

September 16, 2025

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

We are happy to share the FY 2023-24 Annual Comprehensive Financial Report (ACFR). The report presents the City's financial statements in conformance with generally accepted accounting principles (GAAP) and as audited by an independent firm of licensed certified public accountants, in accordance with generally accepted auditing standards.

Typically, we deliver the ACFR by the second Council meeting in December of each year. The FY 2023-24 ACFR was delayed as a result of the use of a new audit company, following seven years with the prior audit firm, and staff turnover in the Finance Department. The FY 2023-24 ACFR is now complete and ready for presentation for the fiscal year that ended on June 30, 2024.

According to the City Charter, the role of the ACFR is to inform the Mayor and City Council of the financial and administrative activities of the previous fiscal year. In addition, the report provides critical information to Redondo Beach residents and the larger financial community. For the residents, the report helps to correlate City services and accomplishments with the use of resources. For the financial community, the 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



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known as Management's Discussion and Analysis (MD&A). This letter of transmittal complements the MD&A and should be read together. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the ACFR.

The annual audit may include findings regarding the City's financial practices. The findings pertain to areas that the auditors have identified for strengthening and improvement. For FY 2023-24, the City's new auditor identified grants, capital management, deposit management, and year-end closing practices as areas of focus. Staff in the Financial Services Department anticipated these findings and has already prepared improvements and initiated processes to address the cited concerns. It is worth noting that the findings are in areas that were reviewed by the City's previous auditor and found to be of limited or no concern at the time. The findings pertain to financial practices that have remained the same for many years in the City, across the tenure of multiple Department Directors. Staff welcome the auditor's thorough review of these long-standing practices and view the findings as an opportunity to strengthen internal controls and implement positive operational change.

CITY OF REDONDO BEACH PROFILE

The City of Redondo Beach, incorporated in 1892, is located in the South Bay region of Los Angeles County and spans 6.3 square miles. The City of Redondo Beach has a population of approximately 71,576 per the latest census (2020) and remains a highly residential, non-industrial community. The City is highly educated and largely upscale, with a median home cost of \$1,410,000 in fiscal year 2023-24, per HdL. The median income for a household in 2020 in the City was \$113,499.

Redondo Beach has significant concentrations of employment in the northern portion of the City anchored by Northrop Grumman. It also has a vibrant hospitality sector near the Harbor/Pier area, an eclectic mix of specialty shops, restaurants and services in the Riviera Village, at the south end of the City, and maintains retail centers at the South Bay Galleria, on the east 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, The Cheesecake Factory, Macy's, Target Stores, Frontier, United States Post Office, Silverado Beach Cities, and Civic Financial Services.

The City is divided into five Council 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 and is also limited to serving two four-year terms. Other elected officials are the City Attorney, City Clerk, and City Treasurer. Each of these elected offices serves a term of four years, but differ from the Mayor and City Council in that individuals can be re-elected an unlimited number of times. The City Council is responsible for City policy, including passing Municipal Code Ordinances, adopting



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the budget, and appointing the City Manager along with various other Board, Commission, and Committee members.

In addition to serving 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, including: 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 selecting the non-elected 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. Also, 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 is classified as a full-service City, providing public safety through its Police and Fire Departments, along with a host of other services, including recreation and community services, libraries, parks, maintenance and improvement of streets and infrastructure, planning and zoning, housing, economic development, transit, and general government services. The City also operates and maintains a recreational harbor under a trust agreement with the State of California.

The annual budget serves as the foundation for the City's fiscal plan and policy prioritization. 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 total adopted budget represents the level of appropriated budgetary control, which is defined as the total budget for all funds and divisions, and all revisions and amendments, which must be 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 with 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 uses an encumbrance system, whereby commitments, such as purchase orders and unperformed contracts, are recorded as assigned fund balances at year end.

Significant Events, Accomplishments and Economic Development Activities

Redondo Beach has historically remained fiscally sound through proactive management, disciplined expenditure oversight, development of a diversified revenue base, and by inviting public/private partnerships that reduce City costs, create new public amenities and increase revenues. These financial practices have enabled the City to maintain healthy reserves and achieve an Aa1 credit rating. The City's Property Tax revenue continues to be its strongest revenue stream, increasing by approximately five percent annually over the past five years. Two other major revenue sources, sales tax and transient occupancy tax (TOT) flattened in FY 2023-24 following strong post-COVID recovery in FY 2022-23. Transient Occupancy Tax lagged in recovery due to the City's site-specific tax pledge impacting TOT revenue from three hotel properties. As those properties continue to recover from COVID and its longer-term impacts, the City has been delayed in receiving TOT generated from the sites. For Sales Tax, Redondo Beach experienced flattening trends similar to the state and region, related to online sales and slower consumer spending following the COVID recovery. Ongoing uncertainty at the South Bay Galleria site, one of the City's major retail centers, continues to be a negative factor impacting sales tax revenue growth.

For most of FY 2023-24, the City's economic development efforts focused on strengthening and supporting the three commercial zones within the City – the Artesia/Aviation Commercial Corridor (inclusive of the South Bay Social District (Galleria), the Riviera Village Business Improvement District (BID), and the Redondo Beach Waterfront.

