,898,991	31,849,321
Total Deferred Outflows of Resources	28,950,330	3,336,023	32,286,353
Liabilities:			
Accounts payable	3,117,859	1,362,012	4,479,871
Accrued liabilities	2,716,686	-	2,716,686
Accrued interest	40,277	-	40,277
Unearned revenue	707,593	107,627	815,220
Deposits payable	141,172	197,529	338,701
Pollution remediation liability	150,000	-	150,000
Noncurrent liabilities:			
Net pension liability	141,706,606	15,049,895	156,756,501
Due within one year	2,866,004	704,883	3,570,887
Due in more than one year	24,822,724	8,035,119	32,857,843
Total Liabilities	176,268,921	25,457,065	201,725,986
Deferred Inflows of Resources:			
Deferred pension related items	3,265,583	395,560	3,661,143
Total Deferred Inflows of Resources	3,265,583	395,560	3,661,143
Net Position:			
Net investment in capital assets	139,053,697	37,169,598	176,223,295
Restricted for:			
Housing and community development	10,476,978	-	10,476,978
Public safety	940,116	-	940,116
Public works	357,256	-	357,256
Debt service	5,855,278	-	5,855,278
Low and moderate income housing	5,204,359	-	5,204,359
Unrestricted	(83,567,317)	28,549,056	(55,018,261)
Total Net Position	\$ 78,320,367	\$ 65,718,654	\$ 144,039,021

CITY OF REDONDO BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Contributions and Grants	Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 10,846,646	\$ 8,570,506	\$ -	\$ -
Public safety	55,489,827	4,764,211	1,147,181	-
Housing and community development	9,769,288	3,577,756	-	206,086
Cultural and leisure services	12,496,716	5,837,816	6,104,822	286,060
Public works	14,135,326	2,579,475	1,311,069	-
Interest on long-term debt	80,782	-	-	-
Total Governmental Activities	102,818,585	25,329,764	8,563,072	492,146
Business-Type Activities:				
Harbor Tidelands	6,395,134	6,694,914	-	-
Harbor Uplands	4,479,269	5,378,886	-	-
Wastewater	2,917,527	5,546,090	-	-
Solid Waste	3,973,666	3,792,964	36,390	-
Transit	3,626,075	344,071	1,852,512	-
Total Business-Type Activities	21,391,671	21,756,925	1,888,902	-
Total Primary Government	\$ 124,210,256	\$ 47,086,689	\$ 10,451,974	\$ 492,146

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Utility users tax

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Transfers**Total General Revenues,
and Transfers**

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,276,140)	\$ -	\$ (2,276,140)
(49,578,435)	-	(49,578,435)
(5,985,446)	-	(5,985,446)
(268,018)	-	(268,018)
(10,244,782)	-	(10,244,782)
(80,782)	-	(80,782)
(68,433,603)	-	(68,433,603)
-	299,780	299,780
-	899,617	899,617
-	2,628,563	2,628,563
-	(144,312)	(144,312)
-	(1,429,492)	(1,429,492)
-	2,254,156	2,254,156
(68,433,603)	2,254,156	(66,179,447)
34,375,818	-	34,375,818
7,689,889	-	7,689,889
10,059,087	-	10,059,087
1,706,371	-	1,706,371
1,201,068	-	1,201,068
7,085,063	-	7,085,063
731,571	-	731,571
31,132	-	31,132
3,038,633	99,085	3,137,718
1,521,902	212,030	1,733,932
(1,474,147)	1,474,147	-
65,966,387	1,785,262	67,751,649
(2,467,216)	4,039,418	1,572,202
80,787,583	61,679,236	142,466,819
\$ 78,320,367	\$ 65,718,654	\$ 144,039,021

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

CITY OF REDONDO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

		Special Revenue Funds	
	General	Other Intergovernmental Grants	Low-Mod Income Housing
Assets:			
Pooled cash and investments	\$ 12,518,776	\$ -	\$ 971,433
Receivables:			
Accounts	596,287	-	-
Taxes	4,950,172	-	-
Notes and loans	21,625	-	3,250,287
Accrued interest	151,635	-	-
Prepaid costs	66,422	-	-
Due from other governments	1,639,977	846,818	-
Due from other funds	2,052,987	-	-
Advances to other funds	925,105	-	-
Advances to Successor Agency	-	-	535,731
Restricted assets:			
Cash and investments with fiscal agents	3,014,810	-	-
Total Assets	\$ 25,937,796	\$ 846,818	\$ 4,757,451
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,197,566	\$ 83,173	\$ -
Accrued liabilities	2,716,686	-	-
Unearned revenues	408,583	299,010	-
Deposits payable	141,172	-	-
Due to other funds	2,450,000	1,131,174	-
Advances from other funds	-	-	-
Pollution remediation liability	150,000	-	-
Total Liabilities	7,064,007	1,513,357	-
Deferred Inflows of Resources:			
Unavailable revenues	370,440	786,993	549,306
Total Deferred Inflows of Resources	370,440	786,993	549,306
Fund Balances:			
Nonspendable:			
Prepaid costs	66,422	-	-
Notes and loans	21,625	-	-
Restricted for:			
Housing and community development	-	-	-
Public safety	-	-	-
Public works	-	-	-
Debt service	-	-	-
Low and moderate income housing	-	-	4,208,145
Committed to:			
Contingency	7,409,689	-	-
Assigned to:			
General government	240,477	-	-
Housing and community development	376,874	-	-
Public safety	565,041	-	-
Public works	270,231	-	-
Capital Projects	-	-	-
Carryover assignments	1,020,340	-	-
Compensated absences	658,694	-	-
Petty cash	12,850	-	-
Future year's appropriations	1,225	-	-
CalPERS	7,441,407	-	-
Unassigned	418,474	(1,453,532)	-
Total Fund Balances	18,503,349	(1,453,532)	4,208,145
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,937,796	\$ 846,818	\$ 4,757,451

CITY OF REDONDO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	Capital Projects Funds		
	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 10,422,251	\$ 15,584,341	\$ 39,496,801
Receivables:			
Accounts	118,892	13,936	729,115
Taxes	-	51,695	5,001,867
Notes and loans	-	394,329	3,666,241
Accrued interest	-	25,320	176,955
Prepaid costs	-	-	66,422
Due from other governments	-	5,118,275	7,605,070
Due from other funds	2,050,000	400,000	4,502,987
Advances to other funds	-	-	925,105
Advances to Successor Agency	-	-	535,731
Restricted assets:			
Cash and investments with fiscal agents	-	1,655,690	4,670,500
Total Assets	\$ 12,591,143	\$ 23,243,586	\$ 67,376,794
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 218,242	\$ 361,781	\$ 1,860,762
Accrued liabilities	-	-	2,716,686
Unearned revenues	-	-	707,593
Deposits payable	-	-	141,172
Due to other funds	-	828,267	4,409,441
Advances from other funds	-	925,105	925,105
Pollution remediation liability	-	-	150,000
Total Liabilities	218,242	2,115,153	10,910,759
Deferred Inflows of Resources:			
Unavailable revenues	-	417,163	2,123,902
Total Deferred Inflows of Resources	-	417,163	2,123,902
Fund Balances:			
Nonspendable:			
Prepaid costs	-	-	66,422
Notes and loans	-	-	21,625
Restricted for:			
Housing and community development	-	10,476,978	10,476,978
Public safety	-	940,116	940,116
Public works	-	357,256	357,256
Debt service	-	5,855,278	5,855,278
Low and moderate income housing	-	996,214	5,204,359
Committed to:			
Contingency	-	-	7,409,689
Assigned to:			
General government	-	-	240,477
Housing and community development	-	-	376,874
Public safety	-	-	565,041
Public works	-	-	270,231
Capital Projects	12,372,901	2,152,347	14,525,248
Carryover assignments	-	-	1,020,340
Compensated absences	-	-	658,694
Petty cash	-	-	12,850
Future year's appropriations	-	-	1,225
CalPERS	-	-	7,441,407
Unassigned	-	(66,919)	(1,101,977)
Total Fund Balances	12,372,901	20,711,270	54,342,133
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,591,143	\$ 23,243,586	\$ 67,376,794

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CITY OF REDONDO BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Fund balances of governmental funds		\$ 54,342,133
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		134,923,907
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (2,025,000)	
Unamortized bond premiums/discounts	(22,784)	
Net pension liability	(134,479,895)	
Compensated Absences	<u>(2,807,489)</u>	(139,335,168)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(40,277)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		2,123,902
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		27,346,015
Deferred inflows of resources - pension related items		(3,127,213)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>2,087,068</u>
Net Position of governmental activities		<u>\$ 78,320,367</u>

CITY OF REDONDO BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Special Revenue Funds	
		Other Intergovernmental Grants	Low-Mod Income Housing
Revenues:			
Taxes	\$ 62,848,867	\$ -	\$ -
Interdepartmental	8,292,178	-	-
Licenses and permits	1,755,119	-	-
Intergovernmental	47,498	1,077,663	-
Charges for services	7,255,317	-	150
Use of money and property	2,168,130	-	43,976
Fines and forfeitures	1,462,621	-	-
Miscellaneous	1,540,579	-	90,264
Total Revenues	85,370,309	1,077,663	134,390
Expenditures:			
Current:			
General government	10,535,983	-	-
Public safety	52,384,559	396,543	-
Housing and community development	3,447,052	-	8,000
Cultural and leisure services	11,265,379	-	-
Public works	6,905,789	69,398	-
Capital outlay	15,198	731,122	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	84,553,960	1,197,063	8,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	816,349	(119,400)	126,390
Other Financing Sources (Uses):			
Transfers in	352,366	1,250	-
Transfers out	(3,905,155)	-	-
Total Other Financing Sources (Uses):	(3,552,789)	1,250	-
Net Change in Fund Balances	(2,736,440)	(118,150)	126,390
Fund Balances, Beginning of Year	21,239,789	(1,335,382)	4,081,755
Fund Balances, End of Year	\$ 18,503,349	\$ (1,453,532)	\$ 4,208,145

CITY OF REDONDO BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Capital Projects Funds Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ 62,848,867
Interdepartmental	-	-	8,292,178
Licenses and permits	-	-	1,755,119
Intergovernmental	-	11,233,886	12,359,047
Charges for services	273,618	1,599,504	9,128,589
Use of money and property	-	826,527	3,038,633
Fines and forfeitures	-	61,307	1,523,928
Miscellaneous	206,882	702,644	2,540,369
Total Revenues	480,500	14,423,868	101,486,730
Expenditures:			
Current:			
General government	-	-	10,535,983
Public safety	-	94,779	52,875,881
Housing and community development	-	6,304,781	9,759,833
Cultural and leisure services	-	-	11,265,379
Public works	143,072	4,117,423	11,235,682
Capital outlay	1,280,298	2,656,359	4,682,977
Debt service:			
Principal retirement	-	745,000	745,000
Interest and fiscal charges	-	121,999	121,999
Total Expenditures	1,423,370	14,040,341	101,222,734
Excess (Deficiency) of Revenues Over (Under) Expenditures	(942,870)	383,527	263,996
Other Financing Sources (Uses):			
Transfers in	2,202,825	1,475,206	4,031,647
Transfers out	-	(1,419,389)	(5,324,544)
Total Other Financing Sources (Uses):	2,202,825	55,817	(1,292,897)
Net Change in Fund Balances	1,259,955	439,344	(1,028,901)
Fund Balances, Beginning of Year	11,112,946	20,271,926	55,371,034
Fund Balances, End of Year	\$ 12,372,901	\$ 20,711,270	\$ 54,342,133

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CITY OF REDONDO BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds \$ (1,028,901)

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

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

Capital outlay	\$ 4,668,941	
Depreciation	(3,458,904)	
(Loss) on sale of capital assets	(99,240)	1,110,797

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

Principal repayments	745,000	
Amortization of bond premiums/discounts	22,786	767,786

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

18,431

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

(600,943)

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

(1,003,465)

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

256,751

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

(1,987,672)

Change in net position of governmental activities

\$ (2,467,216)

CITY OF REDONDO BEACH

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste
Assets:				
Current:				
Cash and investments	\$ 17,079,670	\$ 5,993,310	\$ 17,177,779	\$ 1,973,986
Receivables:				
Accounts	287,982	193,823	26,736	111,336
Taxes	-	-	96,339	63,259
Notes and loans	42,673	-	-	-
Accrued interest	45,697	15,696	45,984	-
Due from other governments	-	-	-	328
Due from other funds	372,687	-	-	-
Total Current Assets	17,828,709	6,202,829	17,346,838	2,148,909
Noncurrent:				
Capital assets - net of accumulated depreciation	19,528,142	12,092,726	11,964,447	32,834
Total Noncurrent Assets	19,528,142	12,092,726	11,964,447	32,834
Total Assets	37,356,851	18,295,555	29,311,285	2,181,743
Deferred Outflows of Resources:				
Deferred charge on refunding	-	-	437,032	-
Deferred pension related items	1,390,682	614,057	504,357	179,327
Total Deferred Outflows of Resources	1,390,682	614,057	941,389	179,327
Liabilities:				
Current:				
Accounts payable	267,932	134,190	224,110	291,470
Unearned revenues	-	-	-	52,804
Deposits payable	137,924	59,605	-	-
Due to other funds	-	-	-	-
Accrued compensated absences	27,968	16,423	22,070	7,964
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	353,582	-	265,000	-
Total Current Liabilities	787,406	210,218	511,180	352,238
Noncurrent:				
Accrued compensated absences	103,373	60,701	81,570	29,438
Accrued claims and judgments	-	-	-	-
Net pension liability	6,621,440	5,138,556	1,571,418	989,346
Bonds, notes, and capital leases	1,029,790	-	6,686,350	-
Total Noncurrent Liabilities	7,754,603	5,199,257	8,339,338	1,018,784
Total Liabilities	8,542,009	5,409,475	8,850,518	1,371,022
Deferred Inflows of Resources:				
Deferred pension related items	205,150	117,775	32,624	23,662
Total Deferred Inflows of Resources	205,150	117,775	32,624	23,662
Net Position:				
Net investment in capital assets	18,144,770	12,092,726	5,450,129	32,834
Unrestricted	11,855,604	1,289,636	15,919,403	933,552
Total Net Position	\$ 30,000,374	\$ 13,382,362	\$ 21,369,532	\$ 966,386

CITY OF REDONDO BEACH

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Transit	Totals	
Assets:			
Current:			
Cash and investments	\$ -	\$ 42,224,745	\$ 25,329,551
Receivables:			
Accounts	63,233	683,110	177,996
Taxes	-	159,598	-
Notes and loans	-	42,673	-
Accrued interest	-	107,377	-
Due from other governments	43,683	44,011	-
Due from other funds	-	372,687	-
Total Current Assets	106,916	43,634,201	25,507,547
Noncurrent:			
Capital assets - net of accumulated depreciation	1,449,139	45,067,288	6,430,839
Total Noncurrent Assets	1,449,139	45,067,288	6,430,839
Total Assets	1,556,055	88,701,489	31,938,386
Deferred Outflows of Resources:			
Deferred charge on refunding	-	437,032	-
Deferred pension related items	210,568	2,898,991	1,604,315
Total Deferred Outflows of Resources	210,568	3,336,023	1,604,315
Liabilities:			
Current:			
Accounts payable	444,310	1,362,012	1,257,097
Unearned revenues	54,823	107,627	-
Deposits payable	-	197,529	-
Due to other funds	466,233	466,233	-
Accrued compensated absences	11,876	86,301	77,356
Accrued claims and judgments	-	-	1,191,445
Bonds, notes, and capital leases	-	618,582	224,363
Total Current Liabilities	977,242	2,838,284	2,750,261
Noncurrent:			
Accrued compensated absences	43,897	318,979	285,915
Accrued claims and judgments	-	-	21,025,474
Net pension liability	729,135	15,049,895	7,226,711
Bonds, notes, and capital leases	-	7,716,140	28,902
Total Noncurrent Liabilities	773,032	23,085,014	28,567,002
Total Liabilities	1,750,274	25,923,298	31,317,263
Deferred Inflows of Resources:			
Deferred pension related items	16,349	395,560	138,370
Total Deferred Inflows of Resources	16,349	395,560	138,370
Net Position:			
Net investment in capital assets	1,449,139	37,169,598	6,177,574
Unrestricted	(1,449,139)	28,549,056	(4,090,506)
Total Net Position	\$ -	\$ 65,718,654	\$ 2,087,068

CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste
Operating Revenues:				
Sales and service charges	1,243,181	2,412,246	5,546,090	3,792,964
Harbor rentals	5,451,733	2,966,640	-	-
Miscellaneous	11,309	29,918	18	164,171
Total Operating Revenues	6,706,223	5,408,804	5,546,108	3,957,135
Operating Expenses:				
Administration and general	765,487	545,425	165,380	77,955
Personnel services	3,170,024	1,779,156	1,141,951	679,162
Contractual services	797,202	527,258	698,634	2,882,082
Internal service charges	1,164,860	1,223,357	424,470	321,202
Depreciation expense	419,509	402,350	197,903	13,265
Total Operating Expenses	6,317,082	4,477,546	2,628,338	3,973,666
Operating Income (Loss)	389,141	931,258	2,917,770	(16,531)
Nonoperating Revenues (Expenses):				
Intergovernmental	-	-	-	36,390
Interest revenue	42,846	18,585	37,654	-
Interest expense	(78,052)	(1,723)	(289,189)	-
Gain (loss) on disposal of capital assets	5,606	-	-	-
Total Nonoperating Revenues (Expenses)	(29,600)	16,862	(251,535)	36,390
Income (Loss) Before Transfers	359,541	948,120	2,666,235	19,859
Transfers in	57,359	40,437	22,760	14,073
Transfers out	(88,966)	-	-	-
Changes in Net Position	327,934	988,557	2,688,995	33,932
Net Position:				
Beginning of Year	29,672,440	12,393,805	18,680,537	932,454
End of Fiscal Year	\$ 30,000,374	\$ 13,382,362	\$ 21,369,532	\$ 966,386

CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Transit	Totals	
Operating Revenues:			
Sales and service charges	344,071	\$ 13,338,552	\$ 22,075,672
Harbor rentals	-	8,418,373	-
Miscellaneous	1,008	206,424	96,328
Total Operating Revenues	345,079	21,963,349	22,172,000
Operating Expenses:			
Administration and general	505,653	2,059,900	14,432,255
Personnel services	487,008	7,257,301	4,726,358
Contractual services	2,319,316	7,224,492	1,530,549
Internal service charges	205,076	3,338,965	2,131,624
Depreciation expense	109,022	1,142,049	1,239,671
Total Operating Expenses	3,626,075	21,022,707	24,060,457
Operating Income (Loss)	(3,280,996)	940,642	(1,888,457)
Nonoperating Revenues (Expenses):			
Intergovernmental	1,852,512	1,888,902	-
Interest revenue	-	99,085	-
Interest expense	-	(368,964)	-
Gain (loss) on disposal of capital assets	-	5,606	82,035
Total Nonoperating Revenues (Expenses)	1,852,512	1,624,629	82,035
Income (Loss) Before Transfers	(1,428,484)	2,565,271	(1,806,422)
Transfers in	1,428,484	1,563,113	82,150
Transfers out	-	(88,966)	(263,400)
Changes in Net Position	-	4,039,418	(1,987,672)
Net Position:			
Beginning of Year	-	61,679,236	4,074,740
End of Fiscal Year	\$ -	\$ 65,718,654	\$ 2,087,068

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 6,731,829	\$ 5,447,303	\$ 5,522,439	\$ 3,957,380
Cash paid to suppliers for goods and services	(1,849,029)	(1,712,234)	(1,120,661)	(2,976,112)
Cash paid to employees for services	(3,854,545)	(2,296,745)	(1,273,476)	(765,230)
Net Cash Provided (Used) by Operating Activities	1,028,255	1,438,324	3,128,302	216,038
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	(88,966)	-	-	-
Cash transfers in	57,359	40,437	22,760	14,073
Cash received from notes and loans receivable	51,113	-	-	-
Payment made to other funds	(82,758)	-	-	-
Cash received from other governments	-	-	20,968	54,349
Net Cash Provided (Used) by Non-Capital Financing Activities	(63,252)	40,437	43,728	68,422
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(262,077)	(124,663)	(1,085,735)	-
Principal paid on capital debt	(352,956)	(43,803)	(255,000)	-
Interest paid on capital debt	(78,052)	(1,723)	(289,189)	-
Gain (loss) on disposal of capital assets	5,606	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(687,479)	(170,189)	(1,629,924)	-
Cash Flows from Investing Activities:				
Interest received	31,117	12,143	22,437	-
Net Cash Provided (Used) by Investing Activities	31,117	12,143	22,437	-
Net Increase (Decrease) in Cash and Cash Equivalents	308,641	1,320,715	1,564,543	284,460
Cash and Cash Equivalents at Beginning of Year	16,771,029	4,672,595	15,613,236	1,689,526
Cash and Cash Equivalents at End of Year	\$ 17,079,670	\$ 5,993,310	\$ 17,177,779	\$ 1,973,986
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 389,141	\$ 931,258	\$ 2,917,770	\$ (16,531)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	419,509	402,350	197,903	13,265
(Increase) decrease in accounts receivable	25,606	38,499	(23,669)	245
(Increase) decrease in taxes receivable	-	-	(29,829)	(14,721)
(Increase) decrease in deferred outflow pension related items	(812,233)	(268,325)	(378,821)	(106,305)
Increase (decrease) in accounts payable	113,033	38,381	32,272	241,893
Increase (decrease) in unearned revenue	-	-	-	-
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in net pension liability	933,002	586,323	377,808	148,561
Increase (decrease) in deferred inflow pension related items	(72,776)	(300,993)	(11,567)	(47,798)
Increase (decrease) in compensated absences	32,973	10,831	46,435	(2,571)
Total Adjustments	639,114	507,066	210,532	232,569
Net Cash Provided (Used) by Operating Activities	\$ 1,028,255	\$ 1,438,324	\$ 3,128,302	\$ 216,038

