

STAFF REPORT



ITEM NO. 11
CITY OF OCEANSIDE

DATE: January 21, 2009
TO: Honorable Mayor and City Councilmembers
FROM: Financial Services Department
SUBJECT: **SUBMISSION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDING JUNE 30, 2008**

SYNOPSIS

Staff submits for the City Council's acceptance the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008, prepared in accordance with generally accepted accounting principles (GAAP). The first section of the CAFR includes a letter of transmittal, dated December 9, 2008, from the City's Director of Financial Services. The Management's Discussion and Analysis (MD&A) on pages 3-13 provides a summary of the City's financial performance.

The City's independent auditors, Diehl, Evans & Company, LLP, has reviewed and provided an unqualified opinion on the fairness of the City's financial statements.

BACKGROUND

On December 19, 2006, the Auditing Standards Board (ASB) issued the Statement of Auditing Standards (SAS) No. 114. SAS No. 114 emphasizes the importance of two-way communication between the independent auditors and those responsible for overseeing the direction of the organization as a whole (Charged with Governance) as well as the people responsible for the financial reports, policies, objectives and decision-making (Management). This SAS provides guidelines to the auditors as to which matters should be communicated to those charged with governance and management. As part of the two-way communication with the governing body, the CAFR is submitted to City Council via the formalized agenda process.

ANALYSIS

Net Assets represent the most simple test of financial health for the City, indicating the excess (or deficit) of assets over liabilities. Net Assets are used as a measure of "net worth" rather than as a measure of expendable available financial resources. At the end of fiscal year 2007-2008, the City's combined Net Assets increased by \$42.4 million (6.9%) compared to the previous fiscal year. This is largely attributed to infrastructure additions (including Pacific Street Bridge, Fire Station #7, Mance Buchanan Park, Senior Center, storm drain basins at Rancho del Oro and El Camino Real, and water infrastructure improvements such as the Clean Beach Initiative and College/Mesa

waterline). The City of Oceanside reports a total of \$419,385,000 invested in capital assets as of June 30, 2008. This is one indicator that the City's finances have improved over the past year representing a positive trend. The increase in Net Assets reveals that the City has the ability to pay its debt and provide for long-term sustainability. A complete analytical overview of the City's financial activities is outlined in the Management's Discussion & Analysis section of the CAFR.

The CAFR highlights the following major initiatives which were completed in Fiscal Year 2007-2008.

Enhance and Improve Downtown Oceanside - The Pacific Street Bridge finished construction in 2008. New developments that opened in 2008 include the Wyndham Vacation Resorts which has timeshares, and hotel rooms, a new restaurant called 333 Pacific, and commercial space. Oceanside Terraces, a mixed use development completed construction in 2008. Several retail shops opened in Oceanside Terraces including Harney Sushi, Red Cup Yogurt, Maui Coffee, and a clothing store. Ocean Village, a mixed use project was completed in 2008 with a retail clothing store on the ground floor.

City funded projects that will begin in 2009 include: Walkable Communities infrastructure design including bump outs, new street lights, and street furniture on Mission Avenue; downtown drainage improvements; designing new beach restrooms to increase capacity and renovating the beach amphitheatre; a new surface parking lot to provide beach parking; a request for qualifications to develop a 450 space vertical mixed use public parking garage in downtown near the train station.

Promote Tourism – The Marriott Residence Inn opened in 2008 in Ocean Ranch Plaza with 125 rooms. A 100 room hotel located on Carmelo Drive is under construction and should open in the fall of 2009. The City approved a new resort hotel that will contain 289 hotel rooms, 47 boutique hotel rooms, 48 timeshares and over 18,000 square feet of commercial space. The project should break ground by the end of 2011.

The City funded the expansion of the Oceanside Museum of Art that was completed in 2008. The City is also funding the renovation of a City owned building which will house the expanded California Surf Museum. Both of these projects expand and enhance important cultural resources in the Downtown area for residents and visitors to the City.

Job Retention, Expansion and Development – The City is working to retain and expand existing businesses in the City through a variety of programs including a Business Visitation Program. Staff is available to businesses, property owners, brokers and developers to answer questions and assist them with development processing. A new Glass Enhancement Program is being designed and a

Façade Enhancement Program is in place for targeted areas to revitalize commercial buildings.

Retail Recruitment – Programs available for retail recruitment include a commercial property database, demographics, maps of new developments and customized research for retail property owners, developers, brokers and users. The City has an email based newsletter that is sent monthly to the development community and attends and participates in many professional and community meetings, speaking engagements and trade shows to promote Oceanside to brokers, developers and end users.

Enhance the Community – The City of Oceanside is halfway through the Environmental Impact Review process to redevelop El Corazon, a 465-acre City-owned property. The proposed El Corazon project would contain a mixture of land uses including: a 6 acre Senior Citizen Center, which began construction in 2008; natural open space at 150 acres; 160 acres of active park land; 6 acres for community public use; a 6 acre recreation center; a 16 acre green waste facility; 9 acres of trails and pathways; and 55 acres for retail and hotel commercial uses. El Corazon is immediately adjacent to a Sprinter Light Rail station and will enhance the Oceanside community with its mix of uses.

Oceanside was chosen by the Veterans Administration (VA) as the home for a new 65,465 square foot clinic that will provide medical care for approximately 88,000 visits per year and 180 employees. City Fire Station #7 opened in 2008 at the corner of Highway 76 and Fousat. The City funded facility received the Bronze Career design award in the November 2008 issue of Fire Chief magazine.

The City began a Master Planning effort for Coast Highway and the west end of Oceanside Boulevard by I-5 areas. The goal is to develop plans that would revitalize these older, highway visible areas of Oceanside to help bring in new businesses and other amenities for residents and visitors.

FISCAL IMPACT

For information purposes only, no fiscal impact.

COMMISSION/COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

Staff submits for the City Council's acceptance the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008, prepared in accordance with generally accepted accounting principles (GAAP). The first section of the CAFR includes a letter of transmittal, dated December 9, 2008, from the City's Director of Financial Services. The Management's Discussion and Analysis (MD&A) on pages 3-13 provides a summary of the City's financial performance.

The City's independent auditors, Diehl, Evans & Company, LLP, has reviewed and provided an unqualified opinion on the fairness of the City's financial statements.

PREPARED BY:



Teri Ferro
Director of Financial Services

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs-Lawrence, Deputy City Manager



Attachment: City of Oceanside, Comprehensive Annual Financial Report for fiscal year ending June 30, 2008

MEMORANDUM

DATE: January 21, 2009
TO: Honorable Mayor and Councilmembers
FROM: Patricia Allison, City Manager's Office
SUBJECT: **AVAILABILITY OF DOCUMENTS FOR REVIEW**

Due to its size, the document related to this item has not been included in the packet. A copy of this document is available for review in both the City Manager's Office and the City Clerk's Office, and may be viewed on our Web site at:

www.ci.oceanside.ca.us/Datarelation.aspx?Content=163