Within the Riviera Village, the City worked with members of the Riviera Village Business Improvement District to continue the success of the parklet program, which provided outdoor space for local business to operate and bring additional life and commercial activity to the already vibrant area. While originally envisioned as temporary outdoor dining locations for use during COVID, the parklets have been approved by the City and California Coastal Commission for continued operation until July 1 of 2026 as a result of their visitor popularity and success.

Within the Waterfront, the City continued its storefront improvement program for businesses located along International Boardwalk. Grant funding, ranging from \$2,500 to \$50,000, was made available to support improvements/upgrades to storefronts and facades. The program aims to encourage private investment in the International Boardwalk commercial corridor, enhance the appearance of the storefronts, and to reduce vacancies.

The City made significant progress in improving the Waterfront as a destination for visitors. The City and its event partner have successfully implemented an annual Beach Life concert festival that brings tens of thousands of people to the area. The Waterfront is also in the process of executing its Public Amenities Plan, which was approved in 2022 and identifies more than 40 projects to enhance the public facilities offered to waterfront visitors. In FY 2023-24, staff secured State Grant Funding to renovate Seaside Lagoon and is working with the State



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Division of Boating and Waterways to prepare a grant application for a new public boat launch on Mole D.

Elsewhere in the City, the most significant approved projects were along Artesia Boulevard. The Grubhaus restaurant project, located at 2400 Artesia Boulevard, was approved by the Planning Commission in December of 2022 and completed demolition and the substantive components of the Plan Check review process in FY 2023-24. Construction is expected to begin in 2025. This project consists of a 7,892 square foot building with up to 16 restaurant operators and 1,785 square feet of outdoor seating with 200 seats; 320 square feet of ground floor retail space; 1,560 square feet of office on the second floor; and a subterranean garage with 42 parking spaces. This project is expected to bring energy and economic growth to Artesia Boulevard that will serve to revitalize the Boulevard.

Artesia Boulevard is also the location of a significant revitalization effort planned for the South Bay Galleria (Phase I). The City approved an updated plan for the Galleria that included a Great Lawn (outdoor open space) and Skate Park along with a reimagining of the existing mall, that includes the conversion of underutilized third floor space into professional offices, 300 residential units and 20,000 square feet of new retail space within the ground floor of the residential buildings. A second Phase, inclusive of another 350 residential units and 8,000 square feet of retail, along with a nearly 20,000 outdoor promenade was also later approved.

These additions to the Boulevard are expected to bring significant economic development and revitalization to North Redondo.

The number of development projects under construction, or preparing for construction, reflect the City's strong property values and signal the potential for increased tax revenues in the City, driven in large part by Redondo Beach's high quality of life, the continued excellence of the Redondo Beach Unified School District, and the City's close proximity to the LAX airport and Silicon Beach technology hub.

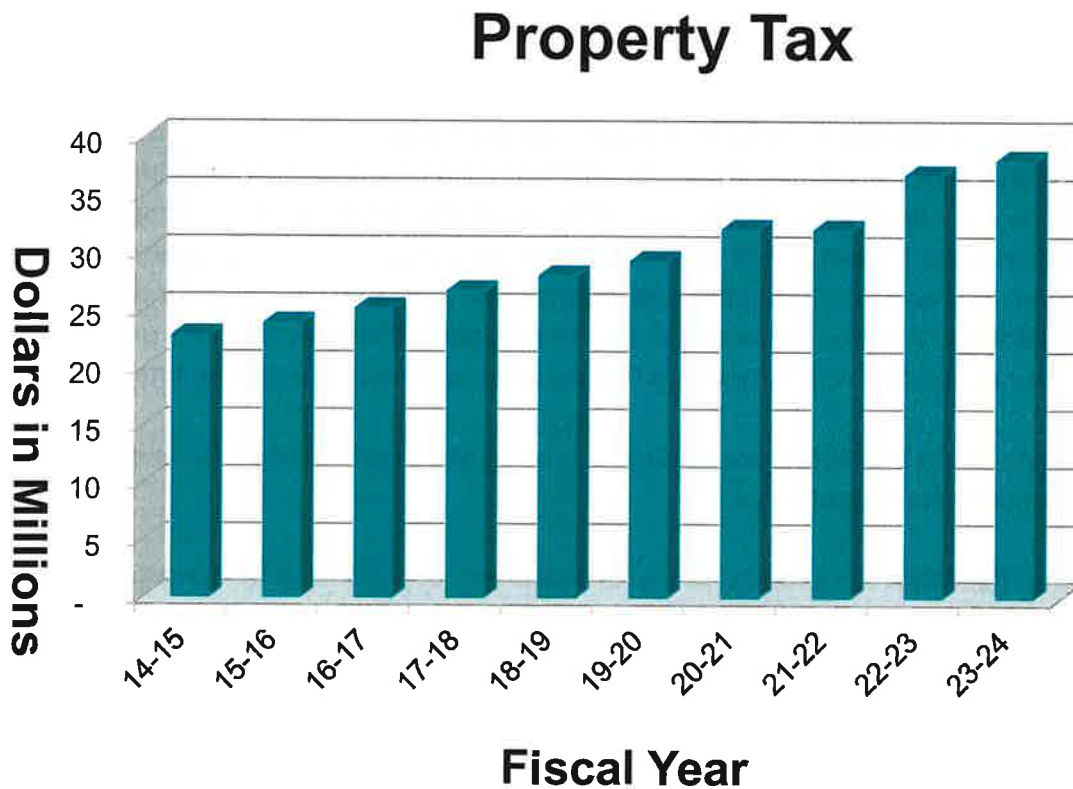
Property Tax

Property tax is the City's largest single revenue source. It 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 value, and can rise 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. This equals 16.5 cents out of each dollar of property tax collected by Los Angeles County for property in the City.