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Transit	Totals	
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 273,058	\$ 21,932,009	\$ 22,007,678
Cash paid to suppliers for goods and services	(2,313,994)	(9,972,030)	(3,255,842)
Cash paid to employees for services	(1,001,623)	(9,191,619)	(13,577,619)
Net Cash Provided (Used) by Operating Activities	(3,042,559)	2,768,360	5,174,217
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	(88,966)	(263,400)
Cash transfers in	1,428,484	1,563,113	82,150
Cash received from notes and loans receivable	-	51,113	-
Payment made to other funds	-	(82,758)	-
Cash received from other governments	1,614,075	1,689,392	-
Net Cash Provided (Used) by Non-Capital Financing Activities	3,042,559	3,131,894	(181,250)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(1,472,475)	(2,410,097)
Principal paid on capital debt	-	(651,759)	(308,455)
Interest paid on capital debt	-	(368,964)	-
Gain (loss) on disposal of capital assets	-	5,606	17,205
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(2,487,592)	(2,701,347)
Cash Flows from Investing Activities:			
Interest received	-	65,697	-
Net Cash Provided (Used) by Investing Activities	-	65,697	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	3,478,359	2,291,620
Cash and Cash Equivalents at Beginning of Year	-	38,746,386	23,037,931
Cash and Cash Equivalents at End of Year	\$ -	\$ 42,224,745	\$ 25,329,551
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (3,280,996)	\$ 940,642	\$ (1,888,457)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	109,022	1,142,049	1,239,671
(Increase) decrease in accounts receivable	(58,007)	(17,326)	(164,322)
(Increase) decrease in taxes receivable	-	(44,550)	-
(Increase) decrease in deferred outflow pension related items	(152,317)	(1,718,001)	(1,099,622)
Increase (decrease) in accounts payable	210,398	635,977	406,331
Increase (decrease) in unearned revenue	(14,014)	(14,014)	-
Increase (decrease) in claims and judgments	-	-	5,611,205
Increase (decrease) in net pension liability	156,853	2,202,547	1,409,270
Increase (decrease) in deferred inflow pension related items	(9,913)	(443,047)	(357,493)
Increase (decrease) in compensated absences	(3,585)	84,083	17,634
Total Adjustments	238,437	1,827,718	7,062,674
Net Cash Provided (Used) by Operating Activities	\$ (3,042,559)	\$ 2,768,360	\$ 5,174,217

CITY OF REDONDO BEACH

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

		Private-Purpose Trust Fund
	Agency Funds	Redevelopment Obligation Retirement Fund
Assets:		
Pooled cash and investments	\$ 178,012	\$ 1,114,387
Receivables:		
Accounts	51,102	117,649
Accrued interest	-	72
Prepaid costs	2,220	-
Deposits	776,809	-
Total Assets	\$ 1,008,143	\$ 1,232,108
Liabilities:		
Accounts payable	\$ 121,019	\$ -
Deposits payable	178,012	-
Due to other governments	709,112	500,000
Advances from City	-	535,731
Long-term liabilities:		
Due in one year	-	484,000
Due in more than one year	-	18,926,786
Total Liabilities	\$ 1,008,143	20,446,517
Net Position:		
Held in trust for other purposes		(19,214,409)
Total Net Position		\$ (19,214,409)

CITY OF REDONDO BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust Fund
	Redevelopment Obligation Retirement Fund
Additions:	
Charges for services	\$ 232,991
RPTTF distributions	964,383
Investment earnings	294
Miscellaneous	223
Total Additions	1,197,891
Deductions:	
Administrative expenses	250,000
Interest expense	501,434
Total Deductions	751,434
Changes in Net Position	446,457
Net Position - Beginning of the Year	(19,660,866)
Net Position - End of the Year	\$ (19,214,409)

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies

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

a. Financial Reporting Entity

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

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

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

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

The Redondo Beach Public Financing Authority (Public Financing Authority), a joint powers authority, was formed on June 25, 1996, to provide financing for capital improvement projects. The Redevelopment Agency joined with the City to form the 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. Separate financial statements are not prepared for this blended component unit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

b. Basis of Accounting and Measurement Focus

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

Government - Wide Financial Statements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Governmental Fund Financial Statements

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

Proprietary Fund Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

- Wastewater Fund - accounts for the capital facility charge and a sewer use fee. The charges are designed to reimburse the City's wastewater system for the capital and maintenance and operations costs necessary for providing wastewater capacity to system users. These charges are associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.
- Solid Waste Fund – accounts for the revenues and expenses related to the City's comprehensive solid waste program, including AB 939 funds.
- Transit Fund – accounts for the transportation activities of the City.

Fiduciary Fund Financial Statements

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

c. Cash, Cash Equivalents and Investments

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

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

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

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

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

- 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.

d. Restricted Cash and Investments

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

e. Prepaid Items

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

f. Interfund Transactions

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

g. Capital Assets

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

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

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

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these financial statements; however, the City maintains detailed information on these subsystems.

In June 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 2015, 2016 and 2017, the City's street system was rated at a PQI of 84 and 85 and a PCI of 70 on the average, respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

h. Interest Payable

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

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

i. Unearned/Unavailable Revenue

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

j. Compensated Absences Payable

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

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

k. Claims and Judgments Payable

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

I. Long-Term Debt

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

m. Pension Plans

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

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

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

n. Net Position

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

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

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

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

o. Fund Balances

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

p. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

- Restricted
- Committed
- Assigned
- Unassigned

q. Property Taxes

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

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

r. Use of Estimates

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

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 2: Stewardship, Compliance, and Accountability

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

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Non-Major Funds:			
Local Transportation Article 3	\$ 69,698	\$ 121,205	\$ (51,507)
Open Space Acquisition	395,000	398,484	(3,484)

Deficit Fund Balance

The following funds had a deficit balance as of June 30, 2017:

Major Funds:	
Other Intergovernmental Grants	\$ (1,453,532)
Non-Major Funds:	
State Gasoline Tax	(55,311)
Disaster Recovery	(11,608)
Internal Service Funds:	
Building Occupancy	(868,934)
Information Technology	(155,402)
Self-Insurance Program	(11,119,155)

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

Note 3: Cash and Investments

Cash and investments are presented on the Statement of Net Position as follows at June 30, 2017:

	<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Funds Statement of Net Position</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Statement of Net Position</u>	<u>Total</u>
Cash and investments	\$ 64,826,352	\$ 42,224,745	\$ 107,051,097	\$ 1,292,399	\$ 108,343,496
Restricted cash and investments with fiscal agents	4,670,500	-	4,670,500	-	4,670,500
Total	<u>\$ 69,496,852</u>	<u>\$ 42,224,745</u>	<u>\$ 111,721,597</u>	<u>\$ 1,292,399</u>	<u>\$ 113,013,996</u>

CITY OF REDONDO BEACH**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED JUNE 30, 2017

Note 3: Cash and Investments (Continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2017:

Cash and cash equivalents:	
Petty cash	\$ 12,850
Demand deposits - City	8,081,348
Demand deposits - Successor Agency	<u>2,054,698</u>
Total cash and cash equivalents	<u>10,148,896</u>
Investments:	
Local Agency Investment Fund (LAIF) - City	20,149,334
Local Agency Investment Fund (LAIF) - Successor Agency	31,122
Negotiable certificates of deposit	3,235,594
Corporate Bonds	11,984,170
US Government Securities	11,958,710
Federal Agency Securities	<u>50,835,670</u>
Total investments	<u>98,194,600</u>
Total cash and investments	<u>108,343,496</u>
Cash and investments with fiscal agents	<u>4,670,500</u>
Total	<u>\$ 113,013,996</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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 3: Cash and Investments (Continued)

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, 2017, 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, 2017, the City and the Successor Agency had \$20,180,456 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF.

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, 2017, all MTN's were rated "A" or higher by Moody's. As of June 30, 2017, 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, 2017, 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 \$8,081,348 at June 30, 2017. Bank balances at June 30, 2017, were \$10,563,887 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

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**Note 3: Cash and Investments (Continued)**

collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

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

Concentration of Credit Risk

The City's investment policy imposes restrictions on the maximum percentage it can invest in a single type of investment. Investments in Federal Agencies have the implied guarantee of the United States government. While all the City's investments are in compliance with the City's investment policy as of June 30, 2017, 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	\$ 9,946,040	10%
Federal National Mortgage Association	18,968,640	19%
Federal Home Loan Mortgage Corporation	18,927,870	19%
	<u>\$ 47,842,550</u>	<u>48%</u>

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 50% of the City's portfolio shall mature in three years or less; and at least 25% in one year or less. The only exception to these maturity limits shall be the investment of the gross proceeds of tax exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2017, 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 -	\$ 20,180,456	\$ -	\$ -	\$ -	\$ 20,180,456
Local Agency Investment Fund					
Negotiable certificate of deposits	2,735,683	-	499,911		3,235,594
US Treasury Notes	1,992,630	1,997,340	1,978,900	5,989,840	11,958,710
Federal Agencies					
Federal Farm Credit Bank	998,700	1,994,420	-	-	2,993,120
Federal Home Loan Bank	3,991,040	-	1,975,560	3,979,440	9,946,040
Federal Home Loan Mortgage Corporation	999,770	-	5,977,200	11,950,900	18,927,870
Federal National Mortgage Association	3,994,670	8,987,350	3,985,480	2,001,140	18,968,640
Corporate Bonds	5,000,420	3,009,030	-	3,974,720	11,984,170
Total Investments	<u>\$ 39,893,369</u>	<u>\$ 15,988,140</u>	<u>\$ 14,417,051</u>	<u>\$ 27,896,040</u>	<u>\$ 98,194,600</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**Note 3: Cash and Investments (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, 2017.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
US Treasury Notes	\$ 11,958,710	\$ 11,958,710	\$ -	\$ -
Federal Farm Credit Bank	2,993,120	-	2,993,120	-
Federal Home Loan Bank	9,946,040	-	9,946,040	-
Federal Home Loan Mortgage Corporation	18,927,870	-	18,927,870	-
Federal National Mortgage Association	18,968,640	-	18,968,640	-
Corporate Bonds	11,984,170	-	11,984,170	-
Local Agency Investment Fund	20,180,456	-	20,180,456	-
Negotiable Certificates of Deposit	3,235,594	-	3,235,594	-
Total Investments by Fair Value Level	<u>\$ 98,194,600</u>	<u>\$ 11,958,710</u>	<u>\$ 86,235,890</u>	<u>\$ -</u>

Note 4: Receivables

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2017:

	Government-Wide Statement of Net Position		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Position	
Accounts receivable	\$ 907,111	\$ 683,110	\$ 168,751	\$ 1,758,972
Accrued interest receivable	176,955	107,377	72	284,404
Taxes receivable	5,001,867	159,598	-	5,161,465
Notes and loans receivable	3,666,241	42,673	-	3,708,914
Total	<u>\$ 9,752,174</u>	<u>\$ 992,758</u>	<u>\$ 168,823</u>	<u>\$10,913,755</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 4: Receivables (Continued)

At June 30, 2017, 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, 2017, was as follows:

Governmental Funds:

General Fund	\$ 596,287
Capital Improvement Projects	118,892
Non-Major Funds	13,936
Total Governmental Funds	<u>729,115</u>

Proprietary Funds:

Harbor Tidelands - Enterprise Fund	287,982
Harbor Uplands - Enterprise Fund	193,823
Wastewater - Enterprise Fund	26,736
Solid Waste - Enterprise Fund	111,336
Transit - Enterprise Fund	63,233
Internal Service Funds	177,996
Total Proprietary Funds	<u>861,106</u>

Fiduciary Funds:

Redevelopment Obligation Retirement Fund	117,649
Agency Funds	51,102
Total Fiduciary Funds	<u>168,751</u>
Total	<u>\$ 1,758,972</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 4: Receivables (Continued)

b. Accrued Interest Receivable

Interest receivable consists of interest from investments pooled by the City and is distributed among the funds according to their ending cash balances. The interest receivable as of June 30, 2017, was as follows:

Governmental Funds:

General Fund	\$ 151,635
Non-Major Funds	25,320
Total Governmental Funds	<u>176,955</u>

Proprietary Funds:

Harbor Tidelands - Enterprise Fund	45,697
Harbor Uplands - Enterprise Fund	15,696
Wastewater - Enterprise Fund	45,984
Total Proprietary Funds	<u>107,377</u>

Fiduciary Funds:

Redevelopment Obligation Retirement Fund	72
Total Fiduciary Funds	<u>72</u>
Total	<u><u>\$ 284,404</u></u>

c. Taxes Receivable

At June 30, 2017, the City had the following taxes receivable:

Type of Taxes	Governmental Funds		Proprietary Funds		Total
	General Fund	Non-Major Governmental Funds	Wastewater Fund	Solid Waste Fund	
Property Taxes	\$ 1,056,422	\$ 51,695	\$ 96,339	\$ 63,259	\$ 1,267,715
Sales Taxes	1,993,840	-	-	-	1,993,840
Transient Occupancy Taxes	810,148	-	-	-	810,148
Utility Users Taxes	582,488	-	-	-	582,488
Franchise Taxes	298,664	-	-	-	298,664
Transfer Taxes	208,610	-	-	-	208,610
Total Taxes	<u>\$ 4,950,172</u>	<u>\$ 51,695</u>	<u>\$ 96,339</u>	<u>\$ 63,259</u>	<u>\$ 5,161,465</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 4: Receivables (Continued)

d. Loans Receivable

At June 30, 2017, the City had the following loans receivable:

	Governmental Funds			Proprietary Funds	
	General Fund	Low-Mod Income Housing	Non-Major Governmental Funds	Harbor Tidelands Fund	Total
Home Rehabilitation Loans	\$ -	\$ 549,306	\$ -	\$ -	\$ 549,306
Housing Assistance Loans	-	-	394,329	-	394,329
Senior Housing Program	-	2,700,981	-	-	2,700,981
Computer Loan Program	21,625	-	-	-	21,625
Harbor Area Business Loans	-	-	-	42,673	42,673
Total	<u>\$ 21,625</u>	<u>\$ 3,250,287</u>	<u>\$ 394,329</u>	<u>\$ 42,673</u>	<u>\$ 3,708,914</u>

Home Rehabilitation Loans

At June 30, 2017, the City was owed, in its Low and Moderate Income Housing Asset Special Revenue Fund, \$549,306 for various home rehabilitation loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the revenue related to these loans as deferred inflow of resources in the governmental funds. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Housing Assistance Loans

At June 30, 2017, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$394,329 for various housing assistance loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the revenue related to these loans as deferred inflow of resources related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Senior Housing Program

On June 21, 1995, the Agency loaned \$2,200,000 to the Corporate Fund for Housing (a California non-profit public benefit corporation), the McCandless senior housing complex. The loan term is for 45 years and bears interest at 2% per annum. Any portion of the Agency loan remaining unpaid upon the 45th anniversary of completion shall be forgiven. Repayments will be made from residual receipts of the housing complex. The loan is secured by the Agency Deed of Trust. At June 30, 2017, the loan receivable included accrued interest of \$500,981.

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, 2017, the loan receivable balance was \$21,625.

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 4: Receivables (Continued)

Harbor Area Business Loans

At June 30, 2017, the City's Harbor Tidelands Enterprise Fund was owed \$42,673 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 \$42,673 outstanding at June 30, 2017.

Note 5: Interfund Transactions

a. Government-Wide Financial Statements

Internal Balances

At June 30, 2017, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable
	Business-Type Activities
Internal Balances Payable	
Governmental Activities	\$ 93,546

Transfers

The City had the following transfers as of June 30, 2017:

	Transfers In
	Governmental Activities
Transfers Out	
Business-Type Activities	\$ 1,474,147

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 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, 2017:

Due to Other Funds	Due from Other Funds				Total
	General Fund	Capital Improvement Projects	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	
General Fund	\$ -	\$ 2,050,000	\$ 400,000	\$ -	\$ 2,450,000
Other Intergovernmental Grants	1,131,174				1,131,174
Non-Major Governmental Funds	455,580	-	-	372,687	828,267
Transit	466,233	-	-	-	466,233
Total	<u>\$ 2,052,987</u>	<u>\$ 2,050,000</u>	<u>\$ 400,000</u>	<u>\$ 372,687</u>	<u>\$ 4,875,674</u>

The \$1,131,174 due to other funds in the Other Intergovernmental Grants funds was to cover the negative cash balance.

Of the \$828,267 due to other funds in the Non-Major Governmental Funds, \$455,580 was to cover negative cash balances and \$372,687 was for Kincaid's Restaurant rental income in excess of the Public Financing Authority's obligations passed through to the Harbor Tidelands Fund.

The \$466,233 due to other funds in the Transit Enterprise Fund was to cover the negative cash balances.

The \$2,050,000 due from other funds in the Capital Improvement Projects was a year ending transfer from the General Fund to fund future capital improvement projects. The \$400,000 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.

Advances to/from Other Funds

The City had the following long-term advance to other funds as of June 30, 2017:

Advances from Other Funds	Advance to Other Funds
	Public Financing Authority
General Fund	\$ 925,105
Total	<u>\$ 925,105</u>

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, 2017, the amount owed on the loan was \$925,105.

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 5: Interfund Transactions (Continued)

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, 2017 was \$5,025,000.

Transfers

The City had the following transfers as of June 30, 2017:

Transfers Out	Transfers In						Total
	General Fund	Other Intergovernmental Grants	Capital Improvement Projects	Non-Major Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 1,250	\$ 2,202,825	\$ 1,475,206	\$ 143,724	\$ 82,150	\$ 3,905,155
Enterprise Funds:							
Harbor Tidelands	88,966	-	-	-	-	-	88,966
Non-Major Governmental Funds	-	-	-	-	1,419,389	-	1,419,389
Internal Service Funds	263,400	-	-	-	-	-	263,400
Total	<u>\$ 352,366</u>	<u>\$ 1,250</u>	<u>\$ 2,202,825</u>	<u>\$ 1,475,206</u>	<u>\$ 1,563,113</u>	<u>\$ 82,150</u>	<u>\$ 5,676,910</u>

The \$88,966 transfer from Harbor Tidelands Enterprise Fund to the General Fund was for the property tax in lieu fee. The \$1,250 transfer from General Fund to Other Intergovernmental Grants Fund was for employee wage adjustments.

Of the \$152,825 transfer from the General Fund to the Capital Improvement Projects Fund, \$150,000 was for capital improvement project funding, and \$2,825 was for employee wage adjustments.

The \$23,658 transfer from General Fund to Non-Major Governmental Funds, \$143,724 to Enterprise Funds and \$82,150 to Internal Service Funds were for employee wage adjustments. The remaining \$1,051,548 transfer to Non-Major Governmental Funds was for a street landscaping and lighting district subsidy.

\$1,419,389 was transferred from a Non-Major Governmental Fund to Transit Enterprise Fund for a transit subsidy.

The \$263,400 transfer from Internal Service Funds to the General Fund was for the purchase of portable and mobile radios.

Of the \$2,450,000 year-end transfers from the General Fund, \$2,050,000 to the Capital Improvement Projects Fund was for capital improvement projects that are to be programmed in FY 2017-18 (\$1,500,000), a new skate park (\$50,000), Wilderness Park improvements (\$100,000), and street repaving (\$400,000); \$250,000 to the Major Facilities Replacement Fund was for the future replacement of City facilities; and \$150,000 to the Open Space Acquisition Fund was for the future acquisition of open space within the City.

