

General Fund Budget Summary & Highlights

For FY 2012/13, the first draft of the proposed general fund budget estimated revenues of \$64,290,782 and expenditures of \$69,547,118, as submitted by the Departments, thereby resulting in a projected shortfall of \$5,256,336. Since that time, several budget workshops have been held, resulting in numerous changes to both revenue projections and budgeted expenditures. After having adjusted revenue projections and budgeted expenditures to the extent approved by the City Council, reserves were still needed to balance the budget. The amount of reserves needed to balance the budget was \$1,106,235.

The following paragraphs provide an overview of the adopted FY 2012/13 general fund budget.

Revenues: After a thorough review of the projected revenues for FY 2012/13, some adjustments were deemed appropriate and total revenues are now projected to be \$66,819,782, which is a decrease of 9%, or \$6,453,350, below the FY 2011/12 year-end revenues of \$73,273,132. A significant portion of this reduction in revenues is due to the state's elimination of redevelopment from which the general fund received administrative reimbursements of approximately \$3.5M annually.

Included in this \$66.8 M is \$1,738,500 of one-time revenues. These one-time revenues include \$1,573,000 from the State to reimburse the City for the property tax money it borrowed in FY 2009/10 and \$165,500 from the State to reimburse the City for its processing of absentee ballots cast in the March 2011 general municipal election. After taking out these one-time revenues, total projected operating revenues for FY 2012/13 are projected to be \$65,081,282.

More details on the City's major revenue sources are provided later in this document.

Expenditures: After holding several budget workshops to review and consider the City Manager's recommended Decision Packages and Budget Referrals, a modified combination of expenditure reductions was approved. As a result of the efforts of the City Council and staff, the proposed budget of \$69,547,118 was reduced down to \$66,356,848. This is a 5% reduction from the FY 2011/12 amended budget of \$69,844,420. The final budget of \$66,356,848 includes unavoidable cost increases for the following items: Sheriff's contract, step increases, retirement, medical insurance, retiree medical insurance, plus the salaries of some positions formerly paid for by the redevelopment agency.

For comparison purposes, provided below are the FY 2009/10 thru FY 2012/13 general fund revenue and expenditure data. The FY 2012/13 proposed budget numbers below illustrate the amount of the shortfall the City is facing, necessitating staff to propose these decision packages.

GENERAL FUND	FY 2009/10 ACTUAL	FY 2010/11 ACTUAL	FY 2011/12 ACTUAL	FY 2012/13 ADOPTED BUDGET
Revenues/Transfers	\$63,905,369	\$66,191,170	\$73,273,132	\$66,187,517
Expenditures/Transfers	66,512,618	60,872,000	67,155,514	66,356,848
Fund Balance Inc/(Dec)	(\$2,607,249)	\$5,319,170	\$6,117,618	(\$169,331)

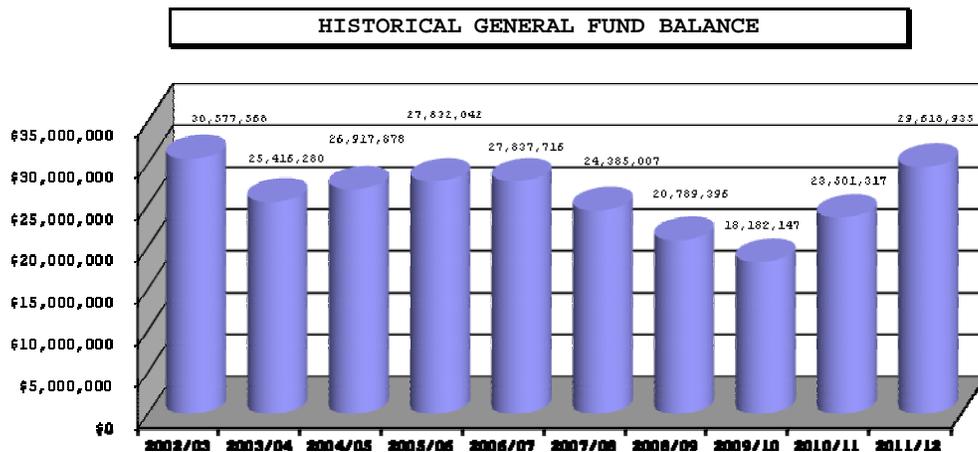
ECONOMIC GROWTH

The Governor's May revision to the 2012/13 budget for the State of California reported that the state and national economies are recovering at a modest pace. Increased consumer spending, as manifested by a major increase in vehicle sales, and rising capital investments have been significant drivers of economic growth. The California housing market appeared to have reached its low point and shows signs that the market has stabilized. Notices of defaults have dropped to 257,700 in 2011 from their high of 456,300 in 2009.

