



Minutes
City of Redondo Beach – Regular Meeting
Budget & Finance Commission
September 11, 2025

REGULAR MEETING OF THE BUDGET AND FINANCE COMMISSION – 6:30 P.M.

A. CALL MEETING TO ORDER

A Regular Meeting of the Redondo Beach Public Safety Commission was called to order at 6:30 p.m. by Vice Chair Sherbin, in the City Hall Council Chambers, 415 Diamond Street, Redondo Beach, California. Beach, California.

B. ROLL CALL

Commissioners Present: Jeste, Vice Chair Sherbin, Ramcharan, Staples, Chair Allen
(arrived at 7:14 pm),

Commissioners Absent: Woodham, Marin

Officials Present: Stephanie Meyer, Finance Director
Melissa Villa, Budget & Finance Liaison
Emily Bodkin, Budget & Finance Liaison

C. SALUTE TO THE FLAG

Vice Chair led the Commissioners in a salute to the flag.

D. APPROVE ORDER OF AGENDA

Motion by Vice Chair Sherbin seconded by Commissioner Jeste, to approve the order of agenda.

Motion carried 4-0-3, by voice vote. Commissioners Allen, Woodham and Marin were absent.

E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS

E.1. FOR BLUE FOLDER DOCUMENTS APPROVED AT THE BUDGET AND FINANCE COMMISSION MEETING

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Melissa Villa announced there was a Blue Folder Item for J.2: the discussion in regard to the Annual Financial Reports for Fiscal Year Ending June 30, 2024, the Draft Annual Comprehensive Financial Report, the ACFR; requested a motion to receive and file.

Motion by Vice Chair Sherbin seconded by Commissioner Ramcharan to receive and file.

Motion carried 4-0-3, by voice vote. Commissioners Allen, Woodham and Marin were absent.

F. CONSENT CALENDAR

F.1. APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF SEPTEMBER 11, 2025

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

F.2. APPROVAL OF THE MINUTES FROM THE REGULAR MEETING OF AUGUST 14, 2025

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Motion by Commissioner Staples seconded by Commissioner Ramcharan to approve the consent calendar as proposed.

Motion carried 4-0-3, by voice vote. Commissioners Allen, Woodham and Marin were absent.

There were no public comments or eComments.

G. EXCLUDED CONSENT CALENDAR ITEMS - None

H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

H.1. For eComments and Emails Received by the Public

Vice Chair Sherbin introduced H.1. and opened the floor for public comment.

Redondo Beach resident Wayne Craig shared he had learned the City applied for a grant through a community meeting; referenced past conversations had been had by the Finance and Budget Commission as well as the Planning Commission in regard to the gun range; understood the grant was \$19 million dollars and fully paid for with conditions; shared if the conditions were not met, the City would have to come up with a 20 or 30% difference; remarked the City allocated \$1.3 million and spent \$200,00 in applying to the grant; remarked the Budget and Finance Commission know more than him, the City is at a \$3.5 million deficit; remarked the City has \$1.1 million in their account; recommended transferring the money back into a general fund, the street paving project on Grant Ave,

contingency budget or to pay off debts; recommended the Budget and Finance Commission should write a letter to council; disagreed with the City applying for a grant.

Commissioner Jeste asked Wayne Craig about the purpose of the grant.

Mr. Craig answered the grant funds were to go towards the gun range; shared there were many questions and concerns in regard to payment; shared the City is in a budget deficit; felt the City should be more conscious.

Vice Chair Sherbin thanked Mr. Craig; shared the Budget and Finance Commission have started to weigh in on possible alternatives to the current economic situation; called the next speaker, Jim Mueller.

Jim Mueller from District five expressed shock concerning low attendance despite the importance of finances; asked himself questions about financial analysis; referenced the general fund as well as sixteen other funds for special budgets; shared he compared Redondo Beach to Montebello and Monterey Park's general fund spend on a per resident basis using each City's fiscal year 2025-26 Budget Book; found Redondo Beach's per capita general fund spending to be meaningfully higher; would like for the Budget and Finance Commission to investigate; would like the City to update the Comprehensive Financial Report on the Redondo website;

There were no public comments or eComments.

I. ITEMS CONTINUED FROM PREVIOUS AGENDAS

I.1 BUILDING MAINTENANCE/REPLACEMENT PLANNING

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

I.2 RESERVES AND BUDGET CONCERNS

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Finance Director Stephanie Meyer introduced items I.1 as prior topics discussed at prior meetings; shared there were no presentations, only items the Budget and Finance Commission had asked to retain on the agenda until they are specifically addressed; introduced I.2 as an opportunity for Commissioner Jeste to share the information he communicated to The Daily Breeze and the Mayor; requested to let the auditors speak prior to the discussion.