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**Note 6: Capital Assets**

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

a. Government-Wide Financial Statements

At June 30, 2017, 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	4,897,185	3,534,702	8,431,887
Infrastructure-streets	54,054,036	-	54,054,036
Total non-depreciable assets	75,474,168	14,857,957	90,332,125
Depreciable assets:			
Buildings and improvements	47,521,548	31,402,770	78,924,318
Furniture and equipment	8,219,540	671,271	8,890,811
Automotive equipment	17,063,963	3,744,884	20,808,847
Leased equipment	2,206,294	277,949	2,484,243
Infrastructure	83,556,842	27,285,800	110,842,642
Total depreciable assets	158,568,187	63,382,674	221,950,861
Less accumulated depreciation for:			
Buildings and improvements	21,628,311	17,907,107	39,535,418
Furniture and equipment	7,510,574	652,433	8,163,007
Automotive equipment	10,323,786	2,279,434	12,603,220
Leased equipment	1,531,431	189,932	1,721,363
Infrastructure	51,693,507	12,144,437	63,837,944
Total accumulated depreciation	92,687,609	33,173,343	125,860,952
Total depreciable assets, net	65,880,578	30,209,331	96,089,909
Total capital assets, net	\$ 141,354,746	\$ 45,067,288	\$ 186,422,034

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**Note 6: Capital Assets (Continued)**

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

	Balance at June 30, 2016	Additions	Deletions	Reclassifications	Balance at June 30, 2017
Non-depreciable assets:					
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	2,649,956	2,732,305	99,240	(385,836)	4,897,185
Infrastructure-streets	54,054,036	-	-	-	54,054,036
Total non-depreciable assets	73,226,939	2,732,305	99,240	(385,836)	75,474,168
Depreciable assets:					
Buildings and improvements	46,909,912	568,127	-	43,509	47,521,548
Furniture and equipment	8,180,551	48,623	9,634	-	8,219,540
Automotive equipment	15,847,424	1,880,445	663,906	-	17,063,963
Leased equipment	2,206,294	-	-	-	2,206,294
Infrastructure	81,300,150	1,914,365	-	342,327	83,556,842
Total depreciable assets	154,444,331	4,411,560	673,540	385,836	158,568,187
Less accumulated depreciation for:					
Buildings and improvements	20,453,734	1,174,577	-	-	21,628,311
Furniture and equipment	7,273,715	246,493	9,634	-	7,510,574
Automotive equipment	9,602,929	1,384,763	663,906	-	10,323,786
Leased equipment	1,296,401	235,030	-	-	1,531,431
Infrastructure	50,035,795	1,657,712	-	-	51,693,507
Total accumulated depreciation	88,662,574	4,698,575	673,540	-	92,687,609
Total depreciable assets, net	65,781,757	(287,015)	-	385,836	65,880,578
Governmental activities capital assets, net	<u>\$ 139,008,696</u>	<u>\$ 2,445,290</u>	<u>\$ 99,240</u>	<u>\$ -</u>	<u>\$ 141,354,746</u>

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2017 as follows:

General Government:

General Government	\$ 53,748
Public Safety	194,976
Public Works	2,442,789
Cultural and leisure services	764,845
Housing and community development	2,546

Internal Service Funds:

Vehicle Replacement	889,226
Building Occupancy	4,411
Information Technology	280,734
Communications Equipment Replace	65,300

Total Depreciation Expense \$ 4,698,575

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 6: Capital Assets (Continued)

The following is a summary of changes in the capital assets for business-type activities for the year ended June 30, 2017:

	Balance at June 30, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Non-depreciable assets:					
Land	\$ 11,323,255	\$ -	\$ -	\$ -	\$ 11,323,255
Construction in progress	2,312,274	1,458,104	-	(235,676)	3,534,702
Total non-depreciable assets	13,635,529	1,458,104	-	(235,676)	14,857,957
Depreciable assets:					
Buildings and improvements	31,402,770	-	-	-	31,402,770
Furniture and equipment	671,271	-	-	-	671,271
Automotive equipment	3,774,863	-	29,979	-	3,744,884
Leased equipment	277,949	-	-	-	277,949
Infrastructure	27,035,753	14,371	-	235,676	27,285,800
Total depreciable assets	63,162,606	14,371	29,979	235,676	63,382,674
Less accumulated depreciation for:					
Buildings and improvements	17,238,756	668,351	-	-	17,907,107
Furniture and equipment	647,861	4,572	-	-	652,433
Automotive equipment	2,188,554	120,859	29,979	-	2,279,434
Leased equipment	189,932	-	-	-	189,932
Infrastructure	11,796,170	348,267	-	-	12,144,437
Total accumulated depreciation	32,061,273	1,142,049	29,979	-	33,173,343
Total depreciable assets, net	31,101,333	(1,127,678)	-	235,676	30,209,331
Business-type activities capital assets, net	\$ 44,736,862	\$ 330,426	\$ -	\$ -	\$ 45,067,288

Depreciation expense for business-type activities for the fiscal year ended June 30, 2017 was charged as follows:

b. Government-Wide Financial Statements

Harbor Tidelands	\$ 419,509
Harbor Uplands	402,350
Wastewater	197,903
Solid Waste	13,265
Transit	109,022
Total depreciation expense	<u>\$ 1,142,049</u>

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

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 7: Compensated Absences Payable

The following is a summary of compensated absences payable transactions for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Compensated absences payable	\$ 2,552,178	\$ 3,222,135	\$ (2,603,553)	\$ 3,170,760	\$ 675,196
Business-Type Activities:					
Compensated absences payable	321,197	523,731	(439,648)	405,280	86,301
Total	<u>\$ 2,873,375</u>	<u>\$ 3,745,866</u>	<u>\$ (3,043,201)</u>	<u>\$ 3,576,040</u>	<u>\$ 761,497</u>

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

Note 8: Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
PFA 2008 Refunding Revenue Bonds	\$ 2,770,000	\$ -	\$ (745,000)	\$ 2,025,000	\$ 775,000
Unamortized bond premium	45,570	-	(22,786)	22,784	-
Net pension liability	117,045,631	34,492,291	(9,831,316)	141,706,606	-
Claims and judgments	16,605,714	17,447,139	(11,835,934)	22,216,919	1,191,445
Compensated absences	2,552,178	3,222,135	(2,603,553)	3,170,760	675,196
Capital Leases	565,029	-	(311,764)	253,265	224,363
Total governmental activities	<u>\$ 139,584,122</u>	<u>\$ 55,161,565</u>	<u>\$ (25,350,353)</u>	<u>\$ 169,395,334</u>	<u>\$ 2,866,004</u>
Business-Type Activities:					
Wastewater Revenue Refunding 2014, Series A	\$ 6,760,000	\$ -	\$ (255,000)	\$ 6,505,000	\$ 265,000
Unamortized bond premium	472,606	-	(26,256)	446,350	-
Boating and Waterways					
Construction Loan 88-21-84	463,829	-	(108,421)	355,408	113,300
Boating and Waterways					
Construction Loan 89-21-147	1,257,898	-	(229,934)	1,027,964	240,282
Net pension liability	12,847,348	3,336,619	(1,134,072)	15,049,895	-
Compensated absences	321,197	523,731	(439,648)	405,280	86,301
Capital Leases	58,404	-	(58,404)	-	-
Total business-type activities	<u>\$ 22,181,282</u>	<u>\$ 3,860,350</u>	<u>\$ (2,251,735)</u>	<u>\$ 23,789,897</u>	<u>\$ 704,883</u>

The following amount was reported as deferred outflows of resources at the end of June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Deferred outflows of resources				
Deferred loss on refunding	<u>\$ 462,739</u>	<u>\$ -</u>	<u>\$ (25,707)</u>	<u>\$ 437,032</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 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, 2017, the balance outstanding was \$2,025,000, with an unamortized premium of \$22,784.

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, 2017, including interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 775,000	\$ 65,500	\$ 840,500
2019	805,000	33,900	838,900
2020	445,000	8,900	453,900
Total	<u>\$ 2,025,000</u>	<u>\$ 108,300</u>	<u>\$ 2,133,300</u>

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2017:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>\$ 45,570</u>	<u>\$ -</u>	<u>\$ (22,786)</u>	<u>\$ 22,784</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 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, 2017, was \$253,265 in governmental activities and \$0 in business-type activities.

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

	<u>June 30, 2017</u>
Equipment under capitalized lease, at cost	\$ 2,480,935
Accumulated depreciation	<u>(1,721,363)</u>
Equipment under capitalized lease, net	<u><u>\$ 759,572</u></u>

The annual debt service requirements outstanding at June 30, 2017 were as follows:

Governmental activities:

Year Ending June 30	Principal	Interest
2018	\$ 224,362	\$ 12,144
2019	28,903	1,407
Total	<u><u>\$ 253,265</u></u>	<u><u>\$ 13,551</u></u>

Wastewater Revenue Bonds 2014, Series A

On March 25, 2014, the City issued \$7,230,000 of Wastewater Revenue Refunding Bonds for the purpose of refunding \$7,230,000 of then-outstanding 2004 Wastewater Revenue Refunding Bonds. The purpose of the bonds was to finance certain improvements and related facilities that constitute part of the Wastewater Enterprise Fund. The serial bonds in the amount of \$4,795,000 mature through May 1, 2029, and bear a variable interest rate ranging from 3% to 5% per annum. Term bonds in the amount of \$2,435,000 mature through May 1, 2034, and bear interest at the rate of 4%. The serial bonds maturing on or after May 1, 2015, are subject to optional redemption provisions. The term bonds are subject to optional and mandatory redemption provisions. The bonds are payable solely from and secured by a pledge of and lien upon the net revenues of the Wastewater Enterprise Fund. As of June 30, 2017, the balance outstanding was \$6,505,000, with an unamortized bond premium of \$446,350.

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 8: Long-Term Debt (Continued)

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2017, including interest, are as follows:

Year Ending June 30	Principal	Interest	Total
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	310,000	234,138	544,138
2023-2027	1,790,000	938,438	2,728,438
2028-2032	2,240,000	495,450	2,735,450
2033-2037	1,030,000	62,200	1,092,200
Total	<u>\$ 6,505,000</u>	<u>\$ 2,782,578</u>	<u>\$ 9,287,578</u>

The following is a summary of the 2014 Revenue Bond Series A unamortized premium outstanding at June 30, 2017:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>\$ 472,606</u>	<u>\$ -</u>	<u>\$ (26,256)</u>	<u>\$ 446,350</u>

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, 2017, the balance outstanding was \$355,408.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 113,300	\$ 15,993	\$ 129,293
2019	118,398	10,895	129,293
2020	123,710	5,567	129,277
Total	<u>\$ 355,408</u>	<u>\$ 32,455</u>	<u>\$ 387,863</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**Note 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, 2017, the balance outstanding was \$1,027,964.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2017, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 240,282	\$ 46,258	\$ 286,540
2019	251,094	35,446	286,540
2020	262,394	24,146	286,540
2021	274,194	12,339	286,533
Total	<u>\$ 1,027,964</u>	<u>\$ 118,189</u>	<u>\$ 1,146,153</u>

Note 9: Non-City Obligations

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

	<u>Original Amount</u>	<u>Outstanding June 30, 2017</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	\$ 1,133,526

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 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 \$1,096,648. The balance as of June 30, 2017 was \$9,310,247.

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2017:

Year Ending June 30	Minimum Future Lease Rentals
2018	\$ 7,805,970
2019	7,546,299
2020	7,391,510
2021	7,357,845
2022	7,333,653
2023-2027	36,293,763
2028-2032	19,261,704
2033-2037	9,410,124
2038-2042	9,060,535
2043-2047	9,060,535
2048-2052	9,060,535
2053-2057	9,060,535
2058-2062	8,709,809
2063-2067	2,330,435
2068-2069	652,860
Totals	<u><u>\$ 150,336,112</u></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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 11: Risk Management

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

The City has adopted a self-insurance workers' compensation program, which is administered by a third-party agent, AdminSure. The self-insurance coverage for each claim is limited to \$750,000. Excess coverage of up to \$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, 2017, the estimated claims payable for workers' compensation was \$5,539,312, which included claims incurred but not reported (IBNR). The current year's portion of the claims was \$886,690.

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, 2017, the estimated claims payable for general liability was \$16,677,607, which included IBNR. The current year's portion was \$304,755. Governmental activities claims and judgments are generally liquidated by the General Fund.

	Liability on June 30, 2017
General Liability	\$ 5,539,312
Workers' Compensation	<u>16,677,607</u>
Total	<u><u>\$ 22,216,919</u></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 (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 11: Risk Management (Continued)

Changes in the reported liability resulted from the following:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
\$ 16,605,714	\$ 17,447,139	\$ 11,835,934	\$ 22,216,919	\$ 1,191,445

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, 2016 (most recent information available) is as follows:

	Total
Assets	<u>\$ 67,927,607</u>
Liabilities of member cities	68,749,334
Net position	<u>(821,727)</u>
Total liabilities and net position	<u>\$ 67,927,607</u>
Revenues	\$ 37,861,453
Cost and expenses	<u>47,452,171</u>
Net income	(9,590,718)
Net position - July 1, 2015	8,768,991
Net position - June 30, 2016	<u>\$ (821,727)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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

The Plans are agent, multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the June 30, 2015 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.

Benefits Provided

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

	Miscellaneous		
	Tier 1	Tier 2	Tier 3
		On or after May 1, 2012 and before January 1, 2013	On or after January 1, 2013
Hire date	Prior to May 1, 2012		
Benefit formula	2% @55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.092%-2.418%	1.0%-2.5%
Required employee contribution rates	7.00%	7.00%	6.50%
Required employer contribution rates.	20.609%	20.609%	20.609%

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 12: Employee Retirement Plans

	Safety		
	Tier 1	Tier 2	Tier 3
Hire date	Prior to May 1, 2012	On or after May 1, 2012 and before January 1, 2013	On or after January 1, 2013
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	51.665%	51.665%	51.665%

As of the valuation date of June 30, 2015, the following employees were covered by the benefit terms of the Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	428	284
Inactive employees entitled to but not yet receiving benefits	367	40
Active employees	287	142
Total	1,082	466

Contributions

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

For the year ended June 30, 2017, the employer contributions recognized as a reduction to the net position liability for all the Plans was \$10,965,388.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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

The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous	Safety
Valuation Date	6/30/2015	6/30/2015
Measurement Date	6/30/2016	6/30/2016
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)	Derived using CALPERS' membership data for all Funds Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies	
Post Retirement Benefit Increase		

(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, 2015 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 12: Employee Retirement Plans (Continued)

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by CalPERS effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period

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

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 12: Employee Retirement Plans (Continued)

Changes in the Net Pension Liability

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

Miscellaneous Plan	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD) ¹	<u>\$ 179,076,789</u>	<u>\$ 139,773,179</u>	<u>\$ 39,303,610</u>
Changes Recognized for the Measurement Period:			
Service Cost	2,658,781	-	2,658,781
Interest on the Total Pension Liability	13,391,115	-	13,391,115
Differences between Expected and Actual Experience	(717,631)	-	(717,631)
Changes of Assumptions	-	-	-
Plan to Plan Resource Movement	-	(2,463)	2,463
Contributions from the Employer	-	3,517,596	(3,517,596)
Contributions from the Employees	-	1,361,650	(1,361,650)
Net Investment Income	-	777,656	(777,656)
Benefit Payments, including Refunds of Employee Contributions	(9,282,593)	(9,282,593)	-
Administrative Expense	-	(85,184)	85,184
Net Changes during 2015-2016	<u>6,049,672</u>	<u>(3,713,338)</u>	<u>9,763,010</u>
Balance at: 6/30/2016 (MD) ¹	<u>\$ 185,126,461</u>	<u>\$ 136,059,841</u>	<u>\$ 49,066,620</u>

CITY OF REDONDO BEACH

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 12: Employee Retirement Plans (Continued)

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

Safety Plan	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD) ¹	<u>\$ 313,921,461</u>	<u>\$ 223,332,095</u>	<u>\$ 90,589,366</u>
Changes Recognized for the Measurement Period:			
Service Cost	4,352,710	-	4,352,710
Interest on the Total Pension Liability	23,438,824	-	23,438,824
Differences between Expected and Actual Experience	(769,075)	-	(769,075)
Changes of Assumptions	-	-	-
Plan to Plan Resource Movement	-	2,463	(2,463)
Contributions from the Employer	-	7,448,334	(7,448,334)
Contributions from the Employees	-	1,457,236	(1,457,236)
Net Investment Income	-	1,150,020	(1,150,020)
Benefit Payments, including Refunds of Employee Contributions	(17,877,775)	(17,877,775)	-
Administrative Expense	-	(136,109)	136,109
Net Changes during 2015-2016	<u>9,144,684</u>	<u>(7,955,831)</u>	<u>17,100,515</u>
Balance at: 6/30/2016 (MD) ¹	<u>\$ 323,066,145</u>	<u>\$ 215,376,264</u>	<u>\$ 107,689,881</u>

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

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

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

The following presents the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.65 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:

Net Pension Liability	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan	\$ 72,570,412	\$ 49,066,620	\$ 29,526,183
Safety Plan	148,047,220	107,689,881	74,247,528
	<u>\$ 220,617,632</u>	<u>\$ 156,756,501</u>	<u>\$ 103,773,711</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017
Note 12: Employee Retirement Plans (Continued)***Pension Plan Fiduciary Net Position***

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

For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense of \$3,536,506 for all Plans.

As of June 30, 2017, the following were the reported deferred outflows of resources and deferred inflows of resources related to all pension plans:

	<i>Miscellaneous</i>		<i>Safety</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Current year contributions that occurred after the measurement date of June 30, 2016	\$ 4,018,056	\$ -	\$ 8,431,955	\$ -
Change of Assumption	-	(512,041)	-	(2,172,682)
Difference between Expected and Actual Experiences	-	(440,398)	351,857	(536,022)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,349,030	-	11,698,423	-
Total	\$ 11,367,086	\$ (952,439)	\$ 20,482,235	\$ (2,708,704)

Contributions subsequent to the measurement date in the amount of \$7,703,763 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	<i>Miscellaneous</i>	<i>Safety</i>
	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2017	\$ 180,594	\$ 2,369
2018	845,977	782,724
2019	3,428,704	5,444,069
2020	1,941,316	3,112,414

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017
Note 12: Employee Retirement Plans (Continued)**b. Other Post-Employment Benefits**

Plan Description and Eligibility. In addition to the pension benefits described above, the City provides certain health insurance benefits, in accordance with memorandums of understanding, to retired employees through the California Employers' Retiree Benefit Trust (CERBT) Fund, which is an agent multiple-employer plan administered by CalPERS. The City provides medical insurance for 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, 2017, approximately 126 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 2017, the City contributed \$1,354,006 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	\$ 1,354,006
Interest on net OPEB obligation	
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,354,006
Contributions made	1,354,006
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -

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
6/30/2015	\$ 1,383,504	\$ 1,383,504	100%	\$ -
6/30/2016	1,339,268	1,339,268	100%	-
6/30/2017	1,354,006	1,354,006	100%	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017
Note 12: Employee Retirement Plans (Continued)

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.

	(A)	(B)	(C)	(D)	(E)	(F)
	Actuarial	Actuarial	Unfunded		Actual	Unfunded
	Asset	Accrued	Actuarial	Funded	Actual	Actuarial
	Value	Liability	Liability	Ratio	Covered	Liability as
Actuarial	(A)	(B)	(A-B)	(A / B)	Payroll	Percentage of
Valuation						Covered Payroll
Date						(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 (22 years remaining for fiscal year 2016/2017). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 13: Commitments and Contingencies

a. Lawsuits

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

b. Federal and State Grant Programs

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

c. Commitments

As of June 30, 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 13: Commitments and 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, 2017, was \$19,902,910.

Note 14: Pollution Remediation Obligations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 15: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017
Note 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, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Successor Agency:					
County Deferral Loan-1983 Tax Increment	\$ 6,934,419	\$ -	\$ -	\$ 6,934,419	\$ -
County Deferral Loan-1984 Tax Increment	7,154,367	-	-	7,154,367	-
Bank of America Loan	396,000	-	(99,000)	297,000	99,000
City Loan-South Bay Center	5,380,000	-	(355,000)	5,025,000	385,000
Total	<u>\$ 19,864,786</u>	<u>\$ -</u>	<u>\$ (454,000)</u>	<u>\$ 19,410,786</u>	<u>\$ 484,000</u>

1983 Tax Increment Deferral - On November 15, 1983, the Agency and the County of Los Angeles (County) entered into an agreement for reimbursement of tax increment funds. It was recognized that the South Bay Center Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future pledged tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2017, 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 pledged tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2017, 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, 2017, was \$297,000.

