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**City of
Santa Clarita**

November 30, 1992

Honorable Mayor
and Members of the City Council
of the City of Santa Clarita, California

To: City Manager

It is a pleasure to submit for your information the Comprehensive Annual Financial Report of the City of Santa Clarita for the fiscal year ended June 30, 1992. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Organization of This Report

The Comprehensive Annual Financial Report is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent public accounting firm of Diehl, Evans & Company.

Organization of the financial report follows the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA) and the California Society of Municipal Finance Officers (CSMFO). A Certificate of Achievement for Excellence in Financial Reporting is presented by the GFOA and a Certificate of Award for Outstanding Financial Reporting by the CSMFO to those entities whose comprehensive annual financial reports are judged to substantially conform to program standards. In order to receive the awards, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The City of Santa Clarita received both awards for the last three years' financial reports and, in my opinion, the accompanying financial report conforms to the high standards of public financial reporting and will again this year be submitted to both award programs for review.

In accordance with the above-mentioned guidelines, the Comprehensive Annual Financial Report is divided into three sections:

I. Introductory Section

Letter of transmittal
GFOA Certificate of Achievement for Excellence in
Financial Reporting
CSMFO Certificate of Award for Outstanding Financial
Reporting
Officials of the City of Santa Clarita
City organization chart

II. Financial Section

Independent auditors' report
General purpose financial statements
Notes to general purpose financial statements
Supplemental financial statements and schedules

III. Statistical Section

Pertinent financial and nonfinancial data that presents
historical trends and facts about the City

The Financial Section of this report has been structured so as to represent a "reporting pyramid." The significance of the levels of this pyramid are as follows:

General Purpose Financial Statements - This level includes the Independent Auditors' Report, the General Purpose Financial Statements, and Notes thereto. The combined Financial Statements provide a summary of the City's financial position at June 30, 1992, and the results of its operations and cash flows for its proprietary funds, for the period then ended, by fund type or account group.

Combining, Individual Fund and Account Group Statements and Schedules - Also presented are separate sections for the various financial statements and schedules for each fund type. They reflect financial data on each generic fund type with separate columns for each individual fund. Each separate column serves as a financial statement for that particular fund, and combining financial statements are presented in each instance where the City has more than one fund of a given fund type.

The City's accounting records for general operations are maintained on the modified-accrual basis of accounting. The revenues are recorded when measurable and available, and expenditures, except for accrued interest on long-term debt, which is recorded when due, are recorded when the liability is incurred.

The City's Accounting System and Budgetary Control

In evaluating the City's accounting system needs, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition;

and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a specific control feature should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgements by management.

All evaluation of the City's system of internal control will continue to occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City of Santa Clarita maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds and debt service fund are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects funds. In addition, yearly operating budgets are adopted for the City's proprietary fund types to facilitate management evaluation. The level of budgetary control, that is, the level at which expenditures cannot legally exceed the appropriated amount, is established by function or program within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Open encumbrances are reported as a reserve of fund balance at the end of a fiscal year for all governmental funds. Encumbrances at year end lapse and then are added to the following year's budgeted appropriations.

The Reporting Entity

The City of Santa Clarita was officially incorporated on December 15, 1987, after a ballot measure was passed by the City's residents. The City operates under a Council-Manager form of government and provides, either directly or under contract with the County of Los Angeles, a full range of municipal services including public safety, public works, parks and recreation, community development, etc. This report includes all funds and account groups of the City of Santa Clarita. In addition to general government activities, the City of Santa Clarita has oversight responsibilities over the Santa Clarita Redevelopment Agency and Santa Clarita Public Financing Authority.

The oversight responsibility is determined by criteria such as, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and fiscal accountability. There are no other separate legal entities with accounting activities for which the City Council has continuing oversight responsibilities.

