



City of Carson

Utility Users' Tax - a Proposed Solution to
the City's Structural Budget Deficit



How cities fund services

- The majority of California cities are sustained by three major revenues sources:
 - Property tax
 - Sales tax
 - Utility user tax



How Carson funds services

- Sales tax – the city's sales tax base has grown as a result of the city's economic development efforts, however, revenues are directly affected by the state of the economy.
- Property tax – the city's percentage of property tax revenue received from the County is much less than most other cities.
- Utility user tax – Carson has none.



The City's Need For Additional Revenues

- The city has a structural budget deficit.
- In 7 of the last 10 years, the city has adopted budgets balanced by using reserves.

FISCAL YEAR	USE OF RESERVES
1999/00	0
2000/01	(1,936,407)
2001/02	(1,663,695)
2002/03	(3,548,075)
2003/04	(1,093,958)
2004/05	0
2005/06	(1,809,344)
2006/07	2,651
2007/08	(2,940,235)
2008/09	(1,816,629)



The City's Need For Additional Revenues (cont.)

- Why has the city used reserves to balance the budget?
 - Because since 1999/00, actual expenditures have increased at a higher rate than revenues.
 - For example, the Sheriff's contract has increased \$6.2 million over the last 10 years...a 65% increase.
 - There have been no new major revenue sources coming to the city.



The City's Need For Additional Revenues (cont.)

- What will the structural budget deficit do to the city's general fund balance if additional revenues are not generated:

FISCAL YEAR	(SHORTFALL)	FUND BALANCE
2008/09 (orig)	(1,816,629)	25,778,750
2008/09 (rev)	(5,051,924)	22,543,455
2009/10	(4,993,713)	17,549,742
2010/11	(6,370,195)	11,179,548
2011/12	(7,486,905)	3,692,642
2012/13	(8,678,543)	(4,985,901)
2013/14	(7,791,007)	(12,776,907)
2014/15	(4,980,992)	(17,757,899)



The City's Need For Additional Revenues (cont.)

- Why hasn't the city just reduced the level of services provided to the residents or eliminated certain services?
 - Because residents of the city of Carson have not wanted to see any of the services they value cut or eliminated.
 - Operations & maintenance costs have already been streamlined to the maximum extent possible.



The City's Need For Additional Revenues (cont.)

- What are some of the services that the city provides its residents/businesses?
 - Public Safety - \$18.1 (27.2% of GF budget)
 - Sheriff's contract - \$14.6M (22%)
 - Code Enforcement - \$1.3M (1.9%)
 - Youth Services - \$348K (.5%)
 - Emergency/Community Services - \$887K (1.3%)
 - Parks & Recreation - \$12.9M (19.5% of GF budget)
 - Recreation - \$5.6M (8.5%)
 - Landscape & Building Maintenance - \$7.3M (11%)



The City's Need For Additional Revenues (cont.)

- What are some of the services that the city provides its residents/businesses?
 - Public Works - \$5.7M (8.6% of GF budget)
 - Street Maintenance - \$3.1M (4.6%)
 - Tree Trimming - \$883K (1.3%)
 - Median Maintenance - \$685K (1%)
 - Street Sweeping - \$731K (1.1%)
 - Human Services - \$2.5M (3.8% of GF budget)
 - Senior Services - \$714K (1.1%)
 - Community Center - \$2.2M (3.3% of GF budget)



The City's Need For Additional Revenues (cont.)

- Can't the city simply just increase its revenues?
 - No.
- Why?
 - Because service fees can only cover the cost of providing the service.
 - Because state and federal monies are set by a formula which the city can't change.
 - Because taxes must be approved by the voters.

