



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

## Arthur Young

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Santa Clarita Incorporation Committee  
c/o Mr. Louis Garasi, President  
Gruber Systems  
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### Members of the Santa Clarita Incorporation Committee:

Arthur Young was retained in January 1987, by the Santa Clarita Incorporation Committee to assess the proposed City's budgets as prepared by the Los Angeles County Local Agency Formation Commission (LAFCO). Our primary objective was to evaluate the revenue and expenditure data compiled by LAFCO and to comment on the potential degree of reliability inherent in these data. The Incorporation Committee retained Arthur Young due to our audit and management consulting experience with the newly formed cities of Agoura Hills, Westlake Village, West Hollywood and Moorpark as well as our experience with larger and well established municipalities such as Beverly Hills, Lancaster and Palmdale. Based on Arthur Young's knowledge of municipal finance, the Committee believed our firm would be well-suited to assess the potential strength of the proposed City of Santa Clarita's finances.

Currently, LAFCO's estimated budget for the proposed City of Santa Clarita (contained in a LAFCO report dated April 22, 1987) presents revenues of approximately \$3.5 million over expenditures. This budget reflects a very positive financial outlook for the proposed City. In addition, several factors which have not been quantified in LAFCO's analysis may serve to enhance the City's already positive financial outlook. These factors include:

- The rapid economic development experienced in the Santa Clarita area should cause significant sales tax growth which would further increase municipal revenues. For example, LAFCO's report recognizes that six new automobile dealerships and two junior department stores have recently opened. The sales tax revenue resulting from these known enterprises is not reflected in LAFCO's budget data as actual sales tax data for these businesses were not available when the report was prepared.



**Arthur Young**

- Arthur Young has evaluated prior LAFCO reports for other proposed cities. We found that LAFCO uses a very conservative approach in developing its budget analyses and that once cities are officially formed, the actual financial position of the cities we reviewed has been much stronger than LAFCO originally estimated. For the four most recently incorporated cities in Los Angeles and Ventura Counties, their June 30, 1986, General Fund fund balance ranged from over one-third to nearly two-thirds of their actual General Fund expenditures for that year. These factors lead us to conclude that the financial outlook for the proposed City of Santa Clarita should be viewed with a high degree of optimism.

In conclusion, given Arthur Young's municipal finance and audit experience and LAFCO's revised budget estimates, it appears that a very healthy financial outlook exists for the proposed City of Santa Clarita with first year revenues exceeding expenditures by 22 percent.

Very truly yours,

ARTHUR YOUNG

By: \_\_\_\_\_  
David C. DeRoos

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