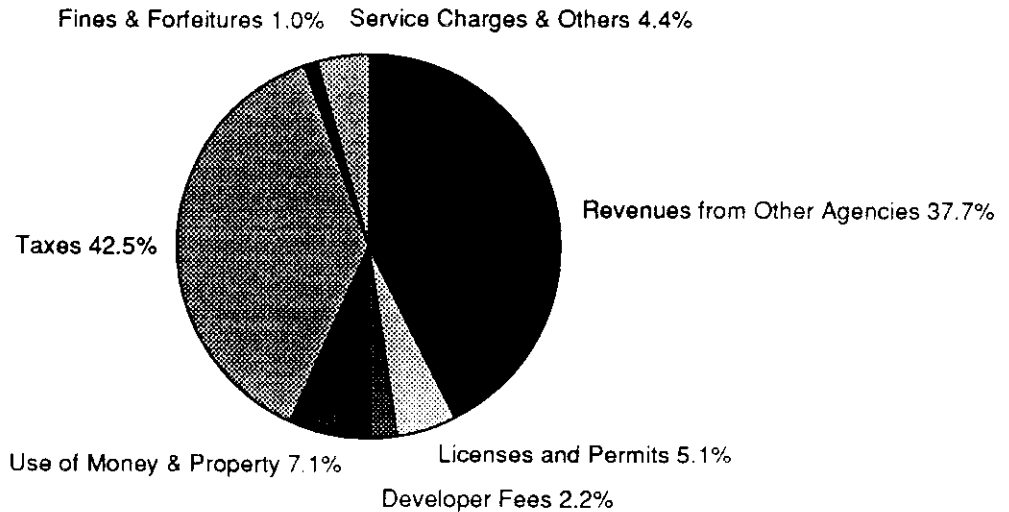
General Government Functions

A summary of the general government functions overall operating results for the fiscal year ended June 30, 1992 and the amount and percentage of increases and decreases in relation to prior year revenues and expenditures is presented below. General government functions include the General, Special

Revenue, Debt Service, Capital Project and Expendable Trust funds. Details of these revenue and expenditure amounts (all amounts are in thousands) by fund, can be found in the accompanying general purpose financial statements.

Fiscal Year 1991-92 Revenues

REVENUES:	FY 91-92 AMOUNT	PERCENT OF TOTAL	INCREASE <DECREASE> FROM FY 90-91	PERCENT OF INCREASE <DECREASE>
TAXES	\$17,520	42.5%	\$ 62	.4%
LICENSES AND PERMITS	2,113	5.1	19	.9
DEVELOPER FEES	904	2.2	<448>	<33.1>
USE OF MONEY & PROPERTY	2,915	7.1	746	34.3
REVENUES FROM OTHER AGENCIES	15,531	37.7	1,997	14.8
FINES AND FORFEITURES	402	1.0	<285>	<41.5>
SERVICE CHARGES & OTHERS	1,825	4.4	455	33.2
TOTALS	\$41,210	100.0%	\$2,546	



As the recession lingers on in California, the City of Santa Clarita is also seeing its effects on its revenues. However, the overall impact of the recession on the City's revenues has been limited in comparison to its effects on the State and other local jurisdictions.

The City experienced an overall increase of 6.6% in general government revenues from the previous fiscal year's general government revenues. The stability of the City's tax revenues, which comprise almost half of the total revenue base, played a key role in minimizing the effects of the weak economy. Revenues from **Taxes** gained .4% from last year's total primarily due to an increase of 28% in property tax revenues as a result of many previous years' assessments going unrecorded by the County Assessor's Office until this year. This helped offset much of the decline in sales tax revenues of 8%. Revenues from **Licenses and Permits** also remained relatively stable in comparison to last year

reflecting an increase of .9%. While most of the revenues in this category showed declines as a result of the slowdown in the building industry, revenues from Building and Safety Permits increased 25%. This is specifically due to the permit fees paid to the City from several large retail developments, such as the Price Club and the Valencia Town Center. However, as previously noted, the recession has had a deep impact on the building industry as evidenced by decline in revenues from **Developer Fees** of 33.1%.

Although interest rates have fallen dramatically over the year, the City was able to increase its interest earnings (**Use of Money & Property**) by 34.3% from last year as a result of an increase in the size of the investment portfolio. The City's investment portfolio increased approximately \$11.0 million as a result of the bond proceeds from the Public Financing Authority (PFA) construction fund.

Revenues from Other Agencies include many of the State and County subventions that the City receives. This revenue category experienced an increase of 14.8% although there was a decline of Transportation Development Act (TDA) Article 8 funds which is generated by sales tax, and State park grants. These declines were offset by Proposition C, a new revenue source of approximately \$1.0 million per year for the City to be utilized for transportation related projects. Also the City recognized revenue of almost \$2.0 million from Federal Aid Urban (FAU) grant money which primarily represents reimbursement for cost incurred on San Fernando Road - Phases 3 and 4 project.