For FY 2023-24, property tax revenue was based on calendar year 2022 property values. Actual revenues were higher than budgeted. The City's FY 2023-24 citywide assessed valuation

was \$21.6 billion, \$1.1 billion (5.4%) over the prior fiscal year. The City's assessed valuation amount is derived 82.5% from residential properties, 7.8% from commercial properties, 3.7% from industrial properties, and the remaining 6.0% from vacant, institutional, and other properties.

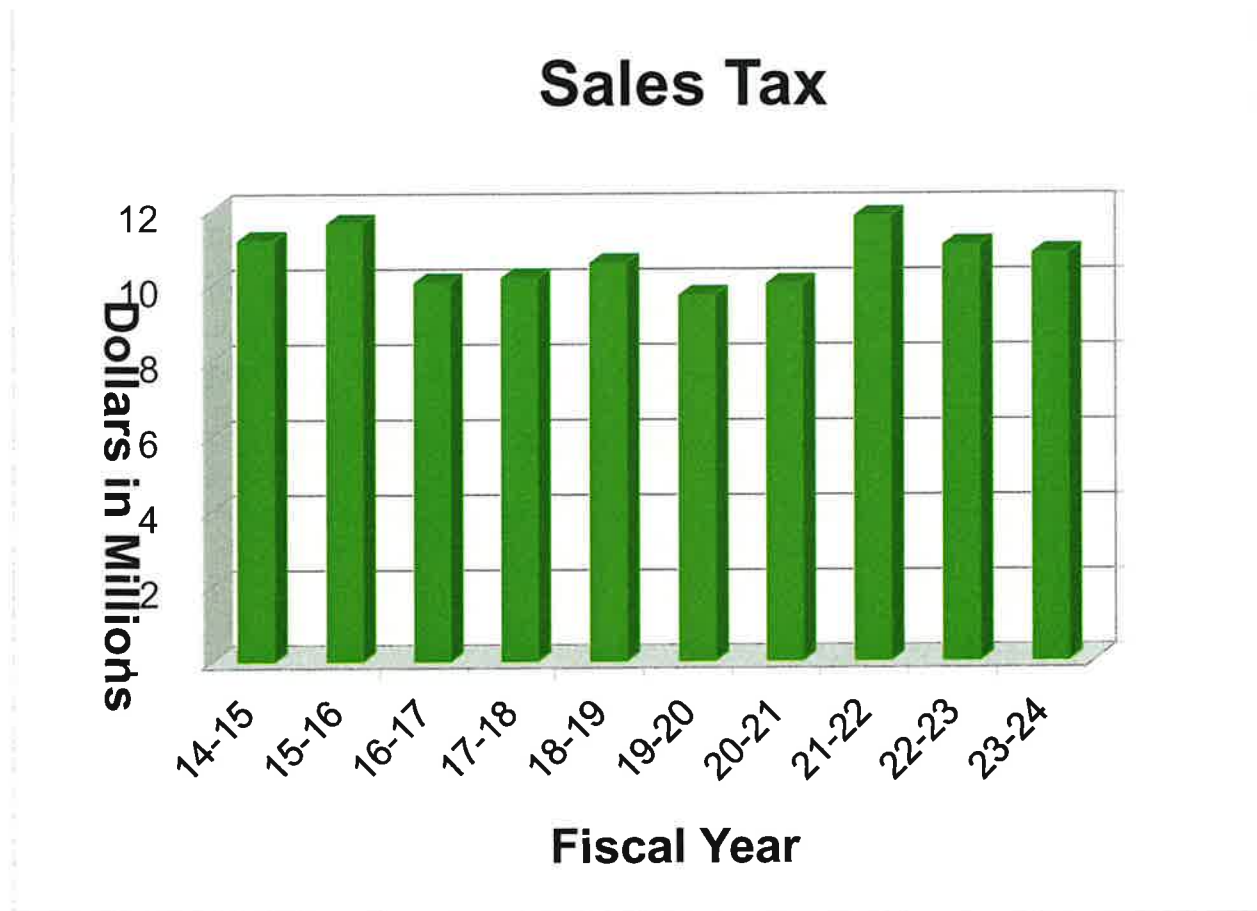
Fiscal year 2023-24 property tax revenue (including homeowners' exemptions) was \$38.1 million, a \$1.3 million, a 4.6% increase over the prior year, consistent with the assessed valuation increases.