South Bay Center City Loan - On July 1, 1996, the Public Financing Authority advances \$8,660,000 to the former Redevelopment Agency for improvements within the South Bay Center Redevelopment Project Area. This advance was made through the Authority's purchase of the Agency's 1996 tax allocation bonds and bears interest at 8.95% per annum. As of June 30, 2017, the balance outstanding was \$5,025,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Note 18: Risks and Uncertainties

a. Grants

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

b. Successor Agency

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2017 (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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDONDO BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2017

1. BUDGETARY INFORMATION

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

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

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

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue, debt service, and capital projects funds. Unexpended and unencumbered appropriations of these governmental funds automatically lapse at the end of the fiscal year. Encumbrances outstanding at year-end are reported with restricted, committed, assigned, and/or unassigned fund balances. They do not constitute expenditures or estimated liabilities. Budgets were legally adopted for all governmental funds with the exception of the Parking Authority Debt Service Fund, the Pier Parking Structure Rehabilitation Capital Projects Fund, and Major Facilities Reconstruction Capital Projects Fund.

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

Excess of expenditures over appropriations are as follows:

Fund	Expenditures	Appropriations	Excess
Major Governmental Funds:			
General Fund:			
Community services	\$ 6,761,635	\$ 6,701,578	\$ 60,057
Other Intergovernmental Grants			
Public works	69,398	63,792	5,606

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 21,239,789	\$ 21,239,789	\$ 21,239,789	\$ -
Resources (Inflows):				
Taxes	62,523,000	62,124,000	62,848,867	724,867
Interdepartmental	8,176,790	8,292,178	8,292,178	-
Licenses and permits	1,605,653	1,882,430	1,755,119	(127,311)
Intergovernmental	50,000	50,000	47,498	(2,502)
Charges for services	7,078,668	7,285,615	7,255,317	(30,298)
Use of money and property	1,985,874	2,121,860	2,168,130	46,270
Fines and forfeitures	1,968,000	1,518,000	1,462,621	(55,379)
Miscellaneous	2,080,036	2,092,235	1,540,579	(551,656)
Transfers in	1,694,682	1,958,082	352,366	(1,605,716)
Amounts Available for Appropriations	108,402,492	108,564,189	106,962,464	(1,601,725)
Charges to Appropriation (Outflow):				
General government				
Mayor and city council	697,328	777,349	641,546	135,803
City clerk	1,297,665	1,303,601	1,293,164	10,437
City treasurer	500,834	546,897	380,052	166,845
City attorney	3,143,678	3,354,531	3,255,732	98,799
City manager	2,017,285	2,107,698	1,673,873	433,825
Human resources	932,542	1,010,730	987,598	23,132
Financial services	3,178,957	3,224,361	2,304,018	920,343
Public safety				
Police	36,027,225	36,525,909	35,327,019	1,198,890
Fire	17,213,132	18,209,906	17,057,540	1,152,366
Housing and community development				
Community development	3,422,470	4,179,619	2,975,965	1,203,654
Waterfront and economic development	484,351	530,264	471,087	59,177
Cultural and leisure services				
Community services	6,429,114	6,701,578	6,761,635	(60,057)
Library	4,500,066	4,606,044	4,503,744	102,300
Public works				
Public Works	6,606,469	7,318,004	6,905,789	412,215
Transfers out	2,605,032	2,799,964	3,905,155	(1,105,191)
Total Charges to Appropriations	89,069,648	93,241,395	88,459,115	4,782,280
Budgetary Fund Balance, June 30	\$ 19,332,844	\$ 15,322,794	\$ 18,503,349	\$ 3,180,555

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
 OTHER INTERGOVERNMENTAL GRANTS
 YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (1,335,382)	\$ (1,335,382)	\$ (1,335,382)	\$ -
Resources (Inflows):				
Intergovernmental	1,706,885	12,417,606	1,077,663	(11,339,943)
Transfers in	1,250	1,250	1,250	-
Amounts Available for Appropriation	372,753	11,083,474	(256,469)	(11,339,943)
Charges to Appropriation (Outflow):				
Public safety	64,380	475,127	396,543	78,584
Public works	63,875	63,792	69,398	(5,606)
Capital outlay	1,579,880	12,168,403	731,122	11,437,281
Total Charges to Appropriations	1,708,135	12,707,322	1,197,063	11,510,259
Budgetary Fund Balance, June 30	\$ (1,335,382)	\$ (1,623,848)	\$ (1,453,532)	\$ 170,316

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
LOW-MOD INCOME HOUSING
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 4,081,755	\$ 4,081,755	\$ 4,081,755	\$ -
Resources (Inflows):				
Charges for services	650	650	150	(500)
Use of money and property	-	-	43,976	43,976
Miscellaneous	210,341	210,341	90,264	(120,077)
Amounts Available for Appropriation	4,292,746	4,292,746	4,216,145	(76,601)
Charges to Appropriation (Outflow):				
Housing and community development	14,000	14,000	8,000	6,000
Total Charges to Appropriations	14,000	14,000	8,000	6,000
Budgetary Fund Balance, June 30	\$ 4,278,746	\$ 4,278,746	\$ 4,208,145	\$ (70,601)

CITY OF REDONDO BEACH

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

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

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

Notes to Schedule:Benefit Changes:

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

Changes of Assumptions:

There were no changes of assumptions.

CITY OF REDONDO BEACH

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

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

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

Note to Schedule:

Valuation Date:

June 30, 2015

Methods and assumptions used to determine contribution rates:

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

CITY OF REDONDO BEACH

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

	2015	2016	2017
TOTAL PENSION LIABILITY			
Service Cost	\$ 4,500,890	\$ 4,369,526	\$ 4,352,710
Interest	21,930,219	22,764,197	23,438,824
Difference between Expected and Actual Experience	-	854,509	(769,075)
Changes in Assumptions	-	(5,276,514)	-
Benefit Payments, Including			
Refunds of Employee Contributions	(16,352,903)	(17,197,393)	(17,877,775)
Net Change in Total Pension Liability	10,078,206	5,514,325	9,144,684
Total Pension Liability - Beginning	298,328,930	308,407,136	313,921,461
Total Pension Liability - Ending (a)	\$ 308,407,136	\$ 313,921,461	\$ 323,066,145
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 5,790,913	\$ 6,493,477	\$ 7,448,334
Contributions - Employee	2,003,854	1,397,695	1,457,236
Plan to Plan Resource Movement	-	(2,745)	2,463
Net Investment Income	34,672,500	5,030,896	1,150,020
Benefit Payments, Including			
Refunds of Employee Contributions	(16,352,903)	(17,197,393)	(17,887,775)
Administrative Expense	-	(251,346)	(136,109)
Net Change in Fiduciary Net Position	26,114,364	(4,529,416)	(7,965,831)
Plan Fiduciary Net Position - Beginning	201,747,147	227,861,511	223,332,095
Plan Fiduciary Net Position - Ending (b)	\$ 227,861,511	\$ 223,332,095	\$ 215,366,264
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 80,545,625	\$ 90,589,366	\$ 107,699,881
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.88%	71.14%	66.66%
Covered-Employee Payroll	\$ 14,418,451	\$ 15,122,058	\$ 15,770,385
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	558.63%	599.05%	682.92%

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

Notes to Schedule:Benefit Changes:

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

Changes of Assumptions:

There were no changes of assumptions.

CITY OF REDONDO BEACH

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

	2015	2016	2017
Actuarially Determined Contribution	\$ 6,493,477	\$ 7,448,335	\$ 8,431,955
Contribution in Relation to the Actuarially Determined Contribution	(6,493,477)	(7,448,335)	(8,431,955)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 15,122,058	\$ 15,770,385	\$ 16,424,748
Contributions as a Percentage of Covered-Employee Payroll	42.94%	47.23%	51.34%

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

Note to Schedule:

Valuation Date:

June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method
Amortization method
Assets valuation method
Discount rate
Projected Salary Increases
Inflation
Payroll growth
Individual salary growth

Entry Age Normal Cost Method
Level percentage of payroll, closed
Market Value
7.50% (net of administrative expenses)
Varies by Entry Age and Service
2.75%
3.00%
A merit scale varying by duration of employment coupled with an assumed annual inflation of 2.75% and an annual production growth of 0.25%.

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED JUNE 30, 2017

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

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

CITY OF REDONDO BEACH

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED JUNE 30, 2017

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (Continued)

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to City Council on December 17, 2002, City policy is to achieve an average rating of 80 PQI, which is equivalent to a 67 PCI, for all streets by fiscal year 2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds.

The condition assessments for the most recent years since implementation are as follows:

<u>Year</u>	<u>PQI Rate</u>	<u>Condition</u>	<u>% of Streets</u>
2015	84 PQI	Very Good	35%
		Good	53%
		Fair	8%
		Poor	4%
2016	85 PQI	Very Good	46%
		Good	43%
		Fair	7%
		Poor	4%
2017	70PCI	Very Good	54%
		Good	30%
		Fair	15%
		Poor	2%

The City expended \$2,602,829 on street improvement projects for the fiscal year ended June 30, 2017. 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, 2017 through June 30, 2018 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 70 PCI rating is presented below.

CITY OF REDONDO BEACH

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED JUNE 30, 2017

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (Continued)

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

As of June 30, 2017, 41% of City streets were rated below the targeted average condition level of 67 PCI. However, as noted above, the City is investing in these infrastructure assets as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

CITY OF REDONDO BEACH

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED JUNE 30, 2017

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (Continued)

Project	Project #	Budget	Capital Improvement Project Fund Expenditures	Other Fund Expenditures	Total Expenditures
Bus Shelters & Benches	40120	\$ 1,670,018	\$ -	\$ 4,211	\$ 4,211
Pavement & Sidewalk Repairs	40140	243,432	3,194	-	3,194
Bike Paths Improvement Project	40150	-	-	-	-
Residential Street Rehabilitation	40190	2,710,236	286	27,973	28,259
Diamond St Resurf-Cluster to Hawthorne	40350	-	-	-	-
Citywide Curb Ramp Improvements	40399	387,030	80,000	352,372	432,372
Traffic Calming Project	40470	219,010	66,022	-	66,022
Bicycle Trans Plan Implementation	40510	73,684	-	4,249	4,249
PCH/Torrance Blvd Right Hand Turn Lane	40650	77,938	9,031	-	9,031
Grant/Artesia Countdown Ped Signal	40710	32,957	-	-	-
North Redondo Beach Bikeway Lighting	40740	180,793	-	-	-
Artesia/Aviation NB Rt Turn Lane	40780	748,210	-	76,654	76,654
PV Boulevard/PCH WB Rt Turn Lane	40790	264,379	-	24,754	24,754
PCH Study Recommendations	40800	1,380,144	-	110,117	110,117
PCH/Torrance Boulevard NB Rt Turn Lane	40810	498,632	-	30,271	30,271
Beryl/190th Signal Study	40850	302,232	-	119,346	119,346
Beryl St. Improvements - Flagler to 190th	40860	1,841,985	-	734,132	734,132
Kingsdale Resurfacing - 182nd to Grant	40880	860,000	-	-	-
PCH/Catalina Entryway Prop Acquisition	40910	4,000	-	-	-
Bike Plan Grant - Beryl St. Bike Lanes	40940	136,931	-	-	-
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	288,127	-	25,588	25,588
Riviera Village Imp - Phase IV	40980	723,964	5,946	-	5,946
Marine Avenue Resurfacing - Aviation to I405	40990	950,000	-	-	-
Riviera Village Parking Meter Replacement	41000	256,528	-	-	-
Bicycle Trans Plan Implementation - Phase 2	41010	291,775	-	-	-
Esplanade Resurfacing: Knob Hill to Catalina	41020	950,204	261,827	663,952	925,779
Prospect Resurfacing: Beryl to Del Amo	41030	875,380	-	2,903	2,903
LA County Pedestrian Path Widening	41040	50,000	-	-	-
Esplanade Dog Walk Path/Drinking Fountain	41050	20,000	-	-	-
Flagler Resurfacing - 190th to Beryl St.	41060	313,000	-	-	-
Torrance Blvd & Francisca Traffic Signal Mod	41070	20,000	-	-	-
		<u>\$ 18,181,254</u>	<u>\$ 426,308</u>	<u>\$ 2,176,521</u>	<u>\$ 2,602,829</u>

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SUPPLEMENTARY INFORMATION

CITY OF REDONDO BEACH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds			
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A
Assets:				
Pooled cash and investments	\$ -	\$ 128,886	\$ 941,811	\$ 1,832,571
Receivables:				
Accounts	672	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	2,511	7,152
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 672	\$ 128,886	\$ 944,322	\$ 1,839,723
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 31,189	\$ -	\$ 4,206	\$ -
Due to other funds	24,794	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	55,983	-	4,206	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Housing and community development	-	128,886	-	1,839,723
Public safety	-	-	940,116	-
Public works	-	-	-	-
Debt service	-	-	-	-
Low and moderate income housing	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	(55,311)	-	-	-
Total Fund Balances	(55,311)	128,886	940,116	1,839,723
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 672	\$ 128,886	\$ 944,322	\$ 1,839,723

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

(CONTINUED)

	Special Revenue Funds			
	Proposition C	Measure R	Local Transportation Article 3	Air Quality Improvement
Assets:				
Pooled cash and investments	\$ 5,528,913	\$ 1,189,401	\$ -	\$ 172,719
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	14,438	375	-	451
Due from other governments	-	-	2,852	22,559
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 5,543,351	\$ 1,189,776	\$ 2,852	\$ 195,729
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 55,346	\$ 29,382	\$ -	\$ 2,158
Due to other funds	-	-	2,852	-
Advances from other funds	-	-	-	-
Total Liabilities	55,346	29,382	2,852	2,158
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Housing and community development	5,488,005	1,160,394	-	193,571
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Low and moderate income housing	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	5,488,005	1,160,394	-	193,571
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,543,351	\$ 1,189,776	\$ 2,852	\$ 195,729

CITY OF REDONDO BEACH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds			
	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery
Assets:				
Pooled cash and investments	\$ 412,640	\$ 100,649	\$ 14,259	\$ -
Receivables:				
Accounts	-	4,657	-	-
Taxes	-	51,695	-	-
Notes and loans	-	-	394,329	-
Accrued interest	-	-	-	-
Due from other governments	-	-	56,623	11,241
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 412,640	\$ 157,001	\$ 465,211	\$ 11,241
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 55,384	\$ 157,001	\$ 23,821	\$ -
Due to other funds	-	-	-	22,849
Advances from other funds	-	-	-	-
Total Liabilities	55,384	157,001	23,821	22,849
Deferred Inflows of Resources:				
Unavailable revenues	-	-	394,332	-
Total Deferred Inflows of Resources	-	-	394,332	-
Fund Balances:				
Restricted for:				
Housing and community development	-	-	47,058	-
Public safety	-	-	-	-
Public works	357,256	-	-	-
Debt service	-	-	-	-
Low and moderate income housing	-	-	-	-
Assigned to:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	(11,608)
Total Fund Balances	357,256	-	47,058	(11,608)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 412,640	\$ 157,001	\$ 465,211	\$ 11,241

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

(CONTINUED)

	Special Revenue Funds		Capital Project Funds	
	Housing Authority	Subdivision Park Trust	Pier Parking Structure Rehabilitation	Major Facilities Reconstruction
Assets:				
Pooled cash and investments	\$ 1,272,250	\$ 1,621,541	\$ 831	\$ 900,000
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 1,272,250	\$ 1,621,541	\$ 831	\$ 1,150,000
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 2,200	\$ -	\$ -
Due to other funds	276,036	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	276,036	2,200	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Housing and community development	-	1,619,341	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Low and moderate income housing	996,214	-	-	-
Assigned to:				
Capital Projects	-	-	831	1,150,000
Unassigned	-	-	-	-
Total Fund Balances	996,214	1,619,341	831	1,150,000
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,272,250	\$ 1,621,541	\$ 831	\$ 1,150,000

CITY OF REDONDO BEACH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Capital Project Funds	Debt Service Funds		
	Open Space Acquisition	Public Financing Authority	Parking Authority	Total Governmental Funds
Assets:				
Pooled cash and investments	\$ 851,516	\$ 610,609	\$ 5,745	\$ 15,584,341
Receivables:				
Accounts	-	8,607	-	13,936
Taxes	-	-	-	51,695
Notes and loans	-	-	-	394,329
Accrued interest	-	382	11	25,320
Due from other governments	-	5,025,000	-	5,118,275
Restricted assets:				
Cash and investments with fiscal agents	-	1,655,690	-	1,655,690
Total Assets	\$ 1,001,516	\$ 7,300,288	\$ 5,756	\$ 23,243,586
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 1,094	\$ -	\$ 361,781
Due to other funds	-	501,736	-	828,267
Advances from other funds	-	925,105	-	925,105
Total Liabilities	-	1,427,935	-	2,115,153
Deferred Inflows of Resources:				
Unavailable revenues	-	22,831	-	417,163
Total Deferred Inflows of Resources	-	22,831	-	417,163
Fund Balances:				
Restricted for:				
Housing and community development	-	-	-	10,476,978
Public safety	-	-	-	940,116
Public works	-	-	-	357,256
Debt service	-	5,849,522	5,756	5,855,278
Low and moderate income housing	-	-	-	996,214
Assigned to:				
Capital Projects	1,001,516	-	-	2,152,347
Unassigned	-	-	-	(66,919)
Total Fund Balances	1,001,516	5,849,522	5,756	20,711,270
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,001,516	\$ 7,300,288	\$ 5,756	\$ 23,243,586

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CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A
Revenues:				
Intergovernmental	\$ 1,311,069	\$ -	\$ -	\$ 1,242,554
Charges for services	-	33,600	-	-
Use of money and property	(474)	-	1,760	16,614
Fines and forfeitures	-	-	61,307	-
Miscellaneous	5,799	-	-	-
Total Revenues	1,316,394	33,600	63,067	1,259,168
Expenditures:				
Current:				
Public safety	-	-	83,683	-
Housing and community development	-	-	-	-
Public works	1,508,393	-	-	-
Capital outlay	327,829	19,740	8,707	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,836,222	19,740	92,390	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(519,828)	13,860	(29,323)	1,259,168
Other Financing Sources (Uses):				
Transfers in	9,779	-	-	-
Transfers out	-	-	-	(1,419,389)
Total Other Financing Sources (Uses):	9,779	-	-	(1,419,389)
Net Change in Fund Balances	(510,049)	13,860	(29,323)	(160,221)
Fund Balances, Beginning of Year	454,738	115,026	969,439	1,999,944
Fund Balances, End of Year	\$ (55,311)	\$ 128,886	\$ 940,116	\$ 1,839,723

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

(CONTINUED)

	Special Revenue Funds			
	Proposition C	Measure R	Local Transportation Article 3	Air Quality Improvement
Revenues:				
Intergovernmental	\$ 1,030,004	\$ 773,186	\$ 121,844	\$ 88,743
Charges for services	-	-	-	-
Use of money and property	12,479	2,393	-	441
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,042,483	775,579	121,844	89,184
Expenditures:				
Current:				
Public safety	-	-	-	-
Housing and community development	319	-	-	59,854
Public works	7,084	12,128	-	-
Capital outlay	704,403	392,431	121,205	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	711,806	404,559	121,205	59,854
Excess (Deficiency) of Revenues Over (Under) Expenditures	330,677	371,020	639	29,330
Other Financing Sources (Uses):				
Transfers in	-	-	-	402
Transfers out	-	-	-	-
Total Other Financing Sources (Uses):	-	-	-	402
Net Change in Fund Balances	330,677	371,020	639	29,732
Fund Balances, Beginning of Year	5,157,328	789,374	(639)	163,839
Fund Balances, End of Year	\$ 5,488,005	\$ 1,160,394	\$ -	\$ 193,571

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			
	Storm Drain Improvement	Street Landscaping and Lighting	Community Development Block Grant	Disaster Recovery
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 627,587	\$ -
Charges for services	51,981	1,513,923	-	-
Use of money and property	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	10,870	82,234	11,241
Total Revenues	51,981	1,524,793	709,821	11,241
Expenditures:				
Current:				
Public safety	-	-	-	11,096
Housing and community development	-	-	135,276	-
Public works	-	2,589,818	-	-
Capital outlay	196,006	-	432,925	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	196,006	2,589,818	568,201	11,096
Excess (Deficiency) of Revenues Over (Under) Expenditures	(144,025)	(1,065,025)	141,620	145
Other Financing Sources (Uses):				
Transfers in	-	1,065,025	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses):	-	1,065,025	-	-
Net Change in Fund Balances	(144,025)	-	141,620	145
Fund Balances, Beginning of Year	501,281	-	(94,562)	(11,753)
Fund Balances, End of Year	\$ 357,256	\$ -	\$ 47,058	\$ (11,608)

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

(CONTINUED)