Vice Chair Sherbin suggested to move the agenda around.

Commissioner Jeste asked if the Commission had a copy of the letter he wrote to the Mayor.

Finance Director Stephanie Meyer confirmed a copy of the letter was in the agenda.

Commissioner Staples suggested to move item I.2 to a later meeting where there are fewer absences.

Commissioner Jeste agreed with Commissioner Staples; expressed it was highly irresponsible for the City Council and City Management to dip into the pension reserves when there are opportunities for saving money or deferring projects; felt it should be last resort; expressed concern that serious issues are on the horizon; felt best to reserve the discussion for the next meeting or a full quorum.

Commissioner Staples expressed the City has been consistently loose with what they would consider reserves, and steal reserves from the pension fund in order to pay for other city services; referenced a past discussion about the standing reserve fund; felt what was not discussed was whether the City has a minimum and maximum amount to spend rather than various departments having reserves; advised for future commissioners to continue the discussion going forward.

Vice Chair Sherbin thanked Commissioner Staples; affirmed the Budget and Finance Commission take his concerns very seriously and his legacy will be with them going forward.

Motion by Commissioner Staples seconded by Commissioner Jeste to move I.2 to the next Budget and Finance Commission meeting.

Vice Chair Sherbin called for a voice vote.

AYES: Jeste, Ramcharan, Staples, Sherbin

NOES: None

ABSTAIN: None

ABSENT: Woodham, Chair Allen, Marin

There were no public comments or eComments.

J. ITEMS FOR DISCUSSION PRIOR TO ACTION

J.1. PROFESSIONAL SERVICES PROCUREMENT

CONTACT: STEPHANIE MEYER, FINANCE DIRECTOR

Finance Director Stephanie Meyer introduce J.1 as an item the Budget and Finance Commission had asked to leave on the agenda until addressed; referenced Mr. Mueller concerns in regard to procurement from the last Budget and Finance Commission meeting; notified the item does not have a prepared presentation.

Vice Chair Sherbin opened the floor to open comment.

Jim Mueller shared Finance Director Stephanie Meyer had sent him a copy of the purchasing procedures, which he reviewed in conjunction with Chapter 2-6 of the code; shared professional services alone account for 10 to \$12 million or 8 to 10% of the general fund budget; expressed three areas of concern within the procurement system such as professional services procurement, contract administration and sole sourcing; elaborated on his concerns in regards to procurement; expressed concerns over long-term contracts; expressed generating new contracts are a hassle because newer professionals do not get the opportunity to work with the City; shared concerns over contract management procedures; recommended specific goals and periodic reviews to be specified within each contract; felt there was no written justification for sole source contracts.

Vice Chair Sherbin asked Finance Director Stephanie Meyer if the items Jim Mueller were referencing were in the City Charter or City Policy.

Finance Director Stephanie Meyer confirmed it is part of the administrative policies and procedures; elaborated they are more detailed than municipal code and its provisions are tied directly to the City's municipal code; stated the municipal code specifically states that the City is not required to look for competition in professional services, however the City in practice will frequently look for competition; shared it can be changed by City Council.

Commissioner Staples recommended that if City policy and administrative code had not been reviewed in the last three years, the City Manager and staff should review the code for consistency; expressed interest in comparing the City to what other cities are doing; acknowledged there is an ongoing process in place led by the City Manager to review contracting generally and address the concerns Jim Mueller had expressed such as contract management, performance management objectives and the full life cycle of management of contract; agreed with Jim Mueller's discussion regarding sole source contracts; shared his own experience with other cities on the process in regard to sole source contracts.

J. 2 DISCUSSION AND POSSIBLE ACTION REGARDING ANNUAL FINANCIAL REPORTS FOR FISCAL YEAR ENDED JUNE 30, 2024

Finance Director Stephanie Meyer introduced auditor Mr. Bob Callanan to elaborate on item J.2; thanked auditors for their work in reviewing the City's practices; expressed the City's goal is to manage the City's finances with transparency and accurately; shared a brief explanation to Mr. Callanan's presentation; opened the floor to Mr. Callanan.

Vice Chair Sherbin asked if the year Mr. Callanan audited was the first year he worked with the City.

Bob Callanan confirmed Vice Chair Sherbin was correct; introduced himself as the engagement partner that specializes in state and local government audits with over 30 years of experience; shared the first year is difficult from an audit perspective as he attempts to get an understanding of the City's internal control structure; shared the difficulties were exasperated due to staff turnover and the hiring of new staff who were unaware of helpful historical knowledge; introduced the presentation layout:

Agenda

- Audit Scope
- Audit Process
- Audit Opinions and Results
- Governance Communications
- Upcoming GASB Standards

Explained he is auditing the City's financial statements contained within the Annual Comprehensive Financial Report; defined the limitations with what is able to be audited; shared auditing checks what is not in the accounting system that should be on the financial statements; shared they take a risk based approach; notified he has a report on internal control and financial reporting and compliance; shared the auditors do have a requirement to look at compliance and be aware of any noncompliance and how that impacts the financial statement, preparation and other liabilities.