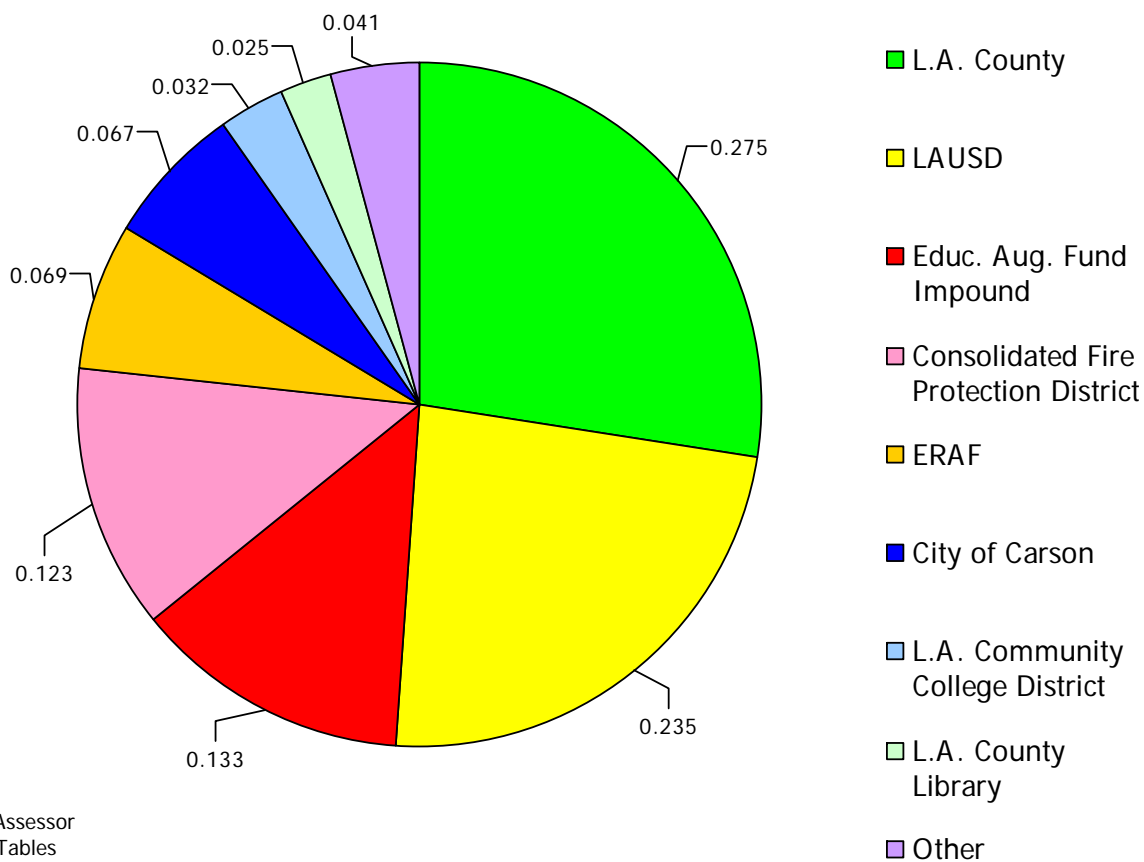


The City's Need For Additional Revenues (cont.)

- How does Carson's revenue base differ from that of other cities?
 - **Greatly:**
 - Our share of the 1% property tax collected is significantly less than most other cities.
 - Carson – 6.74%
 - Other cities – 10% to 26%
 - We don't have a utility users' tax.
 - Carson – 0%
 - Other cities – 2% to 11%

The City's Need For Additional Revenues (cont.)