	Special Revenue Funds		Capital Project Funds	
	Housing Authority	Subdivision Park Trust	Pier Parking Structure Rehabilitation	Major Facilities Reconstruction
Revenues:				
Intergovernmental	\$ 6,038,899	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Use of money and property	208	(10,724)	(3)	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	592,500	-	-
Total Revenues	6,039,107	581,776	(3)	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Housing and community development	5,873,504	-	-	-
Public works	-	-	-	-
Capital outlay	-	54,629	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	5,873,504	54,629	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	165,603	527,147	(3)	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	250,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses):	-	-	-	250,000
Net Change in Fund Balances	165,603	527,147	(3)	250,000
Fund Balances, Beginning of Year	830,611	1,092,194	834	900,000
Fund Balances, End of Year	\$ 996,214	\$ 1,619,341	\$ 831	\$ 1,150,000

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Capital Project Funds	Debt Service Funds		Total Governmental Funds
	Open Space Acquisition	Public Financing Authority	Parking Authority	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 11,233,886
Charges for services	-	-	-	1,599,504
Use of money and property	-	803,804	29	826,527
Fines and forfeitures	-	-	-	61,307
Miscellaneous	-	-	-	702,644
Total Revenues	-	803,804	29	14,423,868
Expenditures:				
Current:				
Public safety	-	-	-	94,779
Housing and community development	-	235,828	-	6,304,781
Public works	-	-	-	4,117,423
Capital outlay	398,484	-	-	2,656,359
Debt service:				
Principal retirement	-	745,000	-	745,000
Interest and fiscal charges	-	121,999	-	121,999
Total Expenditures	398,484	1,102,827	-	14,040,341
Excess (Deficiency) of Revenues Over (Under) Expenditures	(398,484)	(299,023)	29	383,527
Other Financing Sources (Uses):				
Transfers in	150,000	-	-	1,475,206
Transfers out	-	-	-	(1,419,389)
Total Other Financing Sources (Uses):	150,000	-	-	55,817
Net Change in Fund Balances	(248,484)	(299,023)	29	439,344
Fund Balances, Beginning of Year	1,250,000	6,148,545	5,727	20,271,926
Fund Balances, End of Year	\$ 1,001,516	\$ 5,849,522	\$ 5,756	\$ 20,711,270

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 454,738	\$ 454,738	\$ 454,738	\$ -
Resources (Inflows):				
Intergovernmental	1,396,396	1,396,396	1,311,069	(85,327)
Use of money and property	14,000	2,000	(474)	(2,474)
Miscellaneous	4,000	4,000	5,799	1,799
Transfers in	9,779	9,779	9,779	-
Amounts Available for Appropriations	1,878,913	1,866,913	1,780,911	(86,002)
Charges to Appropriation (Outflow):				
Public works	1,319,504	1,512,454	1,508,393	4,061
Capital outlay	-	355,982	327,829	28,153
Total Charges to Appropriations	1,319,504	1,868,436	1,836,222	32,214
Budgetary Fund Balance, June 30	\$ 559,409	\$ (1,523)	\$ (55,311)	\$ (53,788)

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
 PARKS AND RECREATION FACILITIES
 YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 115,026	\$ 115,026	\$ 115,026	\$ -
Resources (Inflows):				
Charges for services	20,600	28,700	33,600	4,900
Amounts Available for Appropriations	135,626	143,726	148,626	4,900
Charges to Appropriation (Outflow):				
Capital outlay	55,000	74,725	19,740	54,985
Total Charges to Appropriations	55,000	74,725	19,740	54,985
Budgetary Fund Balance, June 30	\$ 80,626	\$ 69,001	\$ 128,886	\$ 59,885

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
 NARCOTIC SEIZURE / FORFEITURE
 YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 969,439	\$ 969,439	\$ 969,439	\$ -
Resources (Inflows):				
Use of money and property	3,000	12,000	1,760	(10,240)
Fines and forfeitures	-	22,000	61,307	39,307
Amounts Available for Appropriations	972,439	1,003,439	1,032,506	29,067
Charges to Appropriation (Outflow):				
Public safety	58,699	156,456	83,683	72,773
Capital outlay	-	25,553	8,707	16,846
Total Charges to Appropriations	58,699	182,009	92,390	89,619
Budgetary Fund Balance, June 30	\$ 913,740	\$ 821,430	\$ 940,116	\$ 118,686

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,999,944	\$ 1,999,944	\$ 1,999,944	\$ -
Resources (Inflows):				
Intergovernmental	1,269,514	1,269,514	1,242,554	(26,960)
Use of money and property	8,000	22,000	16,614	(5,386)
Amounts Available for Appropriations	3,277,458	3,291,458	3,259,112	(32,346)
Charges to Appropriation (Outflow):				
Transfers out	1,814,130	1,801,359	1,419,389	381,970
Total Charges to Appropriations	1,814,130	1,801,359	1,419,389	381,970
Budgetary Fund Balance, June 30	\$ 1,463,328	\$ 1,490,099	\$ 1,839,723	\$ 349,624

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
PROPOSITION C
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 5,157,328	\$ 5,157,328	\$ 5,157,328	\$ -
Resources (Inflows):				
Intergovernmental	1,053,029	1,053,029	1,030,004	(23,025)
Use of money and property	27,000	55,000	12,479	(42,521)
Amounts Available for Appropriations	6,237,357	6,265,357	6,199,811	(65,546)
Charges to Appropriation (Outflow):				
Housing and community development	442	319	319	-
Public works	61,755	61,886	7,084	54,802
Capital outlay	370,000	5,469,282	704,403	4,764,879
Total Charges to Appropriations	432,197	5,531,487	711,806	4,819,681
Budgetary Fund Balance, June 30	\$ 5,805,160	\$ 733,870	\$ 5,488,005	\$ 4,754,135

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
MEASURE R
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 789,374	\$ 789,374	\$ 789,374	\$ -
Resources (Inflows):				
Intergovernmental	789,715	789,715	773,186	(16,529)
Use of money and property	4,000	2,000	2,393	393
Amounts Available for Appropriations	1,583,089	1,581,089	1,564,953	(16,136)
Charges to Appropriation (Outflow):				
Public works	140,000	140,000	12,128	127,872
Capital outlay	605,500	1,425,347	392,431	1,032,916
Total Charges to Appropriations	745,500	1,565,347	404,559	1,160,788
Budgetary Fund Balance, June 30	\$ 837,589	\$ 15,742	\$ 1,160,394	\$ 1,144,652

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 LOCAL TRANSPORTATION ARTICLE 3
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (639)	\$ (639)	\$ (639)	\$ -
Resources (Inflows):				
Intergovernmental	45,122	45,122	121,844	76,722
Amounts Available for Appropriations	44,483	44,483	121,205	76,722
Charges to Appropriation (Outflow):				
Capital outlay	15,854	69,698	121,205	(51,507)
Total Charges to Appropriations	15,854	69,698	121,205	(51,507)
Budgetary Fund Balance, June 30	\$ 28,629	\$ (25,215)	\$ -	\$ 25,215

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY IMPROVEMENT
 YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 163,839	\$ 163,839	\$ 163,839	\$ -
Resources (Inflows):				
Intergovernmental	-	-	88,743	88,743
Use of money and property	80,500	81,000	441	(80,559)
Transfers in	402	402	402	-
Amounts Available for Appropriations	244,741	245,241	253,425	8,184
Charges to Appropriation (Outflow):				
Housing and community development	71,574	82,187	59,854	22,333
Total Charges to Appropriations	71,574	82,187	59,854	22,333
Budgetary Fund Balance, June 30	\$ 173,167	\$ 163,054	\$ 193,571	\$ 30,517

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 STORM DRAIN IMPROVEMENT
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 501,281	\$ 501,281	\$ 501,281	\$ -
Resources (Inflows):				
Charges for services	42,000	42,000	51,981	9,981
Amounts Available for Appropriations	543,281	543,281	553,262	9,981
Charges to Appropriation (Outflow):				
Capital outlay	-	1,300,091	196,006	1,104,085
Total Charges to Appropriations	-	1,300,091	196,006	1,104,085
Budgetary Fund Balance, June 30	\$ 543,281	\$ (756,810)	\$ 357,256	\$ 1,114,066

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
STREET LANDSCAPING AND LIGHTING DISTRICT
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Charges for services	1,540,500	1,540,600	1,513,923	(26,677)
Miscellaneous	36,000	36,000	10,870	(25,130)
Transfers in	1,009,186	1,054,118	1,065,025	10,907
Amounts Available for Appropriations	2,585,686	2,630,718	2,589,818	(40,900)
Charges to Appropriation (Outflow):				
Public works	2,585,686	2,736,558	2,589,818	146,740
Total Charges to Appropriations	2,585,686	2,736,558	2,589,818	146,740
Budgetary Fund Balance, June 30	\$ -	\$ (105,840)	\$ -	\$ 105,840

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (94,562)	\$ (94,562)	\$ (94,562)	\$ -
Resources (Inflows):				
Intergovernmental	252,533	652,786	627,587	(25,199)
Miscellaneous	-	-	82,234	82,234
Amounts Available for Appropriations	157,971	558,224	615,259	57,035
Charges to Appropriation (Outflow):				
Housing and community development	148,387	206,676	135,276	71,400
Capital outlay	104,146	451,382	432,925	18,457
Total Charges to Appropriations	252,533	658,058	568,201	89,857
Budgetary Fund Balance, June 30	\$ (94,562)	\$ (99,834)	\$ 47,058	\$ 146,892

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
 DISASTER RECOVERY
 YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (11,753)	\$ (11,753)	\$ (11,753)	\$ -
Resources (Inflows):				
Charges for services	1,000	-	-	-
Miscellaneous	30,000	44,000	11,241	(32,759)
Amounts Available for Appropriations	19,247	32,247	(512)	(32,759)
Charges to Appropriation (Outflow):				
Public safety	17,060	17,060	11,096	5,964
Total Charges to Appropriations	17,060	17,060	11,096	5,964
Budgetary Fund Balance, June 30	\$ 2,187	\$ 15,187	\$ (11,608)	\$ (26,795)

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 830,611	\$ 830,611	\$ 830,611	\$ -
Resources (Inflows):				
Intergovernmental	5,900,335	5,898,011	6,038,899	140,888
Use of money and property	-	-	208	208
Amounts Available for Appropriations	6,730,946	6,728,622	6,869,718	141,096
Charges to Appropriation (Outflow):				
Housing and community development	5,856,629	5,877,948	5,873,504	4,444
Total Charges to Appropriations	5,856,629	5,877,948	5,873,504	4,444
Budgetary Fund Balance, June 30	\$ 874,317	\$ 850,674	\$ 996,214	\$ 145,540

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
SUBDIVISION PARK TRUST
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,092,194	\$ 1,092,194	\$ 1,092,194	\$ -
Resources (Inflows):				
Use of money and property	-	-	(10,724)	(10,724)
Miscellaneous	206,639	593,880	592,500	(1,380)
Amounts Available for Appropriations	1,298,833	1,686,074	1,673,970	(12,104)
Charges to Appropriation (Outflow):				
Capital outlay	833,500	990,257	54,629	935,628
Total Charges to Appropriations	833,500	990,257	54,629	935,628
Budgetary Fund Balance, June 30	\$ 465,333	\$ 695,817	\$ 1,619,341	\$ 923,524

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT PROJECTS
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 11,112,946	\$ 11,112,946	\$ 11,112,946	\$ -
Resources (Inflows):				
Charges for services	273,500	273,500	273,618	118
Miscellaneous	235,000	235,000	206,882	(28,118)
Transfers in	2,825	152,825	2,202,825	2,050,000
Amounts Available for Appropriations	11,624,271	11,774,271	13,796,271	2,022,000
Charges to Appropriation (Outflow):				
Public works	166,952	166,746	143,072	23,674
Capital outlay	1,673,500	8,088,868	1,280,298	6,808,570
Total Charges to Appropriations	1,840,452	8,255,614	1,423,370	6,832,244
Budgetary Fund Balance, June 30	\$ 9,783,819	\$ 3,518,657	\$ 12,372,901	\$ 8,854,244

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
OPEN SPACE ACQUISITION
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ -
Resources (Inflows):				
Transfers in	-	-	150,000	150,000
Amounts Available for Appropriations	1,250,000	1,250,000	1,400,000	150,000
Charges to Appropriation (Outflow):				
Capital outlay	-	395,000	398,484	(3,484)
Total Charges to Appropriations	-	395,000	398,484	(3,484)
Budgetary Fund Balance, June 30	\$ 1,250,000	\$ 855,000	\$ 1,001,516	\$ 146,516

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 6,148,545	\$ 6,148,545	\$ 6,148,545	\$ -
Resources (Inflows):				
Use of money and property	1,206,823	1,206,823	803,804	(403,019)
Amounts Available for Appropriations	7,355,368	7,355,368	6,952,349	(403,019)
Charges to Appropriation (Outflow):				
Housing and community development	276,527	276,527	235,828	40,699
Debt service:				
Principal retirement	745,000	745,000	745,000	-
Interest and fiscal charges	185,296	185,296	121,999	63,297
Total Charges to Appropriations	1,206,823	1,206,823	1,102,827	103,996
Budgetary Fund Balance, June 30	\$ 6,148,545	\$ 6,148,545	\$ 5,849,522	\$ (299,023)

CITY OF REDONDO BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement	Building Occupancy	Information Technology
Assets:			
Current:			
Cash and investments	\$ 7,357,944	\$ 559,924	\$ 682,988
Receivables:			
Accounts	63,116	135	645
Total Current Assets	7,421,060	560,059	683,633
Noncurrent:			
Capital assets - net of accumulated depreciation	5,398,888	87,533	837,060
Total Noncurrent Assets	5,398,888	87,533	837,060
Total Assets	12,819,948	647,592	1,520,693
Deferred Outflows of Resources:			
Deferred pension related items	120,371	511,330	419,844
Total Deferred Outflows of Resources	120,371	511,330	419,844
Liabilities:			
Current:			
Accounts payable	231,266	151,679	150,831
Accrued compensated absences	3,269	22,931	22,102
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	-	-	224,363
Total Current Liabilities	234,535	174,610	397,296
Noncurrent:			
Accrued compensated absences	12,083	84,753	81,690
Accrued claims and judgments	-	-	-
Net pension liability	801,836	1,737,315	1,557,619
Bonds, notes, and capital leases	-	-	28,902
Total Noncurrent Liabilities	813,919	1,822,068	1,668,211
Total Liabilities	1,048,454	1,996,678	2,065,507
Deferred Inflows of Resources:			
Deferred pension related items	16,927	31,178	30,432
Total Deferred Inflows of Resources	16,927	31,178	30,432
Net Position:			
Net investment in capital assets	5,398,888	87,533	583,795
Unrestricted	6,476,050	(956,467)	(739,197)
Total Net Position	\$ 11,874,938	\$ (868,934)	\$ (155,402)

CITY OF REDONDO BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	Governmental Activities - Internal Service Funds			
	Self- Insurance Program	Emergency Communications	Major Facilities Repair	Totals
Assets:				
Current:				
Cash and investments	\$ 12,005,273	\$ 3,774,276	\$ 949,146	\$ 25,329,551
Receivables:				
Accounts	114,100	-	-	177,996
Total Current Assets	12,119,373	3,774,276	949,146	25,507,547
Noncurrent:				
Capital assets - net of accumulated depreciation	-	107,358	-	6,430,839
Total Noncurrent Assets	-	107,358	-	6,430,839
Total Assets	12,119,373	3,881,634	949,146	31,938,386
Deferred Outflows of Resources:				
Deferred pension related items	94,407	458,363	-	1,604,315
Total Deferred Outflows of Resources	94,407	458,363	-	1,604,315
Liabilities:				
Current:				
Accounts payable	716,862	6,459	-	1,257,097
Accrued compensated absences	3,000	26,054	-	77,356
Accrued claims and judgments	1,191,445	-	-	1,191,445
Bonds, notes, and capital leases	-	-	-	224,363
Total Current Liabilities	1,911,307	32,513	-	2,750,261
Noncurrent:				
Accrued compensated absences	11,089	96,300	-	285,915
Accrued claims and judgments	21,025,474	-	-	21,025,474
Net pension liability	379,889	2,750,052	-	7,226,711
Bonds, notes, and capital leases	-	-	-	28,902
Total Noncurrent Liabilities	21,416,452	2,846,352	-	28,567,002
Total Liabilities	23,327,759	2,878,865	-	31,317,263
Deferred Inflows of Resources:				
Deferred pension related items	5,176	54,657	-	138,370
Total Deferred Inflows of Resources	5,176	54,657	-	138,370
Net Position:				
Net investment in capital assets	-	107,358	-	6,177,574
Unrestricted	(11,119,155)	1,299,117	949,146	(4,090,506)
Total Net Position	\$ (11,119,155)	\$ 1,406,475	\$ 949,146	\$ 2,087,068

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement	Building Occupancy	Information Technology
Operating Revenues:			
Sales and service charges	\$ 3,985,121	\$ 3,929,547	\$ 3,634,866
Miscellaneous	75,352	16,294	3,450
Total Operating Revenues	4,060,473	3,945,841	3,638,316
Operating Expenses:			
Administration and general	962,201	1,098,082	434,583
Personnel services	447,736	1,301,778	1,049,820
Contractual services	-	429,097	853,800
Internal service charges	250,166	707,652	420,278
Depreciation expense	889,226	4,411	280,734
Total Operating Expenses	2,549,329	3,541,020	3,039,215
Operating Income (Loss)	1,511,144	404,821	599,101
Nonoperating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	82,035	-	-
Total Nonoperating Revenues (Expenses)	82,035	-	-
Income (Loss) Before Transfers	1,593,179	404,821	599,101
Transfers in	8,885	19,996	18,761
Transfers out	-	-	-
Changes in Net Position	1,602,064	424,817	617,862
Net Position:			
Beginning of Year	10,272,874	(1,293,751)	(773,264)
End of Fiscal Year	\$ 11,874,938	\$ (868,934)	\$ (155,402)

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds			
	Self- Insurance Program	Emergency Communications	Major Facilities Repair	Totals
Operating Revenues:				
Sales and service charges	\$ 6,778,762	\$ 3,618,905	\$ 128,471	\$ 22,075,672
Miscellaneous	1,232	-	-	96,328
Total Operating Revenues	6,779,994	3,618,905	128,471	22,172,000
Operating Expenses:				
Administration and general	11,849,451	87,938	-	14,432,255
Personnel services	207,622	1,719,402	-	4,726,358
Contractual services	157,477	90,175	-	1,530,549
Internal service charges	57,173	696,355	-	2,131,624
Depreciation expense	-	65,300	-	1,239,671
Total Operating Expenses	12,271,723	2,659,170	-	24,060,457
Operating Income (Loss)	(5,491,729)	959,735	128,471	(1,888,457)
Nonoperating Revenues (Expenses):				
Gain (loss) on disposal of capital assets	-	-	-	82,035
Total Nonoperating Revenues (Expenses)	-	-	-	82,035
Income (Loss) Before Transfers	(5,491,729)	959,735	128,471	(1,806,422)
Transfers in	3,699	30,809	-	82,150
Transfers out	-	(263,400)	-	(263,400)
Changes in Net Position	(5,488,030)	727,144	128,471	(1,987,672)
Net Position:				
Beginning of Year	(5,631,125)	679,331	820,675	4,074,740
End of Fiscal Year	\$ (11,119,155)	\$ 1,406,475	\$ 949,146	\$ 2,087,068

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds		
	Vehicle Replacement	Building Occupancy	Information Technology
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 4,008,453	\$ 3,945,733	\$ 3,637,671
Cash paid to suppliers for goods and services	(165,223)	(1,122,911)	(1,187,670)
Cash paid to employees for services	(1,418,019)	(2,365,561)	(1,484,939)
Net Cash Provided (Used) by Operating Activities	2,425,211	457,261	965,062
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	-	-
Cash transfers in	8,885	19,996	18,761
Net Cash Provided (Used) by Non-Capital Financing Activities	8,885	19,996	18,761
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,374,814)	-	(35,283)
Principal paid on capital debt	-	-	(308,455)
Gain on disposal of capital assets	17,205	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,357,609)	-	(343,738)
Net Increase (Decrease) in Cash and Cash Equivalents	76,487	477,257	640,085
Cash and Cash Equivalents at Beginning of Year	7,281,457	82,667	42,903
Cash and Cash Equivalents at End of Year	\$ 7,357,944	\$ 559,924	\$ 682,988
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 1,511,144	\$ 404,821	\$ 599,101
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	889,226	4,411	280,734
(Increase) decrease in accounts receivable	(52,020)	(108)	(645)
(Increase) decrease in deferred outflow pension related items	(66,476)	(383,406)	(304,438)
Increase (decrease) in accounts payable	84,943	13,838	86,408
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in net pension liability	117,817	416,347	340,622
Increase (decrease) in deferred inflow pension related items	(55,636)	(46,543)	(47,582)
Increase (decrease) in compensated absences	(3,787)	47,901	10,862
Total Adjustments	914,067	52,440	365,961
Net Cash Provided (Used) by Operating Activities	\$ 2,425,211	\$ 457,261	\$ 965,062