Another important component of the recovery is the rising global demand for U.S. products and services which exhibited a growth of 6.7% in 2011. While the national and state economic recovery appears to be on firmer ground, it still faces risks due to instability in Europe and the Middle East and the final actions to be taken to address the federal deficit and debt ceiling issues.

In the May revision, the Governor identified \$15.7 billion budget problem resulting mainly from lower revenue projections and higher than anticipated school funding requirement. The good news for local governments is that the budget balancing actions taken by the Governor do not include takeaways but rather consist of increases in personal income and sales and use taxes through voter initiatives, among others. Moreover, per the Legislative Analyst's Office, one of the largest May Revision proposals is to strengthen the state's authority to expedite the transfer of the former Redevelopment Agency's liquid assets to local governments including schools and community college districts. To facilitate the recapture and distribution of redevelopment assets, the May Revision proposed, through legislative changes, (1) to set deadlines for successor agency's assets transfer and distribution; and (2) to authorize reductions of local sales and property tax revenues from agencies not complying with the State Department of Finance and the State Controller's Office orders regarding redevelopment assets.

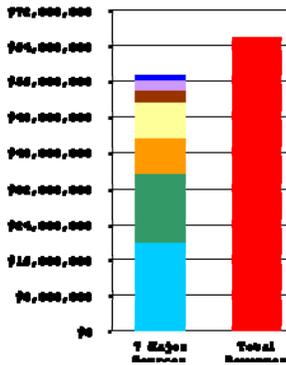
The historical ten-year data for the General Fund balance of the City of Carson is shown on the following chart.



FINANCIAL OUTLOOK

The major revenue sources of the City of Carson continue to face challenges. The increases in the projection of the sales tax will be diluted by the loss of revenues as a result of the elimination of the redevelopment agency. Therefore, the City anticipates the need to reduce the depth and breadth of services provided and to find alternative ways to deliver certain services. Below is a brief discussion of the seven major revenue sources of the City.

MAJOR REVENUE SOURCES

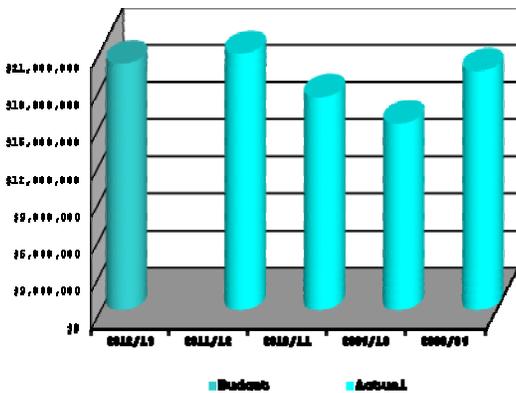


Sales and Use Tax	\$ 19,900,000	30.1%
No/Low Property Tax	\$ 16,073,000	24.3%
Franchise Taxes	\$ 7,713,650	11.7%
Utility Users Tax	\$ 8,125,000	12.3%
Business License	\$ 2,500,000	3.8%
Bulding Construction Permit	\$ 2,325,000	3.5%
Transient Occupancy Tax	\$ 1,275,000	1.9%
Total Revenues	\$ 66,187,517	100.0%

The City has seven major revenue sources. Sales and use tax continues to top the list of revenue sources. To the left, is a chart that shows these major revenue sources & a graph comparing those revenues to total general fund revenues for FY 2012/13. Last year, the top seven revenue sources represented 78%, or \$57.2 million, of the \$73.3 million total general fund revenues for FY 2011/12. For FY 2012/13, the major revenues sources make up 87.5%, or \$57.9 million, of the \$66.2 million projected total general fund revenues. The City's projected revenues have decreased 10%, or \$7.1 million, from the actual revenues of \$73,273,132 for FY 2011/12 to the projected revenues of \$66,187,517 for FY 2012/13. This decrease in revenues is due to the state's elimination of redevelopment agencies.

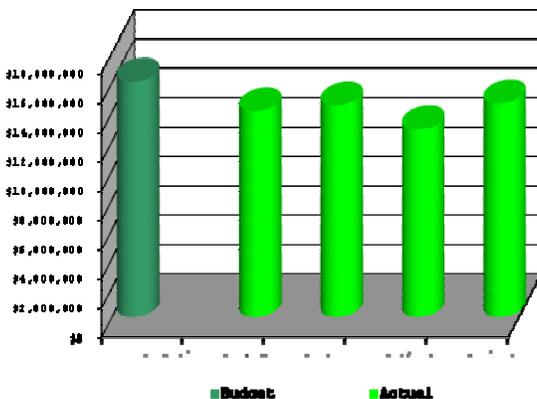
In the paragraphs that follow, information will be provided for each of these seven major revenue sources, including charts showing actual performance for the past four fiscal years and the budget for FY 2012/13.

SALES AND USE TAX



Carson's sales taxes have been a consistent top performer as a revenue source for the past several years. For FY 2012/13, Carson will continue to