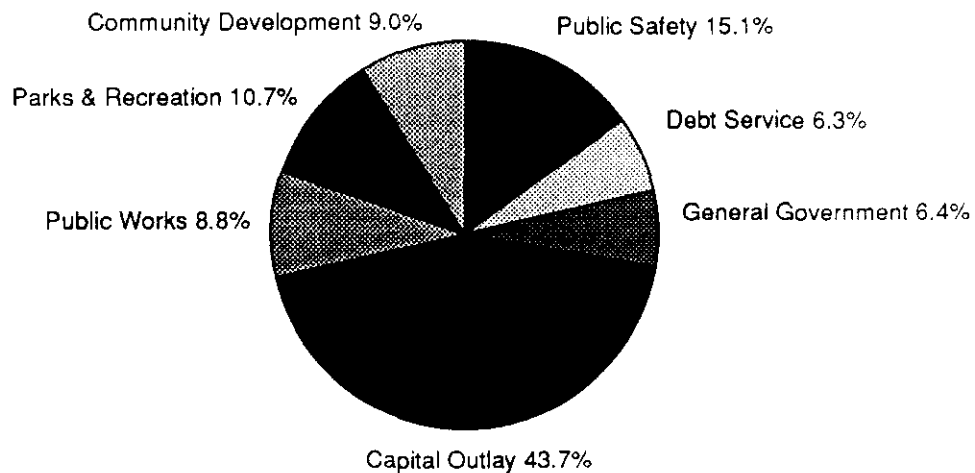
Revenues from **Fines and Forfeitures** experienced the most significant decline of 41.5% compared to last year. This is a result of the balancing of the State's 1991-92 budget in which half of the cities' and counties' fines and forfeitures were shifted to fund the trial courts system. The City of Santa Clarita lost approximately \$270,000 as a result of this State budgetary decision.

Revenues from **Service Charges and Others**, on the other hand, experienced a significant increase of 33.2% from last year's total. Two primary revenue sources led to this increase. Revenues from Parks and Recreation fees increased almost 19% as a result of increased participation and expansion of the recreational programs. The City also acquired the City Hall building which led to the generation of approximately \$500,000 in rental income from the lease of the building's office space.

So, while the recession has claimed some of its revenues, the City has been able to minimize its effects by expanding and implementing other areas of revenue generation.

Fiscal Year 1991-92 Expenditures

EXPENDITURES	FY 91-92 AMOUNT	PERCENT OF TOTAL	INCREASE <DECREASE> FROM FY 90-91	PERCENT OF INCREASE <DECREASE>
GENERAL GOVERNMENT	\$ 3,566	8.4%	\$ <772>	<17.8%>
PUBLIC SAFETY	8,420	15.1	922	12.3
PUBLIC WORKS	4,902	8.8	<1,526>	<23.7>
PARKS & RECREATION	6,001	10.7	2,183	57.2
COMMUNITY DEVELOPMENT	5,021	9.0	3,149	168.2
CAPITAL OUTLAY	24,425	43.7	14,833	154.6
DEBT SERVICE	3,548	6.3	3,145	778.5
TOTALS	\$55,883	100.0%	\$21,934	



The 17.8% decrease in **General Government** expenditures is reflective of the City's reorganization, which became effective July 1, 1992. As a result of this process, the General Services division is now being reported as a part of the Public Works function. When general government expenditures for the prior year are reduced by prior year general services expenditures for comparison purposes, there is an 11.4% increase, or approximately \$365,000 in general government expenditures. The primary portion of this increase relates to some new staff additions in general government and salary and benefit increases. Computer services expenditures increased by approximately \$59,000 as the Information Resources division continues to add new software and enter into maintenance agreements to service the City's increased demand for data processing. Fiscal year 91-92 was an election year for Santa Clarita which generated costs of almost \$100,000. Overall, recruitment expenditures have been reduced by approximately \$53,000 as the filling of newly created positions levels out. Professional services expenditures in the Finance division shows a significant decrease of approximately \$329,000. A portion of this decrease is related to amounts paid to Municipal Resource Consultants (MRC), who provide sales tax audit services. Their fee is directly linked to locating errors in reporting by the State Board of Equalization (BOE). In FY 90-91 there was a large number of coding errors in resale numbers by the BOE. For the current year, MRC's findings were minimal. The remainder of the decrease resulted from the City receiving reimbursement for costs associated with the Public Financing Authority bond issuance.

Public Safety expenditures increased 12.3%. This was due primarily to the negotiated contract with the County for police services in which the City absorbed a 9% increase in salaries and added services to the base contract over the previous year. In August 1991, the City of Santa Clarita terminated its contract for crossing guard services. This translates into a \$200,000 decrease in contractual services and expenditures. The City began administering its own program in August 1991. Crossing guard salaries and related benefits are now reflected in the Public Works function.