Sales Tax

Sales tax is the City's second largest revenue source. The sales tax rate in Los Angeles County was 9.50% for FY 2023-24. Redondo Beach receives 1% of taxable sales from the California Department of Tax and Fee Administration. Until FY 2015-16, the data below includes revenue from the triple flip revenue swap procedure, whereby 25 percent of the City's traditional sales tax base was committed to the State for deficit reduction bonds, and then reimbursed in the same amount as additional property tax revenue to the City. Starting FY 2016-17, the data reflects the City's sales tax proportion only.

Fiscal year 2023-24 sales tax revenue was \$10.8 million, a \$0.2 million or 1.9% decrease from prior year receipts as economic challenges including high inflation and Federal Reserve rate increases drove decreases in consumer spending, combined with the ongoing trend towards online purchasing. The City's largest business structures, including restaurants and hotels, showed some declines, and the fuel sector continued to show lower receipts related to pricing. These declines are consistent with state and nation-wide trends.

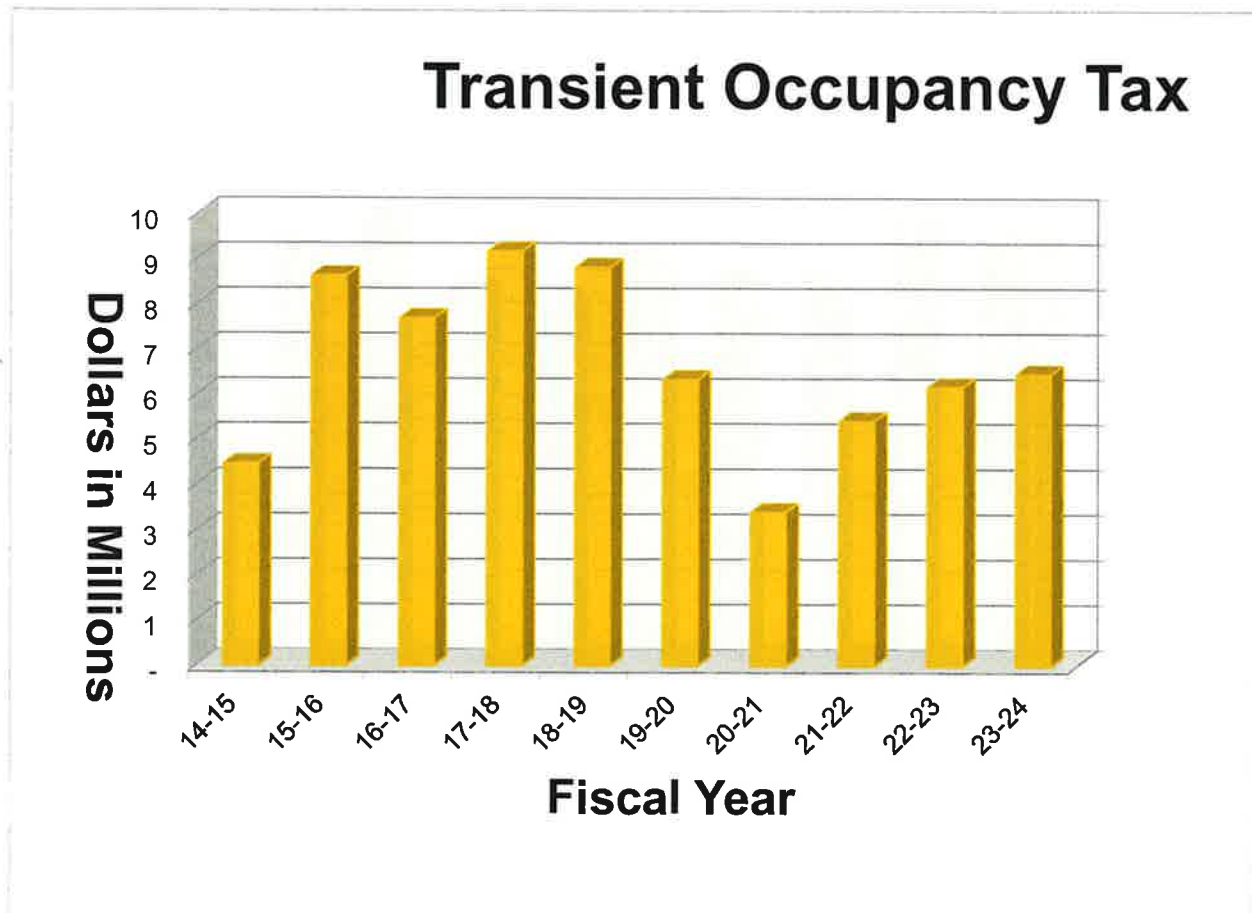


Transient Occupancy Tax (TOT)

Transient Occupancy Tax, the City's third largest single revenue source, is imposed on short-term occupants of hotels, motels, inns, tourist homes or other lodging facilities (those staying for 30 or fewer days). The current tax rate of 12% is applied to the customer's lodging bill. The rate was last increased in 2005 by 2%.

The figures below show the net revenue the City retains from Transient Occupancy Tax. Prior to FY 2016-17, the City contributed 10% of TOT revenue to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City, offsetting the revenue received. Since 2020, the City has paid TOT revenue generated from three hotel properties into a lender-held reserve account according to the terms of a site-specific tax agreement between the City and the property developer. This has effectively reduced the City's retained TOT by the amount of that revenue.

