



City of  
**SANTA CLARITA**

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December 15, 2008

Honorable Mayor, Mayor Pro-Tem, and City Councilmembers:

The Comprehensive Annual Financial Report (CAFR) of the City of Santa Clarita for fiscal year ended June 30, 2008, is hereby submitted, in accordance with Chapter 2.12 of the City of Santa Clarita Municipal Code. The intent of the report is to provide the City Council and the public with an understanding of the financial condition of the City of Santa Clarita as of June 30, 2008.

The report consists of management's representations concerning the finances of the City of Santa Clarita. As such, management assumes full responsibility for the completeness and reliability of the information contained in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive framework of internal controls 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. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Santa Clarita.

State Law requires the City to prepare an annual financial report. The report fulfills that obligation. Diehl, Evans, & Company, LLP, an independent firm of certified public accountants, has issued an unqualified ("clean") opinion on the City of Santa Clarita's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of the report. The CAFR has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB). The reporting requirements specify that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). The MD&A, which immediately follows the independent auditor's report, complements the letter of transmittal and should be read in conjunction with it.



Also, as a recipient of federal and state financial assistance, the City is required to have a "Single Audit" performed by our independent audit firm. The Single Audit was designed to meet the special needs of the federal grantor agencies. The standards governing the Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports are available in the City's separately issued Single Audit Report.

### **City Profile**

The City of Santa Clarita is celebrating over 20 years of success. Officially incorporated on December 15, 1987, as a General Law City, the City operates under a City Council/City Manager form of government. Located 35 miles northwest of downtown Los Angeles and 40 miles east of the Pacific Ocean, between Interstate 5 and State Highway 14, Santa Clarita forms an inverted triangle with the Santa Susana and San Gabriel mountain ranges. Encompassing the communities of Canyon Country, Newhall, Saugus, and Valencia, Santa Clarita covers approximately 52 square miles. With a population of over 177,000, the City is the 24<sup>th</sup> largest city in the State of California. Santa Clarita has consistently ranked in the top five safest cities in the United States. Santa Clarita residents enjoy an expansive year-round parks and recreation network, featuring 20 beautiful parks totaling 250 acres and more than 60 miles of picturesque trails and paseos designed for commuting and recreational use, including walking, riding, jogging, and skating. With its unique blend of rural, old west heritage, and urban sophistication, this fast-growing City has established an enviable balance between quality living and growth.

Santa Clarita was selected as a host city for the Amgen Tour of California, a world-class cycling event. The Amgen Tour of California is known as the "West Coast version of the Tour de France." In 2009, Santa Clarita will serve as a Tour of California host city for the third year in a row.

The City of Santa Clarita's five City Councilmembers are elected at large to four-year overlapping terms, with elections held bi-annually. The position of Mayor is selected from among the Councilmembers. The governing Council is responsible for passing ordinances, adopting the budget, setting policy, and appointing committees. The City Council appoints the City Manager, who is responsible for carrying out the policies and ordinances of the Council, overseeing the day-to-day operations of the government, and appointing the various Department Heads. The City Council also appoints the City Attorney.

The City provides, either directly or under contract, a full range of municipal services including public safety, construction, maintenance of streets and other infrastructure, public works, parks and recreation, community development, and cultural events. The City also provides services through the Santa Clarita Redevelopment Agency (RDA) and the Santa Clarita Public Financing Authority (PFA), which are blended component units

of the City of Santa Clarita. The financial activities of these entities are included on this report as their activities are under the control of the City. Separate component unit reports for each entity are also available.

The City operates on a fiscal year basis, which begins July 1 and ends June 30. The City's Municipal Code requires the City Manager to prepare a budget and present it to the City Council each year. The budget process begins by January of each year and is carried out under the direction of the City Manager in cooperation with the various City departments. The proposed operating and capital budget is submitted by the City Manager to City Council for adoption by June 30, to take effect at the beginning of the fiscal year on July 1. Budgetary control for the City is maintained through its accounting systems. Once adopted, the budget may be amended throughout the year as necessary. Budgetary control is established at the function or program level within each fund.

