

CITY OF  
**OCEANSIDE**  
CALIFORNIA



**Comprehensive Annual  
Financial Report  
For the year ended  
June 30, 2008**

**CITY OF OCEANSIDE, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**For the Year Ended June 30, 2008**

**Prepared by the Accounting Division, Financial Services Department**

**Teri Ferro, Director of Financial Services**  
**Melissa Slagle, Accounting Manager**  
**David Crowe, Senior Management Analyst**



**City of Oceanside  
Comprehensive Annual Financial Report  
For the year ended June 30, 2008**

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**INTRODUCTORY SECTION  
(UNAUDITED)**





December 9, 2008

Honorable Mayor, Members of the City Council, and Citizens of the City of Oceanside:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Oceanside (the City) for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both 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 conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The City's financial statements have been audited by Diehl, Evans & Company, LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2008. The independent auditor's report is presented as the first component of the financial section of this report.

The Financial Section includes the Management's Discussion & Analysis (MD&A). GAAP requires that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Oceanside's MD&A can be found immediately following the report of the independent auditors.

### **City of Oceanside Profile**

The City of Oceanside (City) is a general law city that was incorporated on January 3, 1888. It is located 35 miles north of San Diego and 83 miles south of Los Angeles. The City is located on the Pacific Ocean, offering a moderate climate that ranks as one of the most desirable in the nation. Oceanside boasts 3.5 miles of coastline, a harbor with over 900 boat slips, and one of the longest wooden piers on the West Coast, measuring 1,942 feet in length. The City occupies a land area of 42 square miles and provides a full range of services, including police, fire, library, water, sewer, street and other infrastructure

construction and maintenance, parks and recreation services. The City also maintains an airport and a small craft harbor.

The population of Oceanside is estimated at 178,806, making it the third largest city in San Diego County. The median household income for the City is \$65,785, just slightly behind the San Diego County median of \$68,388.

The City operates under the council-manager form of government. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed two-year budget to the City Council for review prior to the beginning of the fiscal year. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The budget is prepared according to fund and department (e.g., police). City Manager approval is required when transferring appropriations within a department, between departments, and from an operating account to a capital account. City Council approval is required on transfer of appropriations between funds.

The financial activities of the four legally separate entities for which the City serves as the governing body are also included in this report; the Oceanside Community Development Commission, which includes the Redevelopment Agency of the City of Oceanside, the Oceanside Small Craft Harbor District, the Oceanside Building Authority and the Oceanside Public Financing Authority. Additional information on these entities is contained in Note 1 to the Financial Statements.

### **Economic Outlook**

San Diego County enjoys close proximity to the major economic centers of Los Angeles and Mexico, and a prominent shipping industry assures ready access to Pacific Rim markets. Since the decline of the defense industry in the early nineties, the county has been able to diversify into high-technology commercial endeavors, with growth in areas such as telecommunications, electronics, computers and biotechnology. Traffic congestion, water supply, sewage treatment capacity and solid waste disposal are challenges that are being studied by both the public and private sectors.

Along with every city and government agency across the country, the City of Oceanside has been impacted by the national, state and local economic downturn. Coupled with the rising cost of personnel, fuel, utilities, materials and supplies, the City also anticipates a decline in the real estate tax revenue increases it has enjoyed over the past several years. In order to adjust to the changing financial climate, the City has initiated the development

of a five-year forecast for both revenue and expenditures to assist in long-range financial planning.

As a well-established coastal community, Oceanside continues to be a destination for retail, office and industrial development and these projects will help sustain the economic viability of the City in future years.

### **Major Initiatives**

#### **Enhance and Improve Downtown Oceanside**

The Pacific Street Bridge, a City public infrastructure project, 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 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. The ground breaking was held in December 2008 with the project to be completed in early 2010. City Fire Station #7 opened in 2008 at the corner of Highway 76 and Foussat. 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.

### Other Information

Spending Limitation: Proposition 4, known as the Gann Initiative, was passed in 1979 to limit government spending by capping the total proceeds of taxes that may be appropriated in a fiscal year. When a city exceeds the limit, excess tax revenue must be returned to the citizens through refunds, rebates, or other means. The City is well below the established Gann limit of \$276,142,621.

Risk Management: The City has initiated self-insurance programs to provide for general liability and workers' compensation claims. The City belongs to a joint powers authority insurance pool to provide insurance coverage for payment of claims beyond its self-insured retention. The fund revenues are primarily premium charges to other funds based on past loss histories, as well as refunds from insurance premiums based on the City's annual loss history.

GASB 45: Effective July 1, 2007, the City of Oceanside was required to comply with the Government Accounting Standards Board Statement 45 (GASB 45) regarding the reporting of annual “other post employment benefits” (known as OPEB) cost and their unfunded actuarial accrued liabilities for past service costs. This will foster improved accountability and a better foundation for informed policy decisions about, for example, the level and types of benefits provided and potential methods of financing those benefits. Information on GASB 45 can be found under Note 13.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oceanside for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

The preparation and publication of this report would not have been possible without the dedication, professionalism, and teamwork of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted in its preparation. The City Council has continued to extend its support to the Financial Services Department in the planning of responsible and progressive financial operations. I would like to thank the Mayor, City Council and City Manager for their continued support for maintaining the highest standards of professionalism in the management of the City’s finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Teri Ferro".