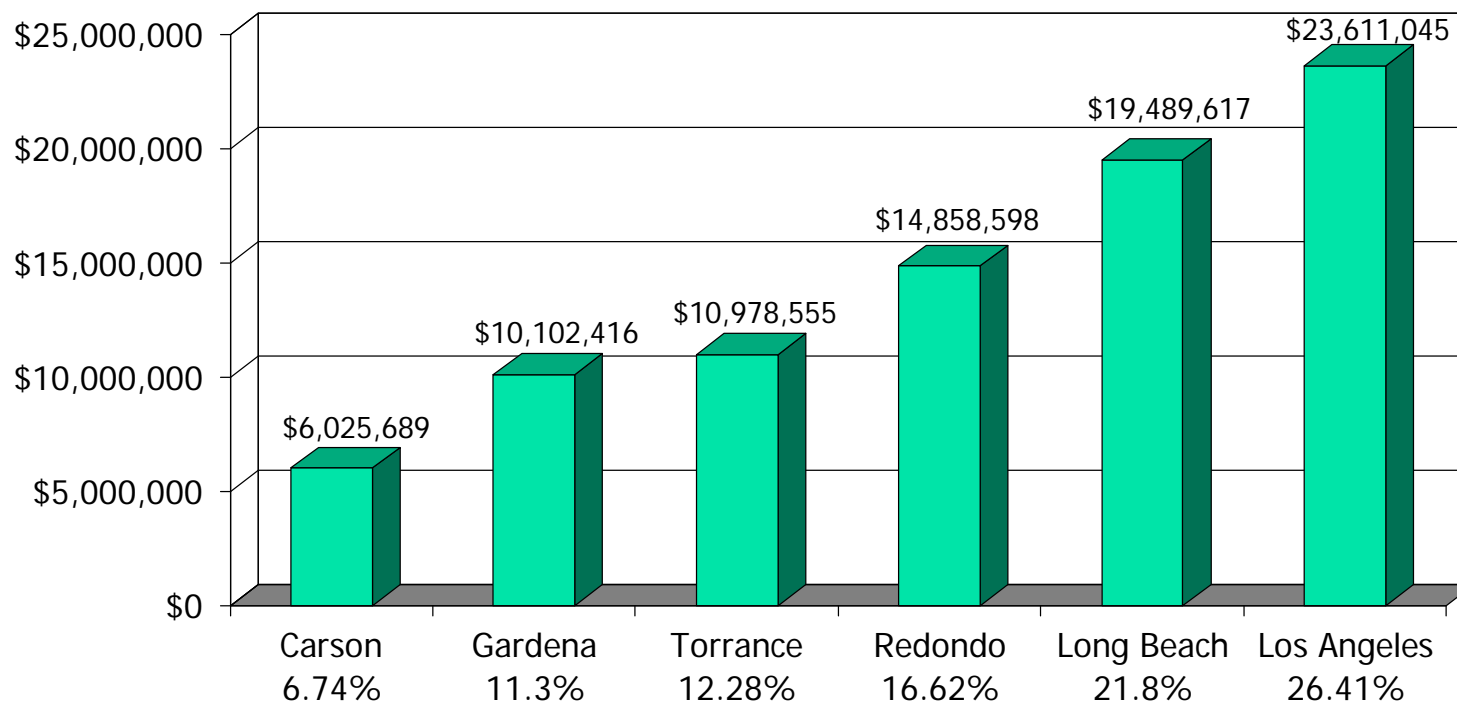
- Cents per property tax dollar received by various agencies:



Data Source: L.A. County Assessor
2007/08 Annual Tax Rate Tables

The City's Need For Additional Revenues (cont.)

- Property Tax:
 - If Carson had the tax rates of some of our neighboring cities, the city would be receiving a lot more property tax revenue, based on our assessed value:





The City's Need For Additional Revenues (cont.)

- Utility User's Tax (UUT):
 - The city of Carson does not assess a utility users' tax.
 - Many other cities do assess a utility users' tax and many of those are at rates much higher and on more utilities than what the city of Carson is proposing.



The City's Need For Additional Revenues (cont.)

- Other local cities are generating significant amounts of annual revenue from their UUT:

City	Rate	Annual Revenue
Culver City	11%	\$14.5 million
Santa Monica	10%	\$32.2 million
Inglewood	10%	\$19.4 million
Compton	10% / 8.5%	\$17.4 million
Torrance	6.5% / 6%	\$37.2 million
Long Beach	5%	\$42.5 million
Hawthorne	5%	\$6.5 million
Redondo Beach	4.75%	\$7.7 million
Gardena	4%	\$4.3 million
Lakewood	3%	\$3.3 million
El Segundo	3% / 2%	\$5.9 million

The City's Need For Additional Revenues (cont.)