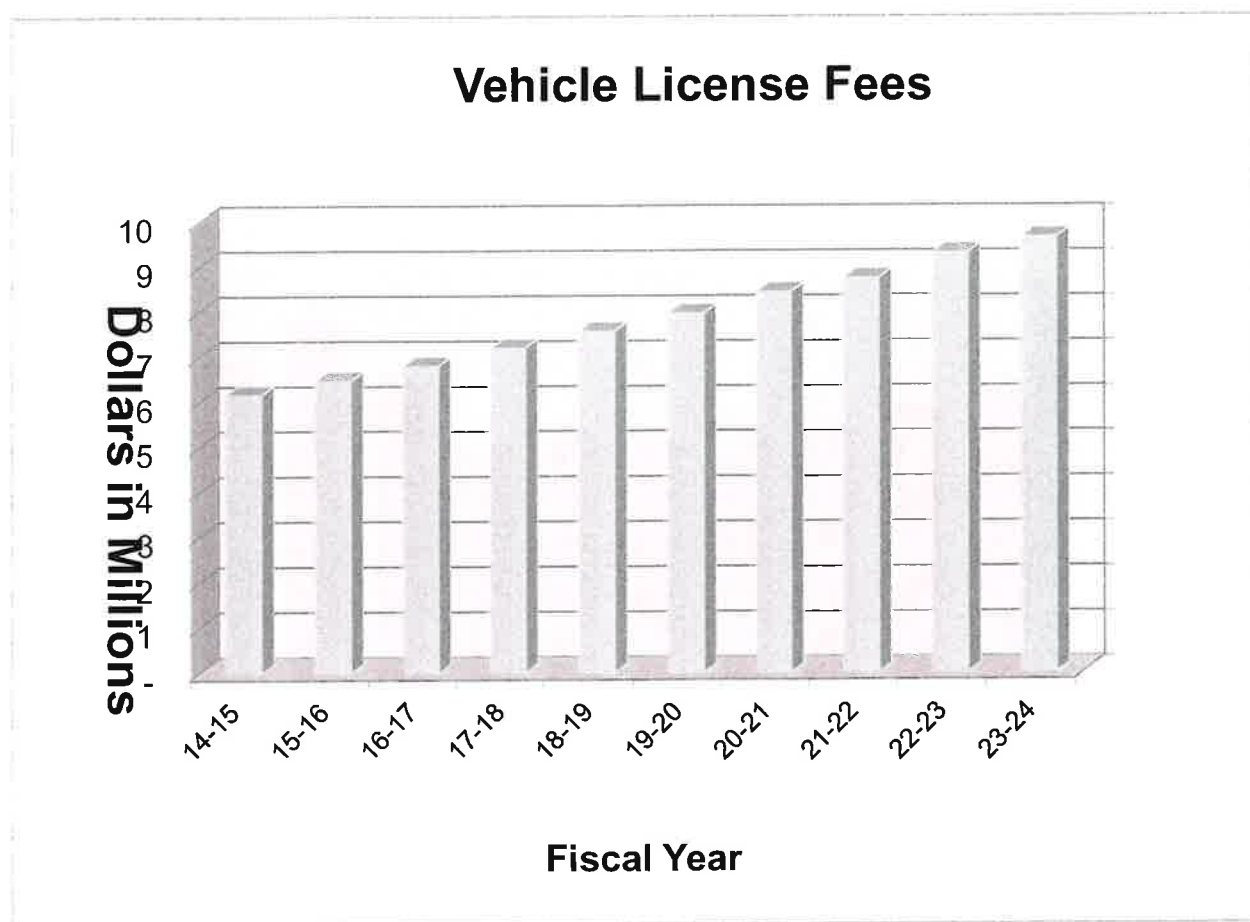
Fiscal year 2023-24 revenue, net of related payments, was \$6.5 million, a \$0.3 million or 5% increase over the prior fiscal year.



Vehicle License Fees (VLF)

Vehicle license fee revenue, the City's fourth largest revenue source, comes from a State-imposed tax on owners of registered vehicles for the privilege of operating a vehicle on public highways. The revenue reflects 2% of the market value of the motor vehicle, which the City receives as a motor vehicle in-lieu tax and through Property Tax receipts as property tax in lieu of vehicle license fees.