Vice Chair Sherbin asked how the auditor would handle something that is out of the scope of their audit.

Bob Callanan stated his team discuss before and after an audit with management offering advice on how to go forward to City Council; stated after his team offers advice, it would ultimately be up to Management and City Council to follow their advice and make financial decisions.

Vice Chair Sherbin asked if the discussion is informal or written suggestions.

Bob Callanan stated it would depend on the level of priority with the highest levels requiring a written form; shared he has three levels:

- 1) material weaknesses – the highest level
- 2) significant deficiencies – a lesser level
- 3) other matters

Informed his team are required report to City Council on the material weaknesses and significant deficiencies immediately; spoke about the single audit report:

Single Audit Report

- Informed they are currently in process of
- A way to audit federal grant programs the City has received federal funds for
- Selecting major grant programs within the selected fiscal year and testing for compliance
- Shared his team has one more grant program left and hopes to finish off this stage by the end of the month

The Audit Process

- Risk based approach
- Automatically his firm look at the potential for override for internal controls
- Revenue recognition
 - What is reported on financial statements
- Significant estimates
 - Financial statements do contain several significant estimates such as the OPEB (Other Post-Employment Benefit) plan, pension plan, depreciation on capital assets, allowances on receivables from a collectability standpoint)
 - Values of the investments as of June 30?
- Accounting for capital assets

Audit Opinions

- On page one of the report, there are unmodified opinions
- Unmodified opinions: the highest form of opinion that audit firms can provide on the financial statements

Audit Results

- Three material weaknesses were identified
 - Grant accounting
 - Construction in progress accounting
 - Accounting for third-party activity
- Two significant deficiencies
 - Deposits payable
 - Financial statement closing process
- All were immediately brought to the attention of management early to create a game plan for the June 30, 2024, audit and forward.

Required Communications

- Which accounting standard was implemented during the year
 - GASB Statement 100: error corrections and financial statement reporting
- Audit standards changed
 - SAS 143-145: IT, general controls and impacts on risk assessment
- No unusual transactions identified, however felt that certain transactions were not being accounted for accurately, and have now been fixed
- All comments have been fixed and will not affect the opinions before the Budget and Finance Commission.
- Receipt of management representation letter

Difficulties

- Staff turnover
- New hires
- Loss of historical knowledge
- No disagreements with staff or management
- No consultations with outside accountants identified

Most Sensitive Estimates

- OBEB liability and related deferred inflows and outflows
- Claims payable

Other

- There were no uncorrected misstatements identified
- Corrected misstatements – Material – 4
- Material weakness in internal control over financial reporting – Financial close and reporting

New Accounting Changes

- Statement 100
- The material, corrected misstatements are in the area of grants receivable and the related unavailable available revenues and unearned revenues
- There were a lot of stale receivables on there that shouldn't have been on there
- Balance sheet time asset
- There was unavailable revenue and unearned revenue that did impact some of the fund balance
- Material adjustment of about 250,000 for other governmental grants fund as a result of weeding out stale receivables

Vice Chair Sherbin asked if corrections made to the receivables would impact income and if there was an allowance set in place a year ago.

Bob Callanan responded it would depend on the situation; stated generally, based off of the rules from the modified accrual basis of accounting for governmental funds, if the grant money is not collected and the reimbursement is not received within 60 days after year's end, it will not be recognized as income. It would have to be put into an unavailable revenue liability account, with no impact on fund balance unless the funds were received.

More discussion ensued regarding impact on the income statement.

Chair Allen arrived at the meeting at 7:14 pm.

Commissioner Staples was focused on the number of \$32 million, asked how that would be reflected in the City's financials.

Bob Callanan responded the \$32 million had to do with construction in progress that was shown as an asset on the government wide financial statements, not the fund. Further discussion on the difference between the impact on governmental wide financial statements and the general fund ensued

Bob Callanan continued his presentation:

- Spoke about the Dredging project which started in the fiscal year of 22-23 and was completed in 23-24
 - There was a \$400,000 adjustment to the net position, restating the beginning balance in the Harbor Tidelands
 - The Dredging project got expensed through instead of getting capitalized in the Harbor fund

Commissioner Jeste asked if routine regular maintenance should not be capitalized.

Bob Callanan confirmed it would be correct not to under the City's Policy Capitalization policies; explained why this item was a repair and maintenance.

Commissioner Jeste expressed he had been concerned since joining the Budget and Finance Commission, about routine maintenance being lumped with improvement or extending life; suggested routine maintenance should be kept as a separate category.