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds			
	Self- Insurance Program	Emergency Communications	Major Facilities Repair	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 6,665,894	\$ 3,621,456	\$ 128,471	\$ 22,007,678
Cash paid to suppliers for goods and services	1,406	(781,444)	-	(3,255,842)
Cash paid to employees for services	(6,449,597)	(1,859,503)	-	(13,577,619)
Net Cash Provided (Used) by Operating Activities	217,703	980,509	128,471	5,174,217
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	(263,400)	-	(263,400)
Cash transfers in	3,699	30,809	-	82,150
Net Cash Provided (Used) by Non-Capital Financing Activities	3,699	(232,591)	-	(181,250)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	-	-	(2,410,097)
Principal paid on capital debt	-	-	-	(308,455)
Gain on disposal of capital assets	-	-	-	17,205
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	(2,701,347)
Net Increase (Decrease) in Cash and Cash Equivalents	221,402	747,918	128,471	2,291,620
Cash and Cash Equivalents at Beginning of Year	11,783,871	3,026,358	820,675	23,037,931
Cash and Cash Equivalents at End of Year	\$ 12,005,273	\$ 3,774,276	\$ 949,146	\$ 25,329,551
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (5,491,729)	\$ 959,735	\$ 128,471	\$ (1,888,457)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	-	65,300	-	1,239,671
(Increase) decrease in accounts receivable	(114,100)	2,551	-	(164,322)
(Increase) decrease in deferred outflow pension related items	(70,229)	(275,073)	-	(1,099,622)
Increase (decrease) in accounts payable	216,056	5,086	-	406,331
Increase (decrease) in claims and judgments	5,611,205	-	-	5,611,205
Increase (decrease) in net pension liability	89,589	444,895	-	1,409,270
Increase (decrease) in deferred inflow pension related items	(22,203)	(185,529)	-	(357,493)
Increase (decrease) in compensated absences	(886)	(36,456)	-	17,634
Total Adjustments	5,709,432	20,774	-	7,062,674
Net Cash Provided (Used) by Operating Activities	\$ 217,703	\$ 980,509	\$ 128,471	\$ 5,174,217

CITY OF REDONDO BEACH

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2017

	Deposits	Assessment District 92-1	Totals
Assets:			
Pooled cash and investments	\$ -	\$ 178,012	\$ 178,012
Receivables:			
Accounts	51,102	-	51,102
Prepaid costs	2,220	-	2,220
Deposits	776,809	-	776,809
Total Assets	\$ 830,131	\$ 178,012	\$ 1,008,143
Liabilities:			
Accounts payable	\$ 121,019	\$ -	\$ 121,019
Deposits payable	-	178,012	178,012
Due to other governments	709,112	-	709,112
Total Liabilities	\$ 830,131	\$ 178,012	\$ 1,008,143

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2017

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
<u>Deposits</u>				
Assets:				
Receivables:				
Accounts	\$ 12,182	\$ 653,666	\$ 614,746	\$ 51,102
Prepaid costs	-	2,220	-	2,220
Deposits	936,076	4,337,608	4,496,875	776,809
Total Assets	\$ 948,258	\$ 4,993,494	\$ 5,111,621	\$ 830,131
Liabilities:				
Accounts payable	\$ 233,483	\$ 3,992,446	\$ 4,104,910	\$ 121,019
Due to other governments	714,775	4,719,288	4,724,951	709,112
Total Liabilities	\$ 948,258	\$ 8,711,734	\$ 8,829,861	\$ 830,131
<u>Assessment District 92-1</u>				
Assets:				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Total Assets	\$ 178,012	\$ -	\$ -	\$ 178,012
Liabilities:				
Deposits payable	\$ 178,012	\$ -	\$ -	\$ 178,012
Total Liabilities	\$ 178,012	\$ -	\$ -	\$ 178,012
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Receivables:				
Accounts	12,182	653,666	614,746	51,102
Prepaid costs	-	2,220	-	2,220
Deposits	936,076	4,337,608	4,496,875	776,809
Total Assets	\$ 1,126,270	\$ 4,993,494	\$ 5,111,621	\$ 1,008,143
Liabilities:				
Accounts payable	\$ 233,483	\$ 3,992,446	\$ 4,104,910	\$ 121,019
Deposits payable	178,012	-	-	178,012
Due to other governments	714,775	4,719,288	4,724,951	709,112
Total Liabilities	\$ 1,126,270	\$ 8,711,734	\$ 8,829,861	\$ 1,008,143

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

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<i>Revenue Capacity</i>	
Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	162
<i>Debt Capacity</i>	
Presented are schedules to assist the reader's understanding of the City's current level of outstanding debt and its ability to issue additional debt in the future.	168
<i>Demographic and Economic Information</i>	
Presented are schedules to assist the reader's understanding of the socioeconomic environment within which the City operates and to help make comparisons over time and with other governments.	175
<i>Operating & Other Information</i>	
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City of Redondo Beach
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental Activities:					
Net investment in capital assets	\$ 134,543,764	\$ 135,170,376	\$ 137,743,367	\$ 140,306,635	\$ 143,049,830
Restricted	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803
Unrestricted	(14,805,067)	876,969	(766,752)	(12,443,192)	21,623,137
Total governmental activities net position	<u>154,623,061</u>	<u>153,875,358</u>	<u>153,780,052</u>	<u>157,753,492</u>	<u>182,534,770</u>
Business-type activities:					
Net investment in capital assets	36,923,208	35,414,035	35,985,952	34,790,325	34,957,595
Restricted	-	-	-	-	-
Unrestricted	25,271,647	25,564,850	25,550,889	27,481,003	24,616,381
Total business-type activities net position	<u>62,194,855</u>	<u>60,978,885</u>	<u>61,536,841</u>	<u>62,271,328</u>	<u>59,573,976</u>
Primary government:					
Net investment in capital assets	171,466,972	170,584,411	173,729,319	175,096,960	178,007,425
Restricted	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803
Unrestricted	10,466,580	26,441,819	24,784,137	15,037,811	46,239,518
Total primary government net position	<u>\$ 216,817,916</u>	<u>\$ 214,854,243</u>	<u>\$ 215,316,893</u>	<u>\$ 220,024,820</u>	<u>\$ 242,108,746</u>

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

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

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

(CONTINUED)

	Fiscal Year				
	2013	2014	2015 *	2016	2017
Governmental Activities:					
Net investment in capital assets	\$ 142,096,684	\$ 138,614,141	\$ 139,555,634	\$ 135,628,091	\$ 139,053,697
Restricted	17,703,725	19,059,951	16,503,649	26,346,341	22,833,987
Unrestricted	24,173,154	28,918,308	(85,699,247)	(81,186,849)	(83,567,317)
Total governmental activities net position	<u>183,973,563</u>	<u>186,592,400</u>	<u>70,360,036</u>	<u>80,787,583</u>	<u>78,320,367</u>
Business-type activities:					
Net investment in capital assets	38,936,171	36,646,484	37,629,261	37,542,589	37,169,598
Restricted	-	-	-	-	-
Unrestricted	28,210,687	27,250,666	18,257,918	24,136,647	28,549,056
Total business-type activities net position	<u>67,146,858</u>	<u>63,897,150</u>	<u>55,887,179</u>	<u>61,679,236</u>	<u>65,718,654</u>
Primary government:					
Net investment in capital assets	181,032,855	175,260,625	177,184,895	173,170,680	176,223,295
Restricted	17,703,725	19,059,951	16,503,649	26,346,341	22,833,987
Unrestricted	52,383,841	56,168,974	(67,441,329)	(57,050,202)	(55,018,261)
Total primary government net position	<u>\$ 251,120,421</u>	<u>\$ 250,489,550</u>	<u>\$ 126,247,215</u>	<u>\$ 142,466,819</u>	<u>\$ 144,039,021</u>

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses					
Government activities:					
General government	\$ 10,234,450	\$ 9,234,672	\$ 7,618,055	\$ 7,951,800	\$ 8,560,957
Public Safety	40,835,961	42,293,976	40,737,832	41,849,863	43,020,839
Housing and community development	14,063,015	17,696,101	16,227,602	13,159,622	13,822,831
Cultural and leisure services	10,143,340	7,586,649	6,543,884	7,002,619	7,389,274
Public works	13,601,505	12,538,423	17,930,811	12,381,276	10,589,076
Interest on long-term debt	2,419,799	1,747,427	1,077,588	1,014,572	637,624
AB 1484 demand payment	-	-	-	-	9,914,969
Total governmental activities expenses	91,298,070	91,097,248	90,135,772	83,359,752	93,935,570
Business-type activities:					
Harbor Tidelands	5,075,571	5,360,523	5,372,721	5,415,810	7,689,071
Harbor Uplands	5,416,019	5,288,345	4,441,227	4,571,399	3,952,061
Solid Waste	3,129,337	3,228,498	3,364,549	3,574,516	3,431,017
Transit	-	-	-	3,102,333	3,113,076
Wastewater	1,853,206	2,092,245	2,207,319	2,476,972	3,196,442
Total business-type activities expenses	15,474,133	15,969,611	15,385,816	19,141,030	21,381,667
Total primary government expenses	106,772,203	107,066,859	105,521,588	102,500,782	115,317,237
Component Units:					
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	6,337,391	4,798,599	6,804,342	6,941,477	10,416,465
Public Safety	1,437,688	2,669,185	2,097,003	4,133,005	4,448,833
Housing and community development	5,186,896	4,056,523	4,556,546	2,613,104	1,743,286
Cultural and leisure services	1,747,849	1,219,916	1,211,155	1,553,477	1,615,347
Public works	1,733,379	4,518,076	1,923,289	1,834,052	2,127,381
Operating grants and contributions	14,480,137	9,137,687	8,715,661	8,928,050	8,590,969
Capital grants and contributions	4,863,545	3,486,113	6,605,139	6,976,620	4,582,744
Total governmental activities program revenues	35,786,885	29,886,099	31,913,135	32,979,785	33,525,025

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Business-type activities:					
Charges for services:					
Harbor Tidelands	6,084,834	5,270,090	5,408,349	5,475,085	5,290,706
Harbor Uplands	4,400,815	4,038,226	3,935,048	3,672,769	4,009,954
Solid Waste	2,845,736	2,992,476	3,356,843	3,454,839	3,312,471
Transit	-	-	-	519,082	676,020
Wastewater	1,739,468	2,293,090	2,437,816	2,444,086	2,575,279
Operating grants and contributions	70,150	162,512	17,769	1,231,111	1,395,363
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	15,141,003	14,756,394	15,155,825	16,796,972	17,259,793
Total primary government program revenues	50,927,888	44,642,493	47,068,960	49,776,757	50,784,818
Net (expense)/revenue					
Governmental activities	(55,511,185)	(61,211,149)	(58,222,637)	(50,379,967)	(60,410,545)
Business-type activities	(333,130)	(1,213,217)	(229,991)	(2,344,058)	(4,121,874)
Total primary government net expense	(55,844,315)	(62,424,366)	(58,452,628)	(52,724,025)	(64,532,419)
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purpose	27,311,112	28,612,395	29,598,821	28,320,076	28,335,561
Transient occupancy taxes	3,933,009	3,485,290	3,204,045	3,267,209	3,533,501
Sales taxes	9,635,626	9,329,872	7,839,179	8,902,151	9,594,901
Franchise taxes	1,807,308	1,970,548	1,673,632	1,816,314	1,950,934
Business licenses taxes	1,385,726	1,293,056	1,256,462	1,240,024	1,203,591
Utility users taxes	8,018,564	7,848,157	8,043,207	7,667,130	7,422,089
Other taxes	-	-	11,200	-	-
Motor vehicle in lieu	293,685	205,403	198,745	310,907	33,693
Investment earnings	4,264,527	4,948,736	5,118,217	3,585,902	3,371,724
Other revenues	443,706	1,599,388	1,078,427	1,601,333	2,831,748
Gain (loss) on sale of capital assets	34,735	28,288	26,396	54,076	73,574
Transfers	(146,710)	1,142,313	79,000	(758,345)	(1,017,605)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	27,858,112
Total governmental activities	56,981,288	60,463,446	58,127,331	56,006,777	85,191,823
Business-type activities:					
Investment earnings	1,329,922	944,480	801,184	408,915	241,958
Gain (loss) on sale of capital assets	-	-	(16,398)	-	-
Other revenues	141,621	195,080	176,052	307,915	181,532
Transfers	146,710	(1,142,313)	(79,000)	758,345	1,017,605
Total business-type activities	1,618,253	(2,753)	881,838	1,475,175	1,441,095
Total primary government	58,599,541	60,460,693	59,009,169	57,481,952	86,632,918
Change in Net Position					
Governmental activities	1,470,103	(747,703)	(95,306)	5,626,810	24,781,278
Business-type activities	1,285,123	(1,215,970)	651,847	(868,883)	(2,680,779)
Totally primary government	\$ 2,755,226	\$ (1,963,673)	\$ 556,541	\$ 4,757,927	\$ 22,100,499

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

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

(CONTINUED)

	Fiscal Year				
	2013	2014	2015	2016	2017
Expenses					
Government activities:					
General government	\$ 11,974,780	\$ 10,177,409	\$ 10,293,394	\$ 10,946,935	\$ 10,846,646
Public Safety	43,141,036	44,022,014	47,331,250	46,362,851	55,489,827
Housing and community development	10,085,882	10,115,114	9,229,689	8,936,256	9,769,288
Cultural and leisure services	10,933,176	10,042,640	10,990,481	11,556,891	12,496,716
Public works	11,588,895	11,817,281	15,500,144	12,616,719	14,135,326
Interest on long-term debt	266,651	194,200	152,348	124,522	80,782
AB 1484 demand payment	-	-	-	-	-
Total governmental activities expenses	87,990,420	86,368,658	93,497,306	90,544,174	102,818,585
Business-type activities:					
Harbor Tidelands	4,998,098	5,040,308	5,279,836	5,652,988	6,395,134
Harbor Uplands	3,657,127	4,051,432	4,230,371	4,469,890	4,479,269
Solid Waste	3,610,925	3,580,040	3,506,271	3,763,513	3,973,666
Transit	3,288,696	3,346,989	3,366,535	3,536,593	3,626,075
Wastewater	1,880,835	2,557,592	2,022,271	2,144,353	2,917,527
Total business-type activities expenses	17,435,681	18,576,361	18,405,284	19,567,337	21,391,671
Total primary government expenses	105,426,101	104,945,019	111,902,590	110,111,511	124,210,256
Component Units:					
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	11,315,431	7,539,299	9,083,395	8,689,834	8,570,506
Public Safety	4,466,605	4,942,725	4,611,279	4,503,948	4,764,211
Housing and community development	2,246,976	2,858,612	2,681,729	2,160,284	3,577,756
Cultural and leisure services	1,770,757	5,942,540	6,733,424	6,606,802	5,837,816
Public works	2,170,823	2,386,890	2,154,679	2,334,537	2,579,475
Operating grants and contributions	9,925,853	8,052,877	8,170,736	8,135,187	8,563,072
Capital grants and contributions	705,357	294,342	2,310,026	912,045	492,146
Total governmental activities program revenues	32,601,802	32,017,285	35,745,268	33,342,637	34,384,982

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

(CONTINUED)

	Fiscal Year				
	2013	2014	2015	2016	2017
Business-type activities:					
Charges for services:					
Harbor Tidelands	5,572,625	5,870,760	6,526,625	6,483,927	6,694,914
Harbor Uplands	3,760,715	4,311,358	4,585,998	5,314,448	5,378,886
Solid Waste	3,396,353	3,369,217	3,569,336	3,832,166	3,792,964
Transit	349,454	352,756	360,519	366,314	344,071
Wastewater	3,764,711	4,568,330	5,433,185	5,618,086	5,546,090
Operating grants and contributions	1,672,668	1,754,397	1,848,671	2,200,958	1,888,902
Capital grants and contributions	2,545,504	-	-	-	-
Total business-type activities program revenues	21,062,030	20,226,818	22,324,334	23,815,899	23,645,827
Total primary government program revenues	53,663,832	52,244,103	58,069,602	57,158,536	58,030,809
Net (expense)/revenue					
Governmental activities	(55,388,618)	(54,351,373)	(57,752,038)	(57,201,537)	(68,433,603)
Business-type activities	3,626,349	1,650,457	3,919,050	4,248,562	2,254,156
Total primary government net expense	(51,762,269)	(52,700,916)	(53,832,988)	(52,952,975)	(66,179,447)
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purpose	30,728,698	30,175,663	31,424,789	32,766,493	34,375,818
Transient occupancy taxes	3,693,144	3,970,786	4,464,811	8,627,801	7,689,889
Sales taxes	10,228,355	10,450,402	11,889,190	12,347,884	10,059,087
Franchise taxes	1,796,606	1,973,182	1,981,936	1,963,752	1,706,371
Business licenses taxes	1,018,677	1,296,531	1,178,016	1,186,567	1,201,068
Utility users taxes	7,711,580	7,412,250	7,664,385	7,411,930	7,085,063
Other taxes	8,703	1,840	5,149	-	731,571
Motor vehicle in lieu	34,912	28,894	27,910	27,475	31,132
Investment earnings	1,212,032	1,251,129	1,069,970	1,184,588	3,038,633
Other revenues	1,499,306	1,885,242	2,271,960	2,826,066	1,521,902
Gain (loss) on sale of capital assets	35,578	12,657	27,676	71,254	-
Transfers	(1,202,508)	(1,350,534)	(1,462,139)	(784,726)	(1,474,147)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-
Total governmental activities	56,765,083	57,108,042	60,543,653	67,629,084	65,966,387
Business-type activities:					
Investment earnings	69,851	331,919	237,235	450,632	99,085
Gain (loss) on sale of capital assets	-	(79,277)	-	11,868	5,606
Other revenues	2,674,174	400,396	375,982	296,269	206,424
Transfers	1,202,508	1,350,534	1,462,139	784,726	1,474,147
Total business-type activities	3,946,533	2,003,572	2,075,356	1,543,495	1,785,262
Total primary government	60,711,616	59,111,614	62,619,009	69,172,579	67,751,649
Change in Net Position					
Governmental activities	1,376,465	2,756,669	2,791,615	10,427,547	(2,467,216)
Business-type activities	7,572,882	3,654,029	5,994,406	5,792,057	4,039,418
Totally primary government	\$ 8,949,347	\$ 6,410,698	\$ 8,786,021	\$ 16,219,604	\$ 1,572,202

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				
	2008	2009	2010	2011 *	2012 *
General fund					
Reserved	\$ 902,881	\$ 634,743	\$ 514,549	\$ -	\$ -
Unreserved:					
Designated	11,363,952	9,353,252	9,321,572	-	-
Undesignated	314,926	37,327	(75,211)	-	-
Nonspendable	-	-	-	167,035	76,547
Restricted	-	-	-	-	-
Committed	-	-	-	5,595,596	5,712,942
Assigned	-	-	-	7,891,828	7,601,191
Unassigned	-	-	-	-	-
Total general fund	12,581,759	10,025,322	9,760,910	13,654,459	13,390,680
All other governmental funds					
Reserved	21,158,335	15,551,248	13,938,764	-	-
Unreserved, reported in:					
Special revenue funds	7,429,282	4,494,765	5,265,375	-	-
Capital projects funds	1,614,077	5,052	5,054	-	-
Debt service funds	5,028	1,222,686	1,165,476	-	-
Designated, reported in:					
Special revenue funds	3,567,481	2,696,956	2,043,237	-	-
Capital projects funds	8,926,207	9,891,290	-	-	-
Undesignated, reported in:					
Special revenue funds	(2,368,822)	5,803,471	7,103,415	-	-
Capital projects funds	3,414,086	2,317,151	5,365,603	-	-
Debt service funds	(12,990,180)	(14,007,225)	(15,428,315)	-	-
Nonspendable	-	-	-	1,012	57,995
Nonspendable, reported in:					
Special revenue funds	-	-	-	-	2,898,234
Restricted	-	-	-	8,524,280	10,472,386
Restricted, reported in:					
Special revenue funds	-	-	-	13,257,981	-
Debt service funds	-	-	-	8,107,706	7,362,829
Committed	-	-	-	-	-
Assigned	-	-	-	-	3,503,086
Assigned, reported in:					
Capital projects funds	-	-	-	1,645,977	-
Special revenue funds	-	-	-	-	535,731
Unassigned	-	-	-	841,689	3,170,437
Unassigned, reported in:					
Special revenue funds	-	-	-	(3,027,926)	(1,319,919)
Capital projects funds	-	-	-	3,040,646	-
Debt service funds	-	-	-	(15,046,266)	-
Total all other governmental funds	\$ 30,755,494	\$ 27,975,394	\$ 19,458,609	\$ 17,345,099	\$ 26,680,779