- In other local cities that already assess a utility users' tax, you would pay much more:

	Monthly Bill	Carson 2.0%	Torrance 6.5%/6%*	Long Beach 5.0%	L.A. 10.0%	Inglewood 10.0%	Compton 10%/8.5%**	Lakewood 3.0%	Bellflower 5.0%
Gas	60.00	1.20	3.90	3.00	6.00	6.00	6.00	1.80	3.00
Electric	90.00	1.80	5.85	4.50	9.00	9.00	9.00	2.70	4.50
Cable	65.00	N/A	4.23	N/A	N/A	6.50	N/A	N/A	N/A
Phone	50.00	N/A	3.25	2.50	5.00	5.00	4.25	1.50	2.50
Cell Phone	80.00	N/A	5.20	4.00	8.00	8.00	6.80	2.40	4.00
Water	60.00	N/A	3.60	3.00	N/A	6.00	6.00	1.80	N/A
Monthly Total	405.00	3.00	26.03	17.00	28.00	40.50	32.05	10.20	14.00

* In Torrance, the rate on water is 6%, all other utilities are 6.5%.

** In Compton, the rate on phone service is 8.5%, all other utilities are 10%.

The City's Need For Additional Revenues (cont.)

- In other local cities that already assess a utility users' tax, you would pay much more:

	Monthly Bill	Carson 2.0%	RPV 3.0%	Gardena 4.0%	Culver City 11.0%	RB 4.75%	HB 6.00%	Hawthorne 5.0%	Lawndale 5.5%
Gas	60.00	1.20	1.80	2.40	6.60	2.85	3.60	3.00	3.30
Electric	90.00	1.80	2.70	3.60	9.90	4.28	5.40	4.50	4.95
Cable	65.00	N/A	N/A	N/A	7.15	3.09	3.90	3.25	3.58
Phone	50.00	N/A	1.50	2.00	5.50	2.38	3.00	2.50	2.75
Cell Phone	80.00	N/A	2.40	3.20	8.80	3.80	4.80	4.00	4.40
Water	60.00	N/A	1.80	2.40	6.60	2.85	3.60	N/A	3.30
Monthly Total	405.00	3.00	10.20	13.60	44.55	19.24	24.30	17.25	22.28



The City's Need For Additional Revenues (cont.)

- Why is a UUT the best option for the city of Carson?
 - A 2% utility users' tax assessed on electric and gas utilities only, **with exemptions for seniors and lower-income households**, is estimated to generate approximately \$9M per year.
 - A utility users' tax is fair and equitable and will be borne by both businesses and residents.



The City's Need For Additional Revenues (cont.)

- Why is a UUT the best option for the city of Carson?
 - 80% of tax burden will be borne by the businesses community.
 - The average residential user, with a combined monthly electric and gas bill of \$150, would pay only \$3.00 per month, or \$36 per year.



The City's Need For Additional Revenues (cont.)

- Why is a UUT the best option for the city of Carson?
 - Many of our neighboring cities already have a UUT in place and so Carson will not be creating a competitive disadvantage with this type of tax.
 - A UUT is a revenue stream that has long been assessed in many cities and is a major revenue source for many cities.



The City's Need For Additional Revenues (cont.)

- Why is a UUT the best option for the city of Carson?
 - The Carson 2% utility users' tax is only to be assessed on electric and gas utilities, while most other cities also assess it on water, telephone and cable.
 - The Carson 2% utility users' tax will sunset in 7 years. Any extension would require a vote of the people.
 - There will be a citizen's oversight committee established to monitor the revenues received and how they are spent by the city.



What will happen if the UUT does not pass?

- The city will be forced to reduce the FY 2009/10 general fund budget by \$5M and subsequent budgets will also be affected:
- Services in jeopardy will include:
 - Public safety
 - Youth Recreation programs
 - Senior services
 - Public infrastructure maintenance & improvements
 - Cultural & Fine Arts events



City of Carson's proposed UUT

- Election day is March 3, 2009
- For more information, please call or e-mail:

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