Public Works went through a substantial amount of change during FY 91-92 with the City's reorganization which resulted in Building and Safety division being moved to Community Development and General Services division being added to Public Works. For comparison purposes, when amounts are

restated to reflect divisions as they were reported in FY 90-91, the results are that Public Works has an increase in expenditures of 13.0%, or approximately \$434,000. Approximately \$282,000 of this increase relates to additional street sweeping services incurred to service new annexations and housing tracts added to the City of Santa Clarita. Another major portion of the \$434,000 was used to set up a \$100,000 traffic signal replacement account FY 91-92. The balance went toward salaries and benefits for six new positions to perform curb and sidewalk and storm damage maintenance services previously contracted with the County of Los Angeles. Public Works was able to implement major reductions in County contracts by assuming additional striping, signing and painting responsibilities. The General Services division, when compared to the previous year, experienced a 33.1% increase. This was a result of hiring twenty-four crossing guards; expanding phone service at the Corporate Yard and City Hall facilities; and maintaining the City Hall building, which was acquired during FY 91-92. Some of the major accomplishments for Public Works were: receiving approval of Regulation XV program, sponsoring the Teen Spring Clean 92 for graffiti removal, developing and implementing a ride share program, sponsoring the Clean Air Expo 92, putting on-line curbside recycling program servicing 30,859 single family residences, and implementing an annual Christmas tree recycling program which diverted 273 tons of trees from the landfill.

The City of Santa Clarita has a commitment to its diverse community of providing a means for pursuing the ultimate quality of life. Meeting this commitment to its citizens is represented by the 57.2% increase in **Parks and Recreation** expenditures. Newly added services in the Recreation and Aquatics divisions include expanded Day Camps and after school recreation programs, expanded youth sports programs, special events, Concerts in the Park, and an extensive expansion of the swim program which includes a year-round program. The recreation program is now offering over 200 classes. In the Parks division, FY 91-92 reflects a full year of personnel cost which completes the transition from County to City provided services. City staff have enhanced the City's beauty by successfully planting 1,000 trees per year for the past two years, designing Begonias Lane Park, completing Newhall Park concession and restroom buildings, and rehabilitating sports fields and all park buildings. An exciting development for the Emergency Preparedness division is the implementation of the SECURE program. This program, which operates similarly to a neighborhood watch, involves the community by offering training classes to neighborhoods, businesses, and child care providers to enable them to be self-sufficient for the first seventy-two hours in the event of a major disaster. Included in the Parks and Recreation function is the City's Community Development Block Grant Program (CDBG) in which its purpose is to meet the community development and housing needs of the low and moderate income persons of the City of Santa Clarita. In FY 91-92 the CDBG program completed the drainage study for East Newhall, assisted 55 residents with minor home repairs through the Handyworker Program, and completed the City's first comprehensive Housing Affordability Strategy.

As stated previously, the Building and Safety and Engineering divisions were transferred to **Community Development** due to the City's reorganization. Restated figures for comparison purposes reflect a 2.8% increase, or approximately \$52,000, in Community Development expenditures. One area which assisted in offsetting any normal inflationary increases was the decrease in professional services expenditures of approximately \$177,000, due to completion of the General Plan in FY 90-91. Both the Building and Safety and the Engineering divisions show decreases of 3.7% and 3.5%, respectively, over the previous year. A savings was generated as a result of both divisions hiring staff to take over building and safety inspections and engineering services previously contracted to Willdan and Associates. This year Engineering designed and administered its first slurry and first overlay project without consultant assistance. During FY 91-92 Engineering, Building and Safety, and Planning were integrated into a single development processing center. In order to secure and expand the City's current

sales tax revenue base, the Economic Development division established a Small Business Development Center, developed a three year Economic Development Strategy and established a film marketing program with the Santa Clarita Valley Chamber of Commerce. The City continues to obtain community involvement on major issues to ensure that the health, safety and welfare of the public are protected. This was demonstrated by a well-received public participation program for the Uniform Development Code. To envision and plan for the prosperous, well-planned and efficient community, the Ridgeline Preservation and Hillside Development Ordinance and Sign Guidelines were adopted in FY 91-92 to complement the policies necessary to lead the City into the future.

During FY 91-92 there were substantial funds expended on **Capital Outlay** which translates to a 154.6% increase over the previous year. The major purchase was the acquisition of the City Hall facility. Other items which contributed to the increase are the remodeling of the first floor in City Hall to house the Parks and Recreation Department, the acquisition of computer equipment for City growth and the implementation of LAN network at the corporate yard and City Hall sites, the purchase of fleet vehicles and the purchase of vehicles and equipment for street maintenance.