Bob Callanan stated City staff were looking at projects to separate what should be capitalized from repair and maintenance.

Further discussion in regard to the capital asset guidelines ensued.

Bob Callanan continued his presentation; shared:

- The Marine Hotel Agreements were a complex arrangement from many years ago.
 - Money that came in were for TOT revenue from the hotels, which was allowed as a trust fund for operators to use in case of deficits, however when the revenue was paid out to the trust account, it hit the revenue account.
 - Revenue became net not gross and an adjustment had to be made

Vice Chair Sherbin asked if the financial adjustment would be reflected in the financial statements.

Bob Callanan confirmed it would be reflected in the financial statements; shared in his presentation:

- A strong collaborative effort was made from both the Finance department and the auditing team to discover discrepancies
- Found a third-party management company who operated and handled the lease on the Harbor Tidelands and Harbor Uplands were recording money in net.
 - The auditing team have yet to finalize the balance sheet impact
 - The auditing team planned for grossing the money, uncover true revenue and true expenditure based on the information the management company have provided, and to fix the balance sheets.
 - City staff have worked with the management company to streamline the information and form a different process to be a part of the year end process of closing the books

Upcoming GASB Standards

- GASB 101 will be for the 2025 fiscal year to account for compensated absences

- Compensated absences were found to be recorded on the City's financial statements

GASB 102 Certain Risk Disclosures

- Shared they do not believe it would be applied
- If impact will be made on the general fund, there would be disclosures surrounding risk
 - Limitations on raising revenue
 - Concentrations related to tax revenue or vendors
 - Debt or mandated spending – especially unfunded mandates
 - Impact of major employer leaving the community
 - Collective bargaining agreements

GASB 103 Financial Reporting Module

- GASB 34 used to go far into the 80s, and has now been tweaked
- Updated disclosure guidance for:
 - MD&A consistency
 - Clearer definition of unusual or infrequent items
 - Presentation of proprietary fund statements
 - Major component unit information
 - Budgetary comparison information

Disclosure of Capital Assets

- Reassessment of various categories
 - Consistent reporting across governmental entities

Bob Callanan opened the floor for feedback and questions; reminded the Budget and Finance Commission, the material adjustments he presented on had to do with the internal control findings that are material weaknesses; shared the process is to establish and enhance the financial closing process, put in controls, and account for the gross level; shared shoring capital asset are done at the end of the year; worked to establish there are policies and procedures in place to close the capital assets out properly and ensure street infrastructure projects will be carefully vetted; summarized the significant deficiencies had to do with grant accounting to avoid stale receivables.

Commissioner Jeste asked for the number of cities Bob Callanan has audited for.

Bob Callanan shared he has audited seven cities, three special districts, and one county in California for the year of 2024.

Commissioner Jeste asked if comparisons are made to discuss best practices.

Bob Callanan notified he has shared those comparisons with management and the Finance Department; shared there was no standard guide since it is not part of the service he provides; emphasized he does not audit internal controls.

Vice Chair Sherbin thanked Bob Callanan for the presentation; expressed it was an exciting year with the changes in the department.

Motion by Chair Allen seconded by Commissioner Ramcharan to receive and file Bob Callanan's presentation.

Motion carried 5-0-2, by voice vote. Commissioners Woodham and Marin were absent.

Chair Allen opened the floor to public comment.

Jim Mueller asked when the audit will be posted on the City website; asked for clarification about a fund that is funded out of the TOT reserve for the benefit of the hotels.

Bob Callanan clarified TOT revenue is recorded in the City's general fund and there was an agreement made to build hotels; understood that the City accepted there would be debt incurred and wanted to set aside a reserve fund; explained the City planned to put

revenue generated from the hotels into a trust fund to cover the reserve fund that was made to establish said hotels; clarified it was not a separate fund from the general fund; further elaborates his point to the Budget and Finance Commission.

There were no public comments or eComments.

K. COMMISSION MEMBER ITEMS AND FUTURE COMMISSION AGENDA TOPICS

Vice Chair Sherbin thanked Bob Callanan for the presentation and Commissioner Staples for serving eight years in the Budget and Finance Commission.

Commissioner Staples shared a speech to commemorate his time within the Commission.

L. ADJOURNMENT

There being no further business to come before the Budget & Finance Commission, motion by Chair Allen seconded by Commissioner Staples to adjourn the meeting at 7:39 p.m., to a regular meeting to be held at 6:30 p.m. on Thursday, October 9, 2025, in the Redondo Beach City Hall Council Chambers 415 N. Pacific Coast Hwy. Redondo Beach, California.

All written comments submitted via eComment are included in the record and available for public review on the City website.

Respectfully submitted:

Stephanie Meyer
Finance Director