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

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

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

(CONTINUED)

	Fiscal Year				
	2013 *	2014*	2015*	2016*	2017*
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
Designated	-	-	-	-	-
Undesignated	-	-	-	-	-
Nonspendable	120,831	82,255	90,836	87,345	1,013,152
Restricted	-	-	-	3,000,000	-
Committed	5,889,783	6,188,191	6,738,848	7,154,237	7,409,689
Assigned	11,275,445	12,025,746	10,500,675	9,303,536	9,134,516
Unassigned	272,083	2,674,597	5,786,193	1,694,671	945,992
Total general fund	17,558,142	20,970,789	23,116,552	21,239,789	18,503,349
All other governmental funds					
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Designated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Nonspendable	-	2,952,500	2,749,394	-	-
Nonspendable, reported in:					
Special revenue funds	-	-	-	-	-
Restricted	16,010,908	13,408,799	12,107,627	22,309,801	18,625,842
Restricted, reported in:					
Special revenue funds	-	-	-	-	4,208,145
Debt service funds	6,818,696	6,450,252	6,310,008	-	-
Committed	-	-	-	-	-
Assigned	3,113,179	6,956,943	6,466,871	2,150,834	2,152,347
Assigned, reported in:					
Capital projects funds	-	-	-	11,112,946	12,372,901
Special revenue funds	-	-	-	-	-
Unassigned	-	(99,891)	(64,425)	(106,954)	(66,919)
Unassigned, reported in:					
Special revenue funds	(1,044,377)	(1,551,713)	(1,852,352)	(1,335,382)	(1,453,532)
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total all other governmental funds	\$ 24,898,406	\$ 28,116,890	\$ 25,717,123	\$ 34,131,245	\$ 35,838,784

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues:					
Taxes	\$ 53,052,490	\$ 52,330,017	\$ 49,946,499	\$ 51,768,825	\$ 51,875,943
Interdepartmental	6,314,750	6,655,458	6,681,277	6,383,731	6,249,628
Licenses and permits	1,306,025	1,006,075	930,523	1,248,916	1,343,422
Intergovernmental	16,660,368	13,991,411	15,619,990	14,545,341	16,339,864
Charges for services	6,814,267	6,947,073	7,279,164	7,485,670	7,486,013
Use of money and property	6,279,652	5,680,333	4,929,845	3,512,619	3,760,501
Fines and forfeitures	1,984,683	1,845,838	1,875,287	1,785,067	1,634,786
Other revenues	559,093	1,703,984	999,916	1,447,680	2,948,048
Total Revenues	92,971,328	90,160,189	88,262,501	88,177,849	91,638,205
Expenditures:					
Current:					
General government	9,033,018	8,693,889	7,901,358	7,582,969	8,085,175
Public safety	40,909,913	42,869,798	41,964,634	41,450,374	42,244,015
Housing and community development	13,970,479	17,569,049	16,392,441	12,882,944	13,549,748
Cultural and leisure services	9,780,910	7,372,691	7,427,423	6,671,934	5,282,197
Public works	11,046,771	9,554,993	8,787,700	9,450,771	7,395,866
AB 1484 demand payment	-	-	-	-	9,914,969
Capital outlay	4,121,712	5,683,727	11,562,615	8,384,700	5,491,358
Debt service:					
Principal	1,526,811	3,448,829	2,492,055	777,554	1,750,000
Interest	2,902,761	1,738,532	1,069,040	1,017,824	641,376
Debt issuance costs	-	-	-	-	-
Total Expenditures	93,292,375	96,931,508	97,597,266	88,219,070	94,354,704
Excess of Revenues Over (Under) Expenditures	(321,047)	(6,771,319)	(9,334,765)	(41,221)	(2,716,499)
Other Financing Sources (Uses):					
Transfers in	11,074,552	5,482,661	2,707,679	17,341,414	11,497,255
Transfers out	(6,630,271)	(4,595,668)	(2,743,425)	(15,834,081)	(13,478,178)
Refunding bonds issued	7,645,000	700,000	-	-	-
Other debts issued	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)	5,320,863	1,434,782	553,568	1,808,530	11,788,400
Net Change in Fund Balances	\$ 4,999,816	\$ (5,336,537)	\$ (8,781,197)	\$ 1,767,309	\$ 9,071,901
Debt service as a percentage of noncapital expenditures	5.23%	6.03%	4.32%	2.30%	2.77%

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

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

(CONTINUED)

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues:					
Taxes	\$ 55,882,844	\$ 55,958,439	\$ 58,603,127	\$ 64,304,427	\$ 62,848,867
Interdepartmental	6,656,858	7,143,371	7,588,928	8,176,790	8,292,178
Licenses and permits	1,259,505	1,504,502	1,333,512	1,701,786	1,755,119
Intergovernmental	13,380,088	11,096,634	14,091,278	12,259,088	12,359,047
Charges for services	7,461,642	8,401,697	8,511,455	9,618,003	9,128,589
Use of money and property	3,146,954	2,499,563	2,795,350	3,113,269	3,038,633
Fines and forfeitures	1,663,966	1,836,166	1,960,083	1,645,777	1,523,928
Other revenues	1,062,143	1,816,196	2,147,500	2,678,261	2,540,369
Total Revenues	90,514,000	90,256,568	97,031,233	103,497,401	101,486,730
Expenditures:					
Current:					
General government	9,285,279	9,157,309	9,757,869	10,189,258	10,535,983
Public safety	42,480,962	43,653,885	48,274,212	50,019,597	52,875,881
Housing and community development	9,360,093	9,116,267	8,883,086	9,546,763	9,759,833
Cultural and leisure services	8,567,569	8,789,002	10,023,420	11,001,375	11,265,379
Public works	9,212,829	9,362,140	10,325,935	11,198,389	11,235,682
AB 1484 demand payment	-	-	-	-	-
Capital outlay	6,357,661	1,248,965	7,382,451	3,235,047	4,682,977
Debt service:					
Principal	1,380,000	665,000	695,000	715,000	745,000
Interest	270,903	240,736	187,296	152,896	121,999
Debt issuance costs	-	-	-	-	-
Total Expenditures	86,915,296	82,233,304	95,529,269	96,058,325	101,222,734
Excess of Revenues Over (Under) Expenditures	3,598,704	8,023,264	1,501,964	7,439,076	263,996
Other Financing Sources (Uses):					
Transfers in	3,223,702	2,768,840	1,394,604	8,464,353	4,031,647
Transfers out	(4,437,317)	(4,160,973)	(3,150,572)	(9,366,070)	(5,324,544)
Refunding bonds issued	-	-	-	-	-
Other debts issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Refunding bonds redeemed	-	-	-	-	-
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	-
Total Other Financing Sources (Uses)	(1,213,615)	(1,392,133)	(1,755,968)	(901,717)	(1,292,897)
Net Change in Fund Balances	\$ 2,385,089	\$ 6,631,131	\$ (254,004)	\$ 6,537,359	\$ (1,028,901)
Debt service as a percentage of noncapital expenditures	2.09%	1.13%	1.01%	0.94%	0.91%

City of Redondo Beach

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

Fiscal Year Ended June 30	City			Taxable Assessed Value
	Secured	Unsecured	Less: Exemptions	
2008	10,414,844,031	363,370,583	(75,561,247)	10,702,653,367
2009	10,967,218,597	377,551,863	(67,013,974)	11,277,756,486
2010	11,070,789,692	362,332,212	(66,883,744)	11,366,238,160
2011	11,088,815,868	609,276,121	(82,655,891)	11,615,436,098
2012	11,385,441,715	432,094,319	(56,430,405)	11,761,105,629
2013	11,606,153,109	503,602,130	(59,615,627)	12,050,139,612
2014	12,119,561,792	479,888,191	(86,536,840)	12,512,913,143
2015	12,740,467,541	424,217,169	(73,103,981)	13,091,580,729
2016	13,389,390,286	445,897,750	(74,129,707)	13,761,158,329
2017	14,185,826,554	422,121,124	(72,679,071)	14,535,268,607

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 2016-17 Combined Tax Rolls

City of Redondo Beach

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

(CONTINUED)

Fiscal Year Ended June 30	Redevelopment			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Exemptions		
2008	371,338,622	62,307,947	(771,134)	432,875,435	0.18705
2009	371,987,381	64,908,544	(158,162)	436,737,763	0.18598
2010	409,520,646	55,988,588	(866,778)	464,642,456	0.18774
2011	397,519,636	31,015,873	(864,841)	427,670,668	0.18818
2012	389,564,455	54,640,221	(658,821)	443,545,855	0.18575
2013	441,667,976	37,592,938	(671,996)	478,588,918	0.19160
2014	453,832,698	38,326,859	(352,000)	491,807,557	0.16203
2015	470,317,505	55,967,662	(221,000)	526,064,167	0.16226
2016	481,010,582	48,097,617	-	529,108,199	0.16250
2017	492,828,395	26,806,104	-	519,634,499	0.16271

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City basic rate	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539
Redevelopment agency	1.00450	1.00430	1.00430	1.00370	1.00370	-	-	-	-	-
Overlapping Rates:										
Los Angeles County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350
Community College	0.01647	0.01703	0.01487	0.01614	0.01688	0.01849	0.01750	0.01742	0.01745	0.02294
Unified School District	0.02843	0.04713	0.05519	0.06977	0.08610	0.08162	0.09242	0.09689	0.09174	0.09079
Total Direct Rate	0.18705	0.18598	0.18774	0.18818	0.18575	0.19160	0.16203	0.16226	0.16250	0.16271

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 2016/2017 Tax Rate Table

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

Taxpayer	2017		2008	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Northrop Gruman Systems Corporation (formerly TRW Inc.)	\$ 416,555,745	2.77%	\$ 219,651,469	1.97%
South Bay Center SPE LLC	242,910,353	1.61%	202,441,001	1.82%
AES Redondo Beach, LLC	125,363,129	0.83%	196,700,000	1.77%
TRW, INC	-	-	185,257,643	1.66%
The Kobe Group INC	78,844,049	0.52%	-	-
Noble House Recp Hotel Venture LLC	64,216,899	0.43%	-	-
Redondo Distribution Center LLC	51,700,000	0.34%	-	-
SCG 616 Esplanade Street LLC	51,316,175	0.34%	-	-
LPF Redondo Beach Inc	47,388,370	0.31%	-	-
HPT IHG 2 Properties Trust	46,322,787	0.31%	56,265,236	0.51%
MKEG P LLC	40,034,943	0.27%	35,373,600	0.32%
Portofino	-	-	35,283,664	0.32%
Target Corporation	-	-	33,615,628	0.30%
AMB AMS Spinnaker	-	-	31,821,120	0.29%
Harbor Cove The Bascom Group	-	-	31,612,324	0.28%
	<u>\$ 1,164,652,450</u>	<u>7.74%</u>	<u>\$ 1,028,021,685</u>	<u>9.23%</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 2016/2017 Combined Tax Rolls

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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	
		Percentage of			Amount	Percentage of Levy
		Amount	Levy			
2008	23,253,318	22,214,291	95.53%	513,790	22,728,081	97.74%
2009	24,948,068	23,904,011	95.82%	922,736	24,826,747	99.51%
2010	25,278,747	24,462,121	96.77%	953,254	25,415,374	100.54%
2011	25,809,271	25,195,837	97.62%	829,417	26,025,253	100.84%
2012	26,025,500	25,493,811	97.96%	586,821	26,080,632	100.21%
2013	27,652,911	27,193,269	98.34%	567,962	27,761,231	100.39%
2014	29,413,514	28,953,089	98.43%	487,130	29,440,219	100.09%
2015	31,503,828	31,035,789	98.51%	451,369	31,487,158	99.95%
2016	32,883,797	32,440,070	98.65%	405,762	32,845,833	99.88%
2017	34,125,966	33,690,049	98.72%	388,499	34,078,548	99.86%

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					
	Tax	Revenue	Refunding		Capital	County
	Allocation	Bonds	Revenue	Loans	Leases	AB 1484
	Bonds	Bonds	Bonds			
2008	2,930,000	-	10,113,873	14,508,927	45,219	-
2009	-	-	9,759,884	14,872,887	33,169	-
2010	-	-	8,870,895	13,840,146	20,686	-
2011	-	-	8,126,906	14,088,789	887,204	-
2012	-	-	6,357,917	-	883,933	7,700,000
2013	-	-	4,958,928	-	884,094	-
2014	-	-	4,271,142	-	444,896	-
2015	-	-	3,553,356	-	750,436	-
2016	-	-	2,815,570	-	565,029	-
2017	-	-	2,047,784	-	253,265	-

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
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(CONTINUED)

Fiscal Year	Business-type Activities			Total Primary Government	Percentage of Personal Income *	Per Capita
	Wastewater	Construction	Capital			
	Revenue Bonds	Loans	Leases			
2008	9,523,272	3,953,480	-	41,076,779	9.94%	609
2009	9,325,646	3,715,553	-	37,709,148	9.37%	557
2010	9,118,020	3,466,920	-	35,318,677	8.76%	519
2011	8,905,394	3,207,098	-	35,217,402	8.37%	526
2012	8,682,769	2,935,586	-	26,562,217	6.00%	396
2013	8,450,143	2,651,854	-	16,947,032	3.64%	251
2014	7,755,117	2,355,354	-	14,828,523	2.97%	219
2015	7,503,861	2,045,512	114,597	13,969,777	2.57%	205
2016	7,232,606	1,721,727	58,404	12,395,352	1.63%	180
2017	6,951,350	1,383,372	-	10,637,788	-	154

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City of Redondo Beach
Direct and Overlapping Governmental Activities Debt
June 30, 2017

City Assessed Valuation		\$	15,054,903,106		
Incremental Valuation			485,205,596		
Total Assessed Valuation		\$	<u>14,569,697,510</u>		
	Percentage Applicable	Outstanding Debt 6/30/17		Estimated Share of Overlapping Debt	
Direct Debt:					
Capital Leases	100%	253,265		253,265	
Public Financing Authority 2008 Refunding Revenue Bonds	100%	2,025,000		2,025,000	
Public Financing Authority 2008 Unamortized Bond Premium	100%	22,784		22,784	
Total direct debt		\$	<u>2,301,049</u>	\$	<u>2,301,049</u>
Overlapping Debt:					
Redondo Beach Unified School District DS 2008 Ser A	100%	534,257		534,257	
Redondo Beach Unified School District DS 2008 Ser B	100%	11,994,394		11,994,394	
Redondo Beach Unified School District DS 2008 Ser C	100%	11,615,000		11,615,000	
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%	769,172		769,172	
Redondo Beach Unified School District DS 2010 Refund 2000CDE	100%	8,840,000		8,840,000	
Redondo Beach Unified School District DS 2008 Series E	100%	7,203,288		7,203,288	
Redondo Beach Unified School District DS 2008 Series F QSCB	100%	18,680,000		18,680,000	
Redondo Beach Unified School District DS 2012 Ref Bond	100%	9,060,000		9,060,000	
Redondo Beach Unified School District DS 2012 Series A	100%	20,560,000		20,560,000	
Redondo Beach Unified School District DS 2013 Refunding Series 2000E	100%	7,940,000		7,940,000	
Redondo Beach Unified School District DS 2012 Series B	100%	17,920,000		17,920,000	
Redondo Beach Unified School District DS 2014 Ref Series 2008A	100%	45,435,000		45,435,000	
Redondo Beach Unified School District DS 2014 Ref Series 2008A	100%	38,150,000		38,150,000	
* Metropolitan Water District	1.347%	36,281,674		488,872	
El Camino CCD DS 2012 Series 2016 A	15.373%	100,000,000		15,372,758	
El Camino CCD DS 2016 Ref Bonds	15.373%	79,920,000		12,285,908	
El Camino CCD DS 2002 Series 2012C	15.373%	180,149,353		27,693,924	
El Camino CCD DS 2012 Ref Bonds	15.373%	41,490,000		6,378,157	
Total overlapping debt		\$	<u>659,307,138</u>	\$	<u>283,685,730</u>
Total direct and overlapping debt				\$	<u>285,986,779</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 2016/2017 Lien Date Tax Rolls

City of Redondo Beach

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 1,670,329,320	\$ 1,757,174,137	\$ 1,774,632,092	\$ 1,775,420,369	\$ 1,830,697,723
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	1,757,174,137	1,757,174,137	1,774,632,092	1,775,420,369	1,830,697,723
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Source: County of Los Angeles Auditor-Controller

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

(CONTINUED)

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 15,054,903,106
Debt Limit (15% of assessed value)	2,258,235,466
Debt applicable to limit	-
Legal debt margin	\$ 2,258,235,466

Fiscal Year				
2013	2014	2015	2016	2017
\$ 1,879,309,280	\$ 1,950,708,105	\$ 2,042,646,734	\$ 2,143,539,979	\$ 2,258,235,466
-	-	-	-	-
1,879,309,280	1,950,708,105	2,042,646,734	2,143,539,979	2,258,235,466
0%	0%	0%	0%	0%

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

Wastewater Revenue Bonds						
Fiscal Year Ended	Wastewater	Less	Net	Debt Service		Coverage
June 30,	Revenue	Operating	Available	Principal	Interest	
		Expenses	Revenue			
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
2017	5,475,892	2,283,864	3,192,028	255,000	289,738	5.86

NOTE: *The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.
It was replaced in fiscal year 2013-14 with the issue of the 2014 Wastewater Refunding Revenue Bonds.

City of Redondo Beach
Demographic and Economic Statistics
June 30, 2017

Calendar Year	Population	Personal Income * (in millions)	Per Capita Personal Income *	Unemployment Rate **
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	68,844	760,829	57,160	5.6%
2017	68,907	-	-	5.0%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2015/2016. Per Capita Personal Income is based on the metropolitan area of Los Angeles-Long Beach-Anaheim, CA. Statistics not available subsequent to fiscal year 2015/2016. ** 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	2017		2008	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Northrup Grumman (TRW)	4,591	14.04%	5,260	14.64%
Redondo Beach Unified School District	764	2.34%	1,100	3.06%
City of Redondo Beach	439	1.34%	496	1.38%
Crowne Plaza Redondo Beach	339	1.04%	339	0.94%
Cheesecake Factory	261	0.80%	261	0.73%
Portofino Inn	244	0.75%	-	-
Homewood Suites	239	0.73%	-	-
DHL Global Forwarding	227	0.69%	244	0.68%
Residence Inn Redondo Beach	222	0.68%	-	-
Target Store	217	0.69%	217	0.60%
Beach Cities Health District	-	-	620	1.73%
Nordstrom, Inc.	-	-	439	1.22%
Macy's (Robinson's May)	-	-	242	0.67%

Source: City of Redondo Beach

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	60	58	52	52	49	50	49	51	51	53
Public Safety										
Police										
Officers	105	105	99	96	96	96	96	93	96	96
Civilians	58	59	58	59	59	59	60	60	58	58
Fire										
Firefighters and Officers	64	63	60	60	60	60	60	62	62	62
Civilians	6	5	5	3	3	3	3	3	3	3
Public Works	105	105	106	100	95	111	111	111	111	112
Cultural and Leisure Services	54	45	40	37	37	34	33	34	34	33
Housing & Community Development	35	38	30	31	30	15	15	17	17	17
Harbor, Business, & Transit	9	9	8	6	3	3	3	3	4	5
TOTAL	496	487	458	444	432	431	430	434	436	439

Source: City of Redondo Beach

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Physical arrests	2,702	2,641	2,586	2,464	2,200	2,095	2,141	2,146	2,325	- *
Traffic citations issued	10,955	10,786	10,658	12,217	4,490	4,764	4,966	4,516	3,898	- *
Fire										
Number of runs - rescues	3,932	3,942	4,007	4,016	4,313	4,265	4,338	4,604	4,702	- *
Number of runs - structures & other	1,676	1,495	1,552	1,315	1,743	1,685	1,822	1,989	2,115	- *
Public Works										
Street rehabilitation (miles)	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	831,354	858,934	809,968	920,941	933,939	806,890	621,139	584,643	545,316	476,837
Number of visitors	446,346	436,347 **	398,583**	437,529	455,030	370,357	333,869	350,958	343,395	332,181
Recreation and Community Services										
Admissions - Seaside Lagoon	76,578	82,921	63,056	63,799	80,381	70,935	82,414	81,328	87,422	79,833
Number of facility rentals - Seaside Lagoon	395	415	416	412	352	376	387	381	388	378
Housing & Community Development										
Number of permits issued	3,270	1,952	2,257	2,832	3,088	2,651	2,955	3,295	6,899	3,435
Number of plan checks issued	1,101	898	990	1,177	1,036	615	1,471	1,559	4,200	2,492
Number of inspections	17,634	12,755	8,605	6,848	8,514	5,048	4,411	10,326	12,827	12,276
Number of real estate reports	630	577	769	702	737	904	922	973	1,925	861
Number of bus boardings - Transit	365,701	393,534	404,983	378,326	403,041	401,827	410,585	415,259	407,272	383,112
Revenue miles - Transit	487,203	452,467	472,604	474,564	475,754	474,140	475,564	459,468	458,198	448,682

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-station	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	127	127	127	127	127	127	127	127	127	127
Streetlights *	1892	1892	1892	1892	1892	1892	1892	1892	1892	1892
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	112	112	112	112	112	112	112	112	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

NOTE: * Methodology modification made in fiscal year 2004/2005 to reflect city-owned street lights only.