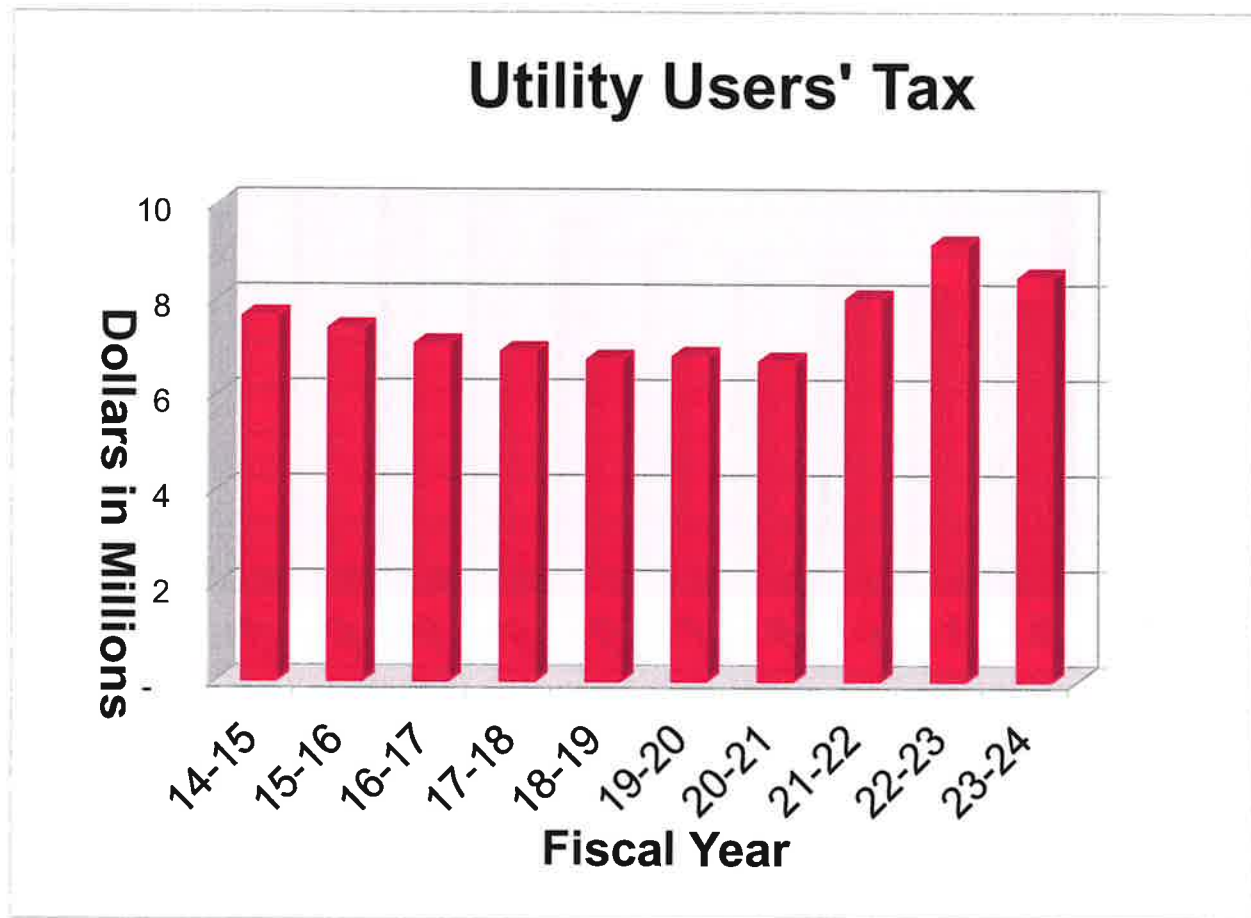
Vehicle License Fee revenue has increased consistently over the past 10 years, with an average annual increase of about 5%. Fiscal year 2023-24 revenue was \$9.6 million, a 3.7% increase over the prior year.



Utility Users' Tax (UUT)

Utility users' tax (UUT), the City's fifth largest revenue source, is imposed on consumers of electric, gas, cable services, water and telephone services. Redondo Beach's UUT rate is set at 4.75%. In the last 10 years, the City's UUT revenue has declined or remained relatively flat, as more consumers move away from cable to internet based streaming services which are not taxed. This trend reversed during FY 2021-22 and 2022-23, with increases in UUT driven by general rate increases, population growth, more remote workers, inflation and natural gas prices.

Fiscal year FY 2023-24 revenue was \$8.5 million, a \$0.7 million or 7.5% decrease from the prior year. The decrease primarily reflects a retreat from an unusually high FY 2022-23 total, which was driven by historic spikes in energy costs.



CAPITAL IMPROVEMENT PROJECT PLANNING, ACCOMPLISHMENTS AND ACTIVITIES

In FY 2023-24, the City continued to plan, design, and construct a significant number of capital improvement projects. Street improvement projects, with the greatest variety of funding sources, continued to represent a large portion of the work plan, however, projects in other categories were completed throughout the City as well.

The City officially completed the Transit Center Project (~\$15M), which consisted of both the Transit Center Building and Depot and the subsequent Kingsdale Avenue Widening. This was the City's largest CIP over the last two decades and it was funded entirely with grants and restricted transportation funds.

The City made progress on several Regional Measure R and Measure M funded transportation-related capital projects. Design of the right turn lane project located on Aviation Boulevard at Artesia Boulevard (\$1.4 million) was completed, and the City received a favorable ruling in the eminent domain case, allowing the project to move forward. Construction for Phase 2 of the southbound right turn lane on Inglewood Avenue at Manhattan Beach Boulevard Project, including modifications to the signals (\$2.6 million) was approved by the City Council. The Anita/Herondo St. and Pacific Coast Highway left turn modifications project (\$2.5M) was awarded with construction later completed in FY 2024-25.