Teri Ferro  
Director of Financial Services

**PRINCIPAL OFFICIALS**  
**AT**  
**JUNE 30, 2008**

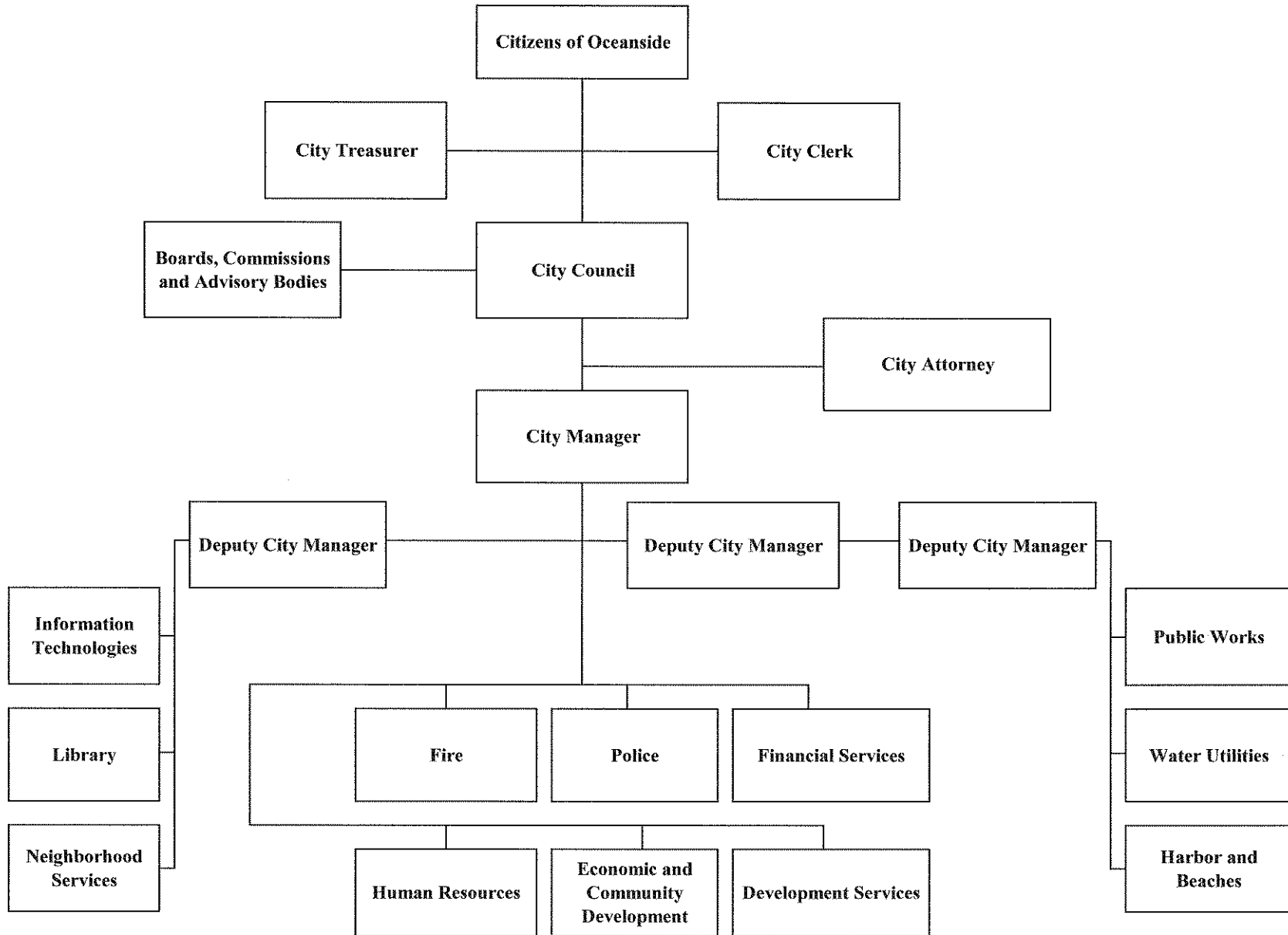
**CITY COUNCIL**

**Jim Wood, Mayor**  
**Rocky Chavez, Deputy Mayor**  
**Jerome Kern, Council Member**  
**Jack Feller, Council Member**  
**Esther Sanchez, Council Member**

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager	Peter A. Weiss
City Attorney	John P. Mullen
City Clerk	Barbara Riegel Wayne
City Treasurer	Rosemary R. Jones
Deputy City Manager	Michael J. Blessing
Deputy City Manager	Michelle Skaggs Lawrence
Deputy City Manager	Donald L. Hadley
Economic and Community Development Director	Jane D. McVey
Financial Services Director	Teri Ferro
Fire Chief	Terry Garrison
Harbor and Beaches Manager	Ray Duncan
Housing & Neighborhood Services Director	Margery Pierce
Library Director	Deborah Polich
Human Resources Director	Brian Kammerer
Police Chief	Frank McCoy
Deputy Public Works Director	Joseph Arranaga
Water Utilities Director	Lonnie Thibodeaux
Interim Development Services Director	Lauren Wasserman
Chief Information Technologies Officer	Michael Sherwood

**CITY OF OCEANSIDE ORGANIZATIONAL CHART**





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oceanside  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emery*

Executive Director