Debt Service shows a significant increase in expenditures due to the interest plus principal payoff on corporate yard loan and interest and bond issuance cost relating to the Public Financing Authority Revenue Bonds-Series 1991 issued in October 1991.

Proprietary Funds

These types of funds consist of enterprise and internal service funds. The City operates one enterprise fund, Transit Service, which offers Dial-a-Ride, local fixed route service, and commuter service to downtown Los Angeles. This enterprise fund was created to provide management with information relating to transit operations, which include debt service and depreciation and amortization. For FY 91-92, Proposition A funds of \$3,639,504 were used to subsidize transit activity not covered by user fees. In October 1991, the City entered into a capitalized lease agreement with the Los Angeles Transportation Commission (LACTC) for the acquisition of eleven Metroliner-Over-the-Road and five Phantom buses, resulting in a total obligation of \$4,895,000. This brings the City's total bus inventory to twenty-nine buses. Fiscal year 91-92 represents the first full year in which the City operated the transit service. Ridership is up 30% over the previous year when it was operated by the County.

The internal service funds provide services to other City departments. The City's internal service funds consist of Self Insurance and Vehicle Replacement funds. Combining statements for these funds and descriptions of each fund are presented in the Supplemental Information portion of this report.

Gann Limit

Proposition 4, the "Gann" initiative, was passed by California voters in 1978 and is intended to limit government appropriations. According to California law, cities must use the 1978-79 appropriations as a base year and modify that figure by the composite consumer price index and population changes which have accrued in subsequent years. Because Santa Clarita is a newly incorporated city, the Los Angeles County Local Agency Formation Commission used 1985-86 fiscal year appropriations at

incorporation as the base year on which the City will modify each year. The City has since performed a study to increase the limit, and City appropriations remain below the Gann limitation and are expected to continue in that respect in the near future.

Cash Management

The City operates its pooled idle cash investments under the "Prudent Man Rule" and has adopted a formal investment policy. Such policy affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and is permissible under current effective legislation of the State of California and other regulations. The City received a Certificate of Excellence award in 1991 from the Municipal Treasurer's Association of the United States and Canada for its Treasurer's Investment Policy. Santa Clarita was one of fourteen cities to ever receive this award.

Temporarily idle cash was invested in a variety of investment vehicles, including the State Treasurer's Local Agency Investment Fund, Los Angeles County Pooled Investment Fund, deposits with commercial banking institutions and U.S. government agency instruments. Other permissible investment vehicles, in which the City did not invest this year, are commercial paper and bankers acceptances. The City's diversified investment portfolios allows for flexibility and safety of the total invested funds. The weighted average yield on such investments for the year was 5.3% with total interest earnings for all funds at \$2,334,499.

Debt Administration

At the time of incorporation, the City incurred "start-up" cost for contract municipal services performed by the County of Los Angeles. The amount still remaining at June 30, 1992, totaled over \$1,358,680. As a condition of incorporation, such incurred costs are payable over a five-year period ending in 1993. These advanced costs bore interest at an estimated 3.5% for FY 91-92.

In October 1990, the City acquired the corporation yard facility and assumed a loan in the amount of \$1,946,346. Payments due of \$18,300 per month, including 10.5% interest, commenced November 1, 1990. The loan was refinanced in October 1991 with the Public Financing Authority Revenue Bonds - Series 1991.

In May 1991, the City entered into a master lease and option to purchase agreement in the amount of \$2,150,000 for the lease of thirteen buses. Such agreement carries an interest of 6.6% payable semi-annually, due from November 1, 1991, through May 1, 2001. Under the terms of the agreement, the City has leased these transit buses for the establishment of a City-wide local public transit system. As of June 30, 1992, the master lease obligation aggregated \$1,993,003.

In October 1991, the Public Financing Authority Revenue Bonds - Series 1991 were issued in the amount of \$22,940,000. The proceeds were used to purchase the City Hall building, pay off the corporate yard debt and will be used on certain capital road improvement projects. This was the City's first rated bond issue in which Standard and Poor assigned an A- Bond rating to the City of Santa Clarita. The Notes to the Financial Statement section of the financial report provides an in-depth description of

the make-up of the bond issuance comprised of serial and term bonds and the related interest and due dates. As of June 30, 1992, the City's obligation for Public Financing Authority Revenue Bonds - Series 1991 is \$22,940,000.