Source: City of Redondo Beach

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City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2008 Revenue Bonds
(South Bay Center Redevelopment Project)
June 30, 2017

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 2016-17 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, 2017 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, 2017, neither the Successor Agency nor the Community Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2017, 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, 2017 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, 2017

<u>Secured *</u>	Base Year					
	1983-84	2007-08	2008-09	2009-10	2010-11	2011-12
Land	\$ 9,772,776	\$ 52,688,442	\$ 53,742,204	\$ 56,292,008	\$ 55,363,042	\$ 63,866,252
Impts	16,977,265	182,405,613	185,761,187	202,649,015	191,933,851	182,264,908
Pers Prop	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-
Total Secured	26,750,041	235,094,055	239,503,391	258,941,023	247,296,893	246,131,160
<u>Unsecured</u>						
Land	-	-	-	-	-	-
Impts	3,023,006	13,236,695	13,336,333	12,530,739	13,273,687	13,028,973
Pers Prop	1,848,954	13,515,052	14,189,166	12,550,901	12,457,717	10,906,075
Exemptions	-	-	-	(50,000)	(50,000)	-
Total Unsecured	4,871,960	26,751,747	27,525,499	25,031,640	25,681,404	23,935,048
GRAND TOTAL	31,622,001	<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>
Incremental Value:						
		230,223,801	235,406,889	252,350,662	241,356,296	238,444,207
Incremental Value Change:						
		7,367,823	5,183,088	16,943,773	(10,994,366)	(2,912,089)
% Change:						
		3.31%	2.25%	7.20%	-4.36%	-1.21%

NOTE: * Secured values include state assessed non-unitary utility property.

Source: County of Los Angeles

City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Redevelopment Project
Historical Project Area Valuations
June 30, 2017

(CONTINUED)

<u>Secured *</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Land	\$ 65,121,571	\$ 64,955,237	\$ 68,936,775	\$ 70,394,775	\$ 71,468,287
Impts	230,445,447	227,165,770	239,067,472	245,063,955	249,299,336
Pers Prop	-	-	-	-	-
Exemptions	-	-	-	-	-
Total Secured	295,567,018	292,121,007	308,004,247	315,458,730	320,767,623
<u>Unsecured</u>					
Land	-	-	-	-	-
Impts	14,769,340	13,789,880	16,189,462	12,820,554	9,991,299
Pers Prop	15,379,059	17,828,352	15,723,406	15,356,431	11,550,461
Exemptions	-	-	-	-	-
Total Unsecured	30,148,399	31,618,232	31,912,868	28,176,985	21,541,760
GRAND TOTAL	<u>325,715,417</u>	<u>323,739,239</u>	<u>339,917,115</u>	<u>343,635,715</u>	<u>342,309,383</u>

Incremental Value:	294,093,416	292,117,238	308,295,114	312,013,714	310,687,382
Incremental Value Change:	55,649,209	(1,976,178)	16,177,876	3,718,600	(1,326,332)
% Change:	23.34%	-0.67%	5.54%	1.21%	-0.43%

City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Redevelopment Project
Revenue vs. Levy Analysis
June 30, 2017

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Original Charge Secured Value	\$ 235,094,055	\$ 239,503,391	\$ 258,941,015	\$ 247,296,893	\$ 246,131,160
Adjustments to Original Charge	-	-	(2,894,618)	-	-
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>
Incremental Secured Value	208,344,014	212,753,350	229,296,356	220,546,852	219,381,119
Tax Rate	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100370</u>	<u>0.0100000</u>
Adjusted Levy	2,092,816	2,136,682	2,302,823	2,213,629	2,193,811
Unitary Revenue	<u>28,887</u>	<u>31,263</u>	<u>30,311</u>	<u>30,206</u>	<u>31,724</u>
Total Secured/Unitary Levy	<u>2,121,703</u>	<u>2,167,945</u>	<u>2,333,134</u>	<u>2,243,835</u>	<u>2,225,536</u>
Original Charge Unsecured Value	26,751,747	27,525,499	25,031,637	25,681,404	23,935,048
Adjustments to Original Charge	2,200,114	549,859	2,168,472	240,106	-
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>
Incremental Unsecured Value	24,079,901	23,203,398	22,328,149	21,049,550	19,063,088
Tax Rate	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100000</u>
Unsecured Adjusted Levy	<u>242,103</u>	<u>233,078</u>	<u>224,242</u>	<u>211,401</u>	<u>190,631</u>
Net Total Revenue	<u>2,363,806</u>	<u>2,401,023</u>	<u>2,557,376</u>	<u>2,455,236</u>	<u>2,416,166</u>
Remittance to Agency					
Secured/Unitary Remitted	2,122,507	2,167,741	2,333,113	2,243,814	2,097,340
Unsecured Remitted	239,176	224,182	219,123	206,749	-
HOX Payments	-	-	-	-	-
Total Remittance to Agency:	<u>2,361,683</u>	<u>2,391,923</u>	<u>2,552,236</u>	<u>2,450,563</u>	<u>2,097,340</u>
% of Collection to Levy	99.91%	99.62%	99.80%	99.81%	86.80%
Grand Total Revenue					
Secured and Unsecured Revenue	2,361,683	2,391,923	2,552,236	2,450,563	2,097,340
SB 813 Supplemental Payments	(2,883)	177,804	(51,122)	-	786
Redemptions/Open Roll Corrections	12,925	1,325	36	13	351
Taxpayer Refunds	(86)	(628)	(83,212)	(1,476)	30,658
Deferral Payments/ Adjustments	<u>(186,859)</u>	<u>(122,005)</u>	<u>(155,747)</u>	<u>(52,554)</u>	<u>-</u>
Total Paid to Agency:	<u>2,184,779</u>	<u>2,448,419</u>	<u>2,262,190</u>	<u>2,396,546</u>	<u>2,129,135</u>
SB 2557 Charges (1)	(31,971)	(31,959)	(38,139)	(39,350)	(37,125)
Housing Set Aside	(436,956)	(489,684)	(452,438)	(479,309)	-
Tax Sharing Payments	(880,699)	(1,103,678)	(1,140,974)	(1,021,920)	(1,147,604)
Negative Balance from Prior Year	-	-	-	-	-
Net Grand Total Revenue:	<u>\$ 835,153</u>	<u>\$ 823,098</u>	<u>\$ 630,639</u>	<u>\$ 855,966</u>	<u>\$ 944,407</u>

Source: HdL Coren & Cone

City of Redondo Beach

Successor Agency of the City of Redondo Beach

South Bay Center Redevelopment Project

Revenue vs. Levy Analysis

June 30, 2017

(CONTINUED)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Original Charge Secured Value	\$ 297,200,307	\$ 292,121,007	\$ 308,004,247	\$ 315,458,730	\$ 320,767,623
Adjustments to Original Charge	-	-	-	-	-
Base Year Secured Value	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)	(26,750,041)
Incremental Secured Value	270,450,266	265,370,966	281,254,206	288,708,689	294,017,582
Tax Rate	0.0100000	0.0100000	0.0100000	0.0100000	0.0100000
Adjusted Levy	2,704,503	2,653,710	2,812,542	2,887,087	2,940,176
Unitary Revenue	31,898	33,847	34,202	37,180	40,220
Total Secured/Unitary Levy	2,736,401	2,687,556	2,846,744	2,924,267	2,980,396
Original Charge Unsecured Value	30,466,133	31,667,073	31,912,868	28,176,985	21,541,760
Adjustments to Original Charge	-	-	(174,527)	-	-
Base Year Unsecured Value	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)	(4,871,960)
Incremental Unsecured Value	25,594,173	26,795,113	26,866,381	23,305,025	16,669,800
Tax Rate	0.0100000	0.0100000	0.0100000	0.0100000	0.0100000
Unsecured Adjusted Levy	255,942	267,951	268,664	233,050	166,698
Net Total Revenue	2,992,343	2,955,508	3,115,408	3,157,317	3,147,094
Remittance to Agency					
Secured/Unitary Remitted	2,704,482	2,687,556	2,846,702	2,873,901	2,980,396
Unsecured Remitted	252,935	264,298	264,321	233,724	176,256
HOX Payments	-	-	-	-	-
Total Remittance to Agency:	2,957,417	2,951,854	3,111,024	3,107,624	3,156,652
% of Collection to Levy	98.83%	99.88%	99.86%	98.43%	100.30%
Grand Total Revenue					
Secured and Unsecured Revenue	2,957,417	2,951,854	3,111,024	3,107,624	3,156,652
SB 813 Supplemental Payments	-	-	66,224	-	-
Redemptions/Open Roll Corrections	-	-	18	18	12
Taxpayer Refunds	-	(96,843)	(98,408)	(91,342)	(0)
Deferral Payments/ Adjustments	-	38,608	(5,534)	(1,462)	1,396
Total Paid to Agency:	2,957,417	2,893,619	3,073,323	3,014,838	3,158,059
SB 2557 Charges (1)	(43,844)	(42,298)	(42,298)	(42,298)	(64,276)
Housing Set Aside	-	-	-	-	-
Tax Sharing Payments	(1,594,048)	(1,559,661)	(1,325,217)	(1,299,998)	(1,357,300)
Negative Balance from Prior Year	-	-	-	-	-
Net Grand Total Revenue:	\$ 1,319,525	\$ 1,291,661	\$ 1,705,809	\$ 1,672,543	\$ 1,736,484

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City of Redondo Beach

Successor Agency of the City of Redondo Beach

South Bay Center Redevelopment Project

Top Ten Taxable Property Owners

June 30, 2017

	Secured				Unsecured			Total		Use Code
	Value	Parcels	Percent of	Value	Parcels	Percent of	Value	Percent of		
			Secured Actual Value			Unsecured Actual Value		Total Value		
1. South Bay Center SPE LLC Pending Appeals on Parcels	\$ 210,550,792	4	70.08%	\$ 411,620	1	2.31%	\$ 210,962,412	66.29%	Commercial	
2. LPF Redondo Beach Inc.	47,388,370	3	15.77%	-	0	0.00%	47,388,370	14.89%	Commercial	
3. FC South Bay Outparcel LLC	30,548,272	1	10.17%	-	0	0.00%	30,548,272	9.60%	Commercial	
4. 1519 Hawthorne Blvd. LLC	18,612,610	1	6.20%	-	0	0.00%	18,612,610	5.85%	Commercial	
5. Walgreen Company Pending Appeals on Parcels	7,514,390	7	2.50%	348,762	1	1.96%	7,863,152	2.47%	Commercial	
6. Outparcel Investment Partners V LLC	6,153,189	1	2.05%	-	0	0.00%	6,153,189	1.93%	Unsecured	
7. SFM LLC	-	0	0.00%	2,041,548	1	11.48%	2,041,548	0.64%	Unsecured	
8. Kohls Department Store Pending Appeals on Parcels	-	0	0.00%	1,357,112	1	7.63%	1,357,112	0.43%	Unsecured	
9. Nordstrom Inc.	-	0	0.00%	995,488	1	5.60%	995,488	0.31%	Unsecured	
10. Living Spaces Furniture LLC	-	0	0.00%	943,581	1	5.30%	943,581	0.30%	Unsecured	
	\$320,767,623	17	106.77%	\$6,098,111	6	34.28%	\$ 326,865,734	102.72%		
Project Area Incremental Value:	\$300,432,923			\$17,789,487			\$318,222,410			

Source: HdL Coren & Cone

City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Project Area
Recent Appeals History

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>
Currently Pending Appeals (FY Appeals)			
2013-14			
Brandon Carver	u	Unsecured	Pending
Forever 21 Retail Inc	u	Unsecured	Pending
James Kurtzman	4082-018-005	Secured	Pending
Kohl'S Department Stores, Inc.	u	Unsecured	Pending
Victoria Arensky	u	Unsecured	Pending

2014-15			
Brandon Carver	u	Unsecured	Pending
James Kurtzman	4082-018-005	Secured	Pending
Kohl'S Department Stores, Inc.	u	Unsecured	Pending
South Bay Center Spe Llc/ Macy'S West Stores Inc/ Macy'S Ca Rlty	4082-018-004	Secured	Pending
Victoria Arensky (Walgreens)	u	Unsecured	Pending

2015-16			
Steven H. Friedhoff	u	Unsecured	Pending
Brooks Rainer	u	Unsecured	Pending
Catherine Courteau	4082-018-005	Secured	Pending
Walgreen Company 001	u	Unsecured	Pending
ATC Indoor DAS LLC/ American Tower Corp.	u	Unsecured	Pending
South Bay Center SPE LLC/ Macy's West Store	4082-018-004	Secured	Pending
Kohl's Department Store Inc	u	Unsecured	Pending

2016-17			
ATC Indoor DAS LLC/ American Tower Corp.	u	Unsecured	Pending
American Multi-Cinema Inc	u	Unsecured	Pending
South Bay Center SPE LLC	4082-018-005	Secured	Pending
Walgreen Co	u	Unsecured	Pending
South Bay Center SPE LLC/ Macy's West Stores	4082-018-004	Secured	Pending
Kohl's Department Stores Inc.	u	Unsecured	Pending

Most Recently Resolved Appeals Among Owners with Pending Appeals

	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>
2013-14			
South Bay Center SPE LLC/ Macy's West Stores Inc	4082-018-004	Secured	Assessor Reduced
2014-15			
NONE			
2015-16			
NONE			
2016-17			
NONE			

City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Project Area
Recent Appeals History

(CONTINUED)

<u>Owner</u>	<u>APN</u>	<u>Original Value</u>	<u>Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
Currently Pending Appeals (FY Appeals)					
2013-14					
Brandon Carver	u	949,527	932,418	(17,109)	-1.80%
Forever 21 Retail Inc	u	768,830	566,104	(202,726)	-26.37%
James Kurtzman	4082-018-005	19,550,000	8,000,000	(11,550,000)	-59.08%
Kohl's Department Stores, Inc.	u	1,792,694	400,000	(1,392,694)	-77.69%
Victoria Arensky	u	491,330	293,225	(198,105)	-40.32%
		23,552,381	10,191,747		
2014-15					
Brandon Carver	u	960,436	863,728	(96,708)	-10.07%
James Kurtzman	4082-018-005	21,380,000	8,000,000	(13,380,000)	-62.58%
Kohl's Department Stores, Inc.	u	1,616,547	775,000	(841,547)	-52.06%
South Bay Center Spe Llc/Macy'S West Stores Inc/Macy'S Ca Rlty	4082-018-004	25,919,011	17,000,000	(8,919,011)	-34.41%
Victoria Arensky (Walgreens)	u	447,058	275,000	(172,058)	-38.49%
		50,323,052	26,913,728		
2015-16					
Steven H. Friedhoff	u	1,281,032	640,500	(640,532)	-50.00%
Brooks Rainer	u	830,385	729,624	(100,761)	-12.13%
Catherine Courteau	4082-018-005	23,107,742	14,427,025	(8,680,717)	-37.57%
Walgreen Company 001	u	388,608	-	(388,608)	-100.00%
ATC Indoor DAS LLC/American Tower Corp.	u	778,565	432,536	(346,029)	-44.44%
South Bay Center SPE LLC/Macy's West Store	4082-018-004	26,436,872	17,000,000	(9,436,872)	-35.70%
Kohl's Department Store Inc	u	1,412,168	690,000	(722,168)	-51.14%
		54,235,372	33,919,685		
2016-17					
ATC Indoor DAS LLC/American Tower Corp.	u	713,367	279,422	(433,945)	-60.83%
American Multi-Cinema Inc	u	714,376	600,000	(114,376)	-16.01%
South Bay Center SPE LLC	4082-018-005	23,460,134	11,599,000	(11,861,134)	-50.56%
Walgreen Co	u	348,762	174,000	(174,762)	-50.11%
South Bay Center SPE LLC/Macy's West Stores	4082-018-004	26,840,034	14,180,184	(12,659,850)	-47.17%
Kohl's Department Stores Inc.	u	1,357,112	680,000	(677,112)	-49.89%
		53,433,785	27,512,606		

Most Recently Resolved Appeals Among Owners with Pending Appeals

	<u>APN</u>	<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
2013-14					
South Bay Center SPE LLC/Macy's West Stores Inc	4082-018-004	24,214,209	20,500,000	(3,714,209)	-15.34%

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Community Financing Authority 2014 Wastewater Refunding Revenue Bonds
(Wastewater System Financing Project)
June 30, 2017

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 2016-17 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, 2017 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2017, 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Use Classification										
Each single family dwelling unit	\$ 5.00	\$ 7.00	\$ 7.12	\$ 7.12	\$ 7.25	\$ 10.25	\$ 13.25	\$ 16.25	\$ 16.25	\$ 16.25
Each unit in a 2-3 unit condo structure	5.00	7.00	7.12	7.12	7.25	10.25	13.25	16.25	16.25	16.25
Each unit in a 2-3 unit apartment structure	3.89	5.45	5.55	5.55	5.65	7.97	10.31	12.64	12.64	12.64
Each unit in a 4 or more unit condo structure	3.89	5.45	5.55	5.55	5.65	7.97	10.31	12.64	12.64	12.64
Each unit in a 4 or more unit apartment structure	2.68	3.75	3.82	3.82	3.88	5.49	7.09	8.70	8.70	8.70
Commercial/Industrial/Institutional parcels	0.43	0.60	0.61	0.61	0.62	0.88	1.13 *	1.39 *	1.39 *	1.39 *

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004. A reissue of the Bonds was done in fiscal year 2013/2014 by the Community Financing Authority.

* Per 100 cubic feet of average monthly water usage. 100 cubic feet of water is equal to 748 gallons, average monthly water usage is established based on the latest actual annual water usage record available to the City. On an annual basis, the city will recalculate the monthly charge by using the latest available annual water usage record of each non-residential user at the same \$1.13 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar devices that will not be discharged into the sewer system may be deducted from the annual water usage record for rate calculation purposes.

Source: City of Redondo Beach

City of Redondo Beach
Top Ten Customers - Sewage Usage
June 30, 2017

<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	89,234	\$124,035	2.3%
Northrop Grumman Systems	Aerospace	28,421	\$39,506	0.7%
Redondo Beach Unified - South Bay Union High	Education	24,380	\$33,888	0.6%
Beach Cities Health District	Hospital	18,412	\$25,593	0.5%
Crown Plaza Holiday Inn	Hotel	16,373	\$22,758	0.4%
Marina Way Mole B	Harbor Facilities	16,144	\$22,440	0.4%
City of Redondo Beach Leased Properties	Harbor Facilities	16,025	\$22,275	0.4%
Hilton Garden Inn	Hotel	14,793	\$20,562	0.4%
City of Redondo Beach Leased Properties	Harbor Facilities	12,250	\$17,028	0.3%
Village at Redondon LLC	Apartment	18,601	\$16,704	0.3%
				<hr/>
				6.3%

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Type of Customer										
Residential	13,108	13,102	13,107	13,109	13,105	13,106	13,104	13,105	13,105	13,111
Industrial	68	66	61	56	61	61	61	61	59	59
Commercial	451	464	462	466	457	463	463	461	462	464
Institutional	62	89	61	58	61	59	59	59	59	58
Mixed use	42	43	43	42	43	43	43	43	43	43
Total	13,731	13,764	13,734	13,731	13,727	13,732	13,730	13,729	13,728	13,735

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.
A reissue of the Bonds was done in fiscal year 2013/2014 by the Community Financing Authority.

Source: City of Redondo Beach

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California, (the City) as of and for the year ended June 30, 2017, 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 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies to be material weaknesses:

Capital Assets

During the course of audit, a material error in the recording of capital assets in the Vehicle Replacement Internal Service Fund was identified. It was noted the City inadvertently omitted recording capital assets directly into the fund. Total capital assets not recorded in the Vehicle Replacement Fund was \$559,199.

Management Response: Although the capital asset was recorded in the City's general ledger, it was recorded with the assets of the governmental funds and not in the proprietary fund it should have been. The general ledger has been corrected.





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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brea, California
December 19, 2017