### **Local Economy**

Located north Los Angeles County, the City of Santa Clarita enjoys a prime position as one of Southern California's most sought-after places to live and to do business. City officials pride themselves on the organization's ability to balance the needs of locally-based companies with those of the community, resulting in an unmatched quality of life that is quintessentially California.

The instability of national and world financial markets in the last fiscal year heightened awareness of City programs and budgets throughout the state. Santa Clarita is proud to share Fiscal Year 07-08 was successful and stable for the City.

Santa Clarita boasts one of the lowest unemployment rates in Los Angeles County at 4.9 percent, compared to 7.9 for Los Angeles County and 7.6 percent for the state of California, as of June 30, 2008. Targeted employment sectors in Santa Clarita include aerospace, biotechnology, entertainment, and technology. Several noted and internationally recognized brands opened new operation centers or expanded existing facilities in the last year, including Boston Scientific, Bioness, Princess Cruises, and Pharmavite.

The City's entertainment industry enjoyed many successes in the year, with FY 07-08 resulting in an economic impact of nearly \$20 million to local businesses from location filming alone. Santa Clarita is home to more than 20 sound stages and 10 movie ranches and hundreds of film-related businesses. Five network television shows, including HBO's "Big Love," CBS's "The Unit" and "NCIS," and NBC's "Knight Rider," base in Santa Clarita and regularly film on location in the City.

Tourism continues to be one of the City of Santa Clarita's largest economic generators, contributing more than \$1.6 million to the general fund from Transient Occupancy Tax (TOT). Two new hotels opened within the City in 2007, including the 157-room Embassy Suites and the 140-room Courtyard by Marriott, both conveniently located off Interstate 5 and Highway 126. Attraction of regional and national sports tourism events, like the AT&T Champions Classic, Amgen Tour of California, and the 2009 Western

States Police & Fire Game, generates additional visitors in Santa Clarita and increased revenue for the City and its businesses. The California Association for Local Economic Developers (CALED) recognized the City's Tourism program, specifically the more than \$10 million in economic benefit in 2007 as a result of tourism and the unique public-private partnership of the Santa Clarita Valley Tourism Bureau, as the "best economic development program in the state" in 2008. This was the second consecutive year the City of Santa Clarita was recognized with this honor, with the City's Film Office taking home the same award in 2007 in recognition of the City's efforts to attract and retain the entertainment industry and filming.

Also this year, the League of California Cities recognized the City of Santa Clarita's Film and Tourism Programs as effective economic development efforts as part of the organization's prestigious 2008 Helen Putnam Awards. Both programs were showcased at the organization's annual conference in September and touted as successful effort to not only retain but grow targeted industries in an effort to enhance economic stability.

The City of Santa Clarita has developed and is implementing programs to help existing businesses succeed while also initiating programming designed to grow targeted business sectors in the coming years. Los Angeles Economic Development Corporation (LAEDC) recently named the City of Santa Clarita the most business-friendly City in the county. Santa Clarita was named one of the Top 25 City Retail Markets in California by the California Retail Survey for the second consecutive year, and new retail centers such as Bridgeport Marketplace and Plaza at Golden Valley are anchored with strong retailers such as Bristol Farms, Lowe's, Kohl's, and Target. The City's continued control of expenditure growth is a key factor in maintaining the City's strong financial position.

In 2007, the City of Santa Clarita became one of California's 42 State Enterprise Zones, which provides tax incentives to businesses located within the zone. The Santa Clarita Enterprise Zone encompasses 97 percent of all commercial and industrial-zoned property in the City, includes existing and proposed development areas, and has proven to be a powerful business attraction and retention tool. To date, Santa Clarita Enterprise Zone staff have issued over 250 employee vouchers to businesses in Santa Clarita as part of the Enterprise Zone program, potentially saving local employers over \$9 million as a result of tax credits.