In October 1991, the City received a distribution of loan proceeds totalling \$2,557,436 from the Price Company. This money has been used for the acquisition of certain infrastructure improvements surrounding the Price Club. As of June 30, 1992, no principal payments have been made. Payments will equal a percentage of sales tax revenue generated from the operation of the Price Club Center.

In October 1991, the City entered into a lease with an option to purchase agreement in the amount of \$4,895,000 for the lease of sixteen buses from the Los Angeles County Transportation Commission (LACTC). The agreement carries interest rates ranging from 4.9% to 6.5%, payable semi-annually from July 1, 1992, through January 1, 1994. Balance of the LACTC lease obligation as of June 30, 1992, equals \$4,895,000.

Fiduciary Operations

Trust and agency funds are maintained to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and other funds. The City's General Trust Fund is an expendable trust fund which accounts for assets and activities restricted to a specific purpose in accordance with a formal intent. An Agency fund is custodial in nature and is used to receive and disburse funds which do not belong to the City. The City's agency fund is the Deferred Compensation Plan which represents employee contributions invested in accounts with the International City Managers Association (ICMA) Retirement Corporation.

Risk Management

The City is self-insured for the first \$250,000 on each general liability claim against the City. Third party coverage is currently maintained for general liability claims greater than \$250,000 up to a limit of \$10,000,000 and all worker's compensation claims. During FY 91-92 the City established the Safety Committee to promote safe and healthy work practices. Some of the objectives of the Safety Committee are to identify and review unsafe conditions and practices and to provide a means for their correction or elimination in a timely manner, establish employee safety training programs, and to promote a system of communication with employees regarding safety and health matters.

General Fixed Assets

The City's general fixed assets represent those fixed assets used in the performance of general government functions. At June 30, 1992, the City's general fixed assets aggregated \$42,295,004. This amount represents the original cost of the assets or fair market value at the date of contribution to the City. No depreciation of general fixed assets is recognized in the City's accounting system.

The General Fixed Assets Account Group does not include those assets defined as "infrastructure assets" (i.e., roads, curbs, gutters, sidewalks, etc.). Such assets are generally immovable and are deemed to be of value only to the City.

Other City Highlights

The City of Santa Clarita has been very active in the community this past fiscal year. Despite the troubled economy, Santa Clarita has been fortunate in obtaining funding for a variety of new capital projects, extensive recycling programs, a new transit system, and many recreation activities for the citizens of Santa Clarita.

Among the major capital projects which have begun this fiscal year are the widening of San Fernando and Soledad Canyon Roads and the extension of Via Princessa from Whites Canyon Road to Sierra Highway. These are much-needed, multi-million dollar projects that are being funded through a joint venture between the County of Los Angeles and the City of Santa Clarita.

The Department of Parks and Recreation has also begun major improvements around the City this year. Among them are the construction of the Begonias Lane Park in Canyon Country, a five-acre park to be equipped with a play and picnic area, restrooms, and basketball court and the construction of the South Fork Trail, a multi-use trail system for use by equestrians, pedestrians, and bicyclists.

In addition to capital improvements, recycling has become a primary concern for the City this year. With the enactment of the state mandate requiring a 25% reduction in waste going to landfills by 1995 and a 50% reduction by 2000, the City has developed a comprehensive recycling plan. As part of this plan, the City began the first City-Wide Residential Curbside Recycling program for multi-family as well as single family dwellings this year. This program has already been successful in diverting hundreds of tons of recyclable trash from local landfills. The City also began the first phone book and Christmas tree recycling programs during FY 91-92.

A recent development in public transportation has been the Metrolink, a commuter train which began operation in October 1992 linking the Santa Clarita Valley to the San Fernando Valley and Los Angeles areas. The Metrolink station now serves as the City's local transit center functioning as a layover and transfer facility for all local bus routes and a connection point for Amtrak buses.

Other highlights of the City of Santa Clarita include the coming of the Valencia Town Center and the Price Club to the area. These two endeavors, made possible by cooperation between the City and the businesses themselves, will generate over \$1 million in sales tax for the City in FY 92-93.

The City's dedication to serving the citizens of Santa Clarita as well as its dedication to high standards and high quality in every task it performs has earned the City various honors and awards. One such award, granted by the National Arbor Day Foundation, named the City of Santa Clarita "Tree City U.S.A." for the second year in a row. To receive this honor, the City had to comply with requirements of the National Arbor Day Foundation such as having a legally constituted municipal tree administration division, adopting a city-wide tree ordinance, creating a comprehensive community forestry program, and hosting an Arbor Day event.