The Grant Avenue Signal Improvement Project (\$3.2M) and the Torrance Boulevard Resurfacing and Signal Improvement Project (\$4.3M) were substantially completed. Citywide Slurry Seal Phase 3 was completed in the first half of FY 23-34 (\$750,000) and Phase 4 was awarded a construction contract (\$485,000) for completion in FY 2024-25.

The Franklin Park Repair and Striping Project (\$250,000) commenced with the striping of the courts completed and the shade structure installed in the subsequent months. The Alta Vista Field Improvements (\$50,000) was completed in the first half of FY 2023-24. The rubberized play surface (\$163,000) was replaced at Anderson Park. The roofs at the Alta Vista Community Center and the Wilderness Park Community Center (\$200,000) were replaced in the spring of FY 2023-24. Progress was made on the design of the Southern California Edison (SCE) right of way (ROW) West of PCH Landscape Improvements (\$786,000) Project. The Dominguez Park Play Equipment, Landscape and Walkways Project (\$2 million) entered into construction during the FY as well.

The City continued to devote significant resources to the maintenance and improvement of its wastewater infrastructure. The Basin 2 Pump Out Station (\$1.95M) was completed in February 2024. Construction commenced for the Portofino Sewer Pump Station (\$5.12 million). In addition, improvements and maintenance, including the re-lining of sewer pipes and root foaming, were executed citywide as part of the Sanitary Sewer Rehabilitation Project (\$700,000).



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In the waterfront, the Harbor Patrol Docks (\$1.8M) were replaced with the project completed in February 2024. The Harbor Dredging Project (\$3M) was awarded and substantially completed by the end of the fiscal year. The Sports Fishing Pier (\$1.2M) was demolished due to safety concerns in FY 2023-24. Also, several repairs were made to the Horseshoe Pier, following heavy storm activity, through the ongoing Pier Structure Repair Project (\$600,000). Additionally, City staff continued with Pier restroom improvements (\$50,000) and progress was made on the design plans for reconstruction of the Seaside Lagoon (\$3.1 million).

The above is a snapshot of the year's highlights and is not inclusive of all of the progress made on capital projects. In summary, the City officially or substantially completed 25 CIP projects in FY 2023-24 and designed and/or awarded contracts for construction of an additional 20 projects, for a total capital expenditure of \$24.6 million.

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 signed an agreement with Meeder Public Funds (formerly FHN Mainstreet Advisors) to provide non-discretionary investment management services to the City Treasurer. The City's investment portfolio consists of a well-diversified mix of US Treasury securities, Federal Agency securities, FDIC insured collateralized deposits, and a blend of A-AAA rated Corporate Medium-Term Notes, all of which are structured along a five-year laddered 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 certified for reporting excellence by the Government Investment Officers Association (GIOA) and has established both a written investment policy and investment procedures manual. The Investment Policy is reviewed by both the City Council and the Budget and Finance Commission on an annual basis. The investment policy's established performance benchmark is the thirty-month moving average of the ICE B of A zero to five-year Treasury index.

The level of investments maintained with LAIF fluctuates in accordance with variations in both the City's operational and capital improvement program cash flow requirements. The LAIF balance is maintained at a level of \$5 to \$25 million, or a range of 5% to 25% of the general portfolio's assets on average, ensuring maintenance of sufficient investment portfolio liquidity. The yield provided by LAIF has increased over the past year as short-term market interest rates increased. 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 increase in market interest rates experienced over the past year have been both anticipated and



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well managed, proactively responding to both the City's operating and capital improvement cash flow requirements. The City's investment portfolio consistently meets the primary objectives set forth in the City's investment policy.

As of June 30, 2024, the City's general portfolio was invested as follows:

| Comparison of Investment Portfolio Positions F.Y. 2023-2024 | | | | | | | | |
|---|--------------|--------|----------------|--------|---------------|---------|-------------------|---------|
| | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
| Investment Type | | % | | | | | | |
| Cash in Banks | \$6,469,818 | * | 13,256,219 | * | \$11,755,717 | * | \$ 10,560,379.31 | * |
| Money Market | \$8,733,993 | 8.78% | \$19,612,340 | 19.53% | \$15,881,678 | 15.37% | \$ 18,202,927.12 | 16.95% |
| Local Agency Investment Fund | \$98,106 | 10.00% | \$100,842 | 0.10% | \$101,853 | 0.10% | \$ 102,941.43 | 0.10% |
| Federal Agency Issues | \$49,969,031 | 50.24% | \$48,017,978 | 47.81% | \$48,066,986 | 46.52% | \$ 46,615,560.54 | 43.42% |
| Commercial Paper | \$0 | 0.00% | \$0 | 0.00% | \$0 | 0.00% | \$ - | 0.00% |
| Corporate Medium Term Notes | \$6,905,358 | 6.94% | \$2,921,402 | 2.91% | \$4,468,652 | 4.32% | \$ 8,405,345.37 | 7.83% |
| Bank Certificates of Deposit | \$991,797 | 1.00% | \$991,856 | 0.99% | \$991,914 | 0.96% | \$ 247,964.77 | 0.23% |
| Treasuries | \$32,755,612 | 32.94% | \$28,785,152 | 28.66% | \$33,811,331 | 32.72% | \$ 33,785,898.60 | 31.47% |
| Total: Investment Portfolio | \$99,453,897 | 100% | \$100,429,570 | 100.0% | \$103,322,415 | 100.00% | \$ 107,360,637.83 | 100.00% |
| Weighted Average Maturity (Yrs) | 1.96 | | 1.73 | | 1.54 | | 1.39 | |
| Portfolio Effective Rate of Return (YTD) | 2.82% | | 2.96% | | 2.71% | | 2.78% | |
| L.A.I.F. Yield | 3.55% | | 3.93% | | 4.25% | | 4.33% | |
| Yield on Benchmark | 2.66% | | 3.10% | | 3.53% | | 3.95% | |
| Interest earned YTD | \$675,178.00 | | \$1,260,353.00 | | \$2,023,050 | | \$2,773,041 | |
| General Fund Contribution (60%) | \$405,107 | | \$756,212 | | \$1,213,830 | | \$1,663,824.86 | |