Santa Clarita recognizes the important role education plays in the success of the community. The City is home to three premier colleges, including California Institute of the Arts (CalArts), College of the Canyons, and the Masters College, all of which offer world-class instruction and programming that prepares students to become the next generation of business professionals and leaders. Santa Clarita was recently named one of the best communities for young people by America's Promise, the nation's largest private-public partnership.

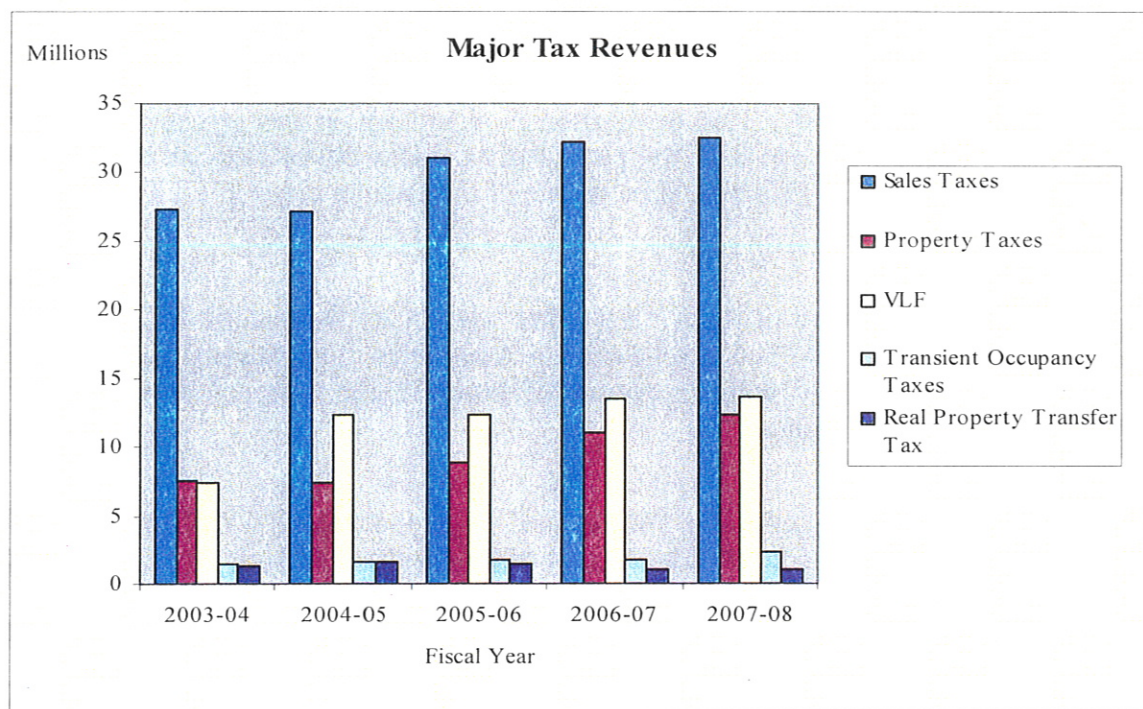
### **Long-Term Financial Planning**

Santa Clarita's well-planned community is home to more than 177,000 residents and is consistently ranked one of California's model cities, boasting the essential elements needed for well-balanced living and total well-being. Santa Clarita ranks as one of the top five safest cities in Los Angeles County and one of the top 15 safest cities in the

United States, among cities with populations exceeding 150,000. Santa Clarita is home to a well-educated population, with more than 61 percent of adults over age 25 and older having attained some college or higher, as compared to Los Angeles County, which averages 43 percent.

The City of Santa Clarita has experienced continuous growth since its inception in 1987 and City officials work directly with the private and public sectors to attract new businesses to the Santa Clarita Valley. The City of Santa Clarita is focused on retaining existing companies and encouraging their growth within the City, while working to attract new business, thereby creating new jobs for residents. Santa Clarita has set an aggressive goal of creating two jobs for every household, providing increased opportunities for residents to work close to home.