Economic Condition and Outlook

Fiscal year 91-92 has been a difficult year for California. With the recession hitting hard in this state, cities have witnessed some of the most drastic cutbacks in years. Santa Clarita, despite state budget cuts and declines in sales and property taxes, has remained financially sound. This is due partly to the fact that Santa Clarita is still a young city continuing to experience growth and development, both residential and commercial. This brings additional revenues to the City and has helped insulate Santa Clarita from major financial hardships in the face of a severe recession. Additionally, excellent fiscal management, a dedicated staff, and a diverse economic base, has helped keep Santa Clarita strong.

The Commission on State Finance has predicted that California's economy will remain stagnant through 1994 and that the State's General Fund revenues will fall short, producing a deficit in both FY 92-93 and FY 93-94. The State Legislators have developed a number of solutions to cope with the recession and to solve other serious economic troubles facing California.

Santa Clarita, like other cities, will no doubt be affected by the State's ongoing fiscal crisis. To what extent the State's future fiscal decisions will impact the City of Santa Clarita remains to be seen. However, Santa Clarita is among the fortunate municipalities that will experience growth to cushion the decline in State revenue. Below are just a few of the many projects in store for Santa Clarita in the coming years.

The Valencia Industrial Center, already home to over 500 companies, is expected to become the largest single industrial park in Los Angeles County, according to the LOS ANGELES BUSINESS JOURNAL. The Valencia Commerce Center is currently being built to accommodate additional commercial and industrial offices and will serve as a second industrial park. Estimates are that this new development will bring employment for 20,000 people when completed.

The Valencia Corporate Center, also currently being developed, will be the new site for United States Borax and Chemical Corporation. Borax is combining its corporate headquarters with its research operations and moving to Santa Clarita bringing over 200 jobs to the area.

The future of Santa Clarita, despite the ongoing recession and the likelihood of more State cutbacks, points to a flourishing community with a growing business sector. According to the "Kiplinger California Letter," Santa Clarita will be the second best place to work in Southern California. By taking a pro-active approach in implementing sound fiscal policies, Santa Clarita promises to be a thriving city providing its citizens with top-notch services and the highest quality of life.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Diehl, Evans & Company has been selected by the City Council to perform this service. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards

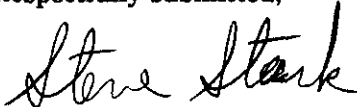
I am pleased to report that CSMFO awarded its Outstanding Financial Reporting Award and GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Clarita for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1991. Based on the latest available data from GFOA, the City of Santa Clarita was one of 134 cities in California that received this award. Nationwide, only 1438 of approximately 39,000 municipal governments received this award.

A GFOA Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to GFOA Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department. I should like to express my appreciation to all members of the department who assisted and contributed to its preparation, in particular, Susie LaSoya, Accounting Manager; Kwan Beilin, Administrative Assistant; Richard Inzunza and Barbara Boswell, Accountants; April Skinner, Accounting Intern; Ginger Hoffman, Executive Secretary; and Nina Giangreco, the City's Graphic Artist. I should also like to thank the Mayor; members of the City Council; and the City Manager, George Carvalho, for their continuing efforts in planning and administering the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Steve Stark
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Clarita,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1991

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



[Signature]
President

[Signature]
Jeffrey L. Essler
Executive Director

*California Society of
Municipal Finance Officers*

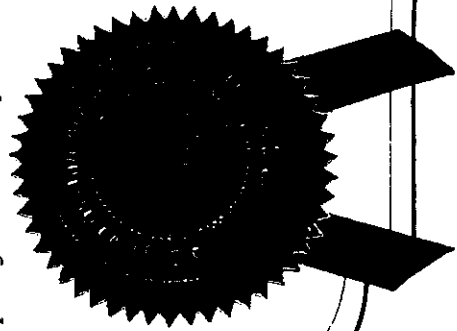
Certificate of Award
Outstanding Financial Reporting 1990-91