As required by GASB 31, the City recorded the unrealized gain/loss on certain investments to account for the market value on June 30, 2024. The portfolio market value, \$105,058,799, dropped below the book value of \$107,360,638 by \$-2,301,839 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 2023-24, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for general liability. Excess coverage up to \$50 million for each workers' compensation claim is provided by a third-party private insurer, and excess liability of up to \$30 million for each occurrence is covered by Public Risk Innovation, Solutions, and Management (PRISM), formally the California State Association of Counties – Excess Insurance Authority (CSAC-EIA).

PRISM is a joint powers authority for 95% of California counties as well as 68% of California municipalities where risks and losses are pooled together to keep annual premiums low. Both the workers' compensation and liability claim 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 GASB 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 the 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, 2024, the City recorded the following:

Workers' Compensation Claims

Claims payable totaled \$14.7 million, an increase of \$1.4 million, or 11% over the prior period. This increase is attributable to increased claims. It also reflects a return to a regular year of claims following a significant decrease in FY 2022-23 due to COVID.

Liability Claims

Claims payable totaled \$9.7 million, an increase of \$2 million, or 26% over the prior period. This increase reflects a return to regular claims activity in FY 2023-24 following the prior year's drop in claims related to COVID and to claims settlement.

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 2023-24, reimbursement to EDD was \$42,592.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City provides three Tier 1 defined benefit pension plans – two for safety employees (3% at 55 for Fire and 3% at 50 for Police) and one for miscellaneous employees (2% at 55). Beginning July 2012, two additional Tier 2 defined benefit pension plans were provided – one for safety employees (3% at 55 for both Fire and Police) and one for miscellaneous employees (2% at 60). Beginning January 2013, pursuant to the California Public Employee's Pension Reform Act of 2013 (PEPRA), Tier 3 defined benefit pension plans were added, 2.7% at 57 for safety employees

and 2% at 62 for miscellaneous employees. These plans are part of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. Employees of some bargaining groups pay a portion of the employee and/or employer contribution to CalPERS.

CalPERS began to separately identify the City's employer contributions as normal cost and unfunded liability in FY 2017-18. The City pays the normal cost portion – ongoing contribution reflecting the amount estimated to fully fund future benefits under investment and plan assumptions – as a percentage of payroll. The required unfunded liability portion – the amount that the City must contribute to cover the gap between the value of the City's invested assets and the estimated amount required to fund future benefits – is presented as a flat dollar amount. In FY 2023-24, the normal cost increased from 9.23% to 10.34% for the miscellaneous group and from 31.91% to 33.73% for public safety. The City had no required unfunded liability payment in FY 2023-24, as a result of an FY 2021-22 unfunded liability payoff of approximately \$220 million.

Pension benefit payments for employer contributions and City-paid member contributions were \$7.3 million. Approximately \$6.1 million, or 84%, was charged to the General Fund. The City's budgeted amount of \$7.4 million in all funds exceeded actual spending.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY 2023-24 total cost for Social Security and Medicare coverage was \$2.6 million, of which \$1.5 million, or 68.8%, was from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, who are required to participate in Medicare.

The City also provides post-retirement health care benefits to its employees in accordance with agreements reached with various employee bargaining groups. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. After age 64, only the City's minimum health premium contribution under the Public Employees' Medical and Hospital Care Act (PEHMCA) is paid. These payments are paid via 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 2023-24, the City contributed \$2.0 million to the OPEB trust to cover current and future retiree medical benefits, with \$1.6 million or 80.9% in the General Fund. Future contributions will vary based on updated actuarial studies. As of June 30, 2023 (the measurement date in the most recent actuarial report), the City provided full benefits to 184 participants.



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The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2023. This makes 31 consecutive years that the City has been awarded this achievement. 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 2023-24, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current annual comprehensive 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 preparation of this report has been accomplished with the efficient and dedicated services of the staff of the Financial Services Department, particularly Senior Accountants Grace Liang and Stephen Peloso. We also want to thank the City's independent auditors, CliftonLarsonAllen (CLA), Certified Public Accountants, for their assistance and expertise, and all of the City departments for their cooperation during the audit engagement and their participation in preparing the required data. Additionally, 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 reviewing the City's financial affairs in an engaged and responsible manner.

Respectfully submitted,

MIKE WITZANSKY
City Manager