The continued increase in business development, land area, and demographic growth have directly affected the City's revenue growth, producing overall increases in property tax revenues, property tax in-lieu of Vehicle License Fee (VLF), sales tax, and TOT for the five-year period ending June 30, 2008.



The City provides necessary funding for essential services for City Council and community identified priorities, while taking steps to ensure the City remains in good financial health. Annually, the City prepares extended forecasts for the General Fund to determine the future impact of current actions. These forecasts indicate a flat or stable General Fund over the next few years, primarily due to projected decreases in sales, property taxes, and property taxes in lieu of VLF. However, because the City of Santa Clarita has practiced smart growth in successful times, the City is well prepared for these times when revenue projections do not include growth.

The City maintains a General Fund balance sufficient to provide for various identified contingencies, as well as an established operating reserve. In addition, the General Fund contributes annually to the City's facilities replacement fund, which provides for major maintenance and replacement of infrastructure and capital improvements. The City's Capital Improvement Program (CIP) is a component of the annual budget process that addresses the City's short- and long-term capital needs. Just as important, the CIP emphasizes a plan of action that effectively maintains the existing infrastructure to a sound physical standard, as well as providing new facilities to support current growth and complement new development.

### **Major Milestones in Fiscal Year 2007-2008**

- ❖ Santa Clarita was awarded the prestigious Grand Prize for "Best Economic Development Program" in the State of California, in 2007 and 2008. The award recognizes outstanding and innovative programs which have made a significant contribution to the field of economic development. The 2007 award was given for the City's Film program, while 2008 was bestowed with the award for Tourism.
- ❖ Governor Schwarzenegger announced that Santa Clarita would receive an Enterprise Zone designation in 2007. This designation is significant in that it enhances our efforts to attract business to the City, particularly the Downtown Newhall area, and will continue Santa Clarita's reputation as one of the premier cities in California for doing business.
- ❖ For the success the City of Santa Clarita has seen in its final phase of the Sign Compliance Program, the American Planning Association, Los Angeles (LA-APA) has recognized the City with an Award of Merit in the category of Planning Excellence in Implementation.
- ❖ The \$4.5 million Todd Longshore Park opened in conjunction with the City's 20th anniversary celebration in 2007. The 32-acre park offers breathtaking views, modern amenities, and open space preservation to honor the legacy of one of Santa Clarita's most ardent supporters and dedicated commissioners of Parks and Recreation.
- ❖ City named one of the 100 Best communities for Young People by America's Promise Alliance.

### **Awards and Acknowledgments**

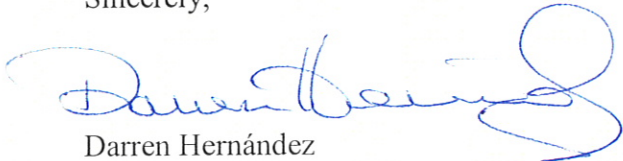
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Clarita for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This was the 19th consecutive year the City achieved the

prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy GAAP and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the requirements of the GFOA Certificate of Achievement Program, and we are submitting it to GFOA to determine its eligibility for another certificate.

The report is a joint effort by many people from many different areas of responsibility. The preparation of the report could not have been accomplished without the hard work and team effort of the Finance Division. I would like to express my appreciation to all members of the Division who assisted and contributed to its preparation. I would also like to thank the Mayor, Mayor Pro-Tem, Councilmembers, City Manager Ken Pulskamp, Assistant City Manager Ken Striplin, Director of Public Works Robert Newman, Director of Parks, Recreation and Community Services Rick Gould, and Director of Community Services Paul Brotzman, for their continuing efforts in administering the financial operations of the City in a conservative and responsible manner.

Sincerely,



Darren Hernández  
Deputy City Manager & Director of Administrative Services

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