Presented to

City of Santa Clarita

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 28, 1992



Donna L. ...
Chair, Professional & Technical Standards Committee

John ...
President

Dedicated to Excellence in Municipal Financial Management

Officials of the City of Santa Clarita

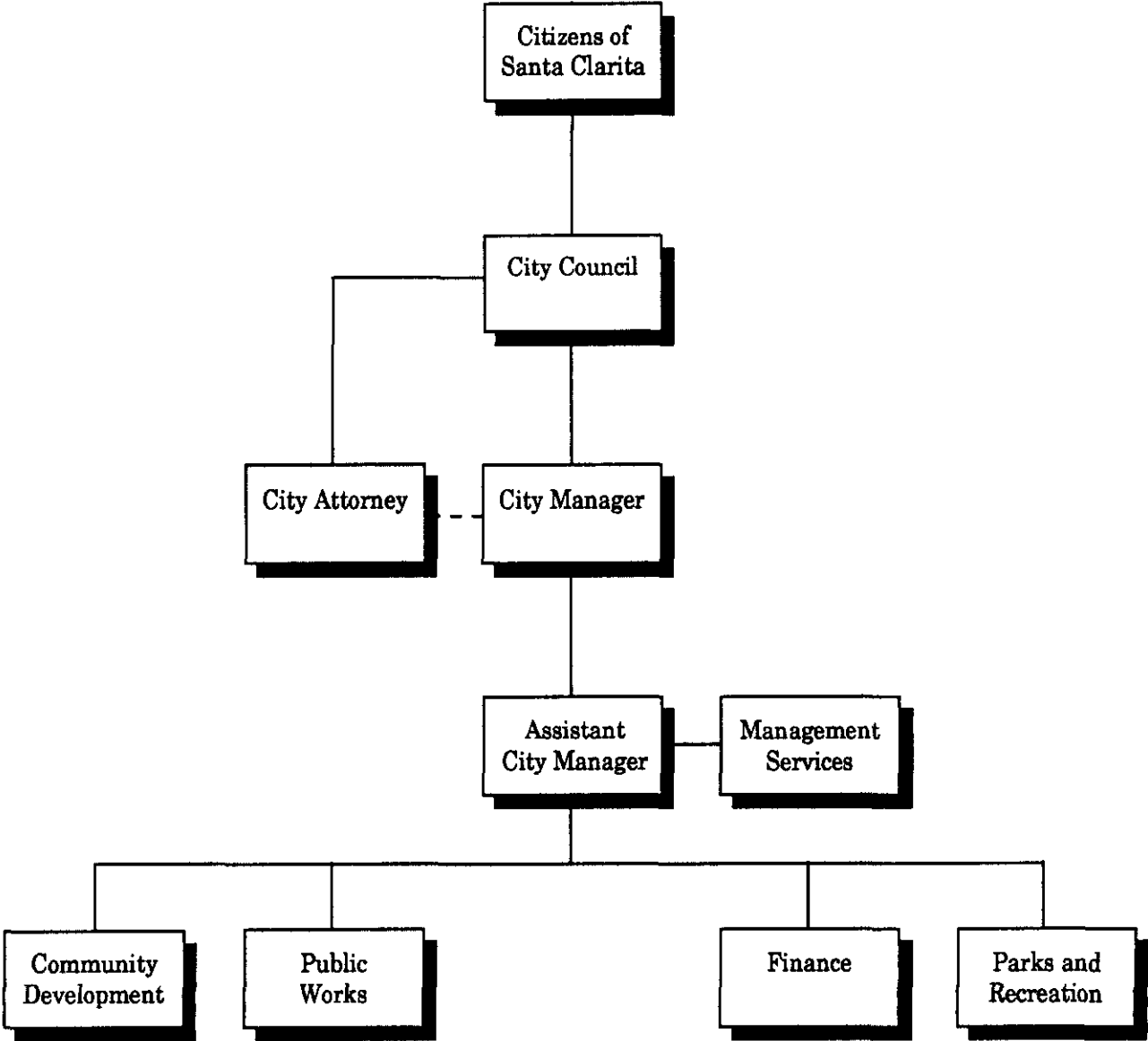
City Council

Jill Klajic	MAYOR
Jan Heidt	MAYOR PRO-TEM
Carl Boyer	COUNCILMAN
Jo Anne Darcy	COUNCILWOMAN
George Pederson	COUNCILMAN

City Officials

George Carvalho	CITY MANAGER
Kenneth Pulskamp	ASSISTANT CITY MANAGER
Carl Newton	CITY ATTORNEY
Donna Grindey	CITY CLERK
Steve Stark	DIRECTOR OF FINANCE
Jeff Kolin	DEPUTY CITY MANAGER, DIRECTOR PUBLIC WORKS
Lynn M. Harris	DEPUTY CITY MANAGER, COMMUNITY DEVELOPMENT
Rick Putnam	DIRECTOR PARKS, RECREATION & COMMUNITY SERVICES

City of Santa Clarita Organization Chart



City of Santa Clarita

Map of the City of Santa Clarita

LEGEND

- CITY LIMIT BOUNDARY
- PLANNING AREA BOUNDARY
- - - - NATIONAL FOREST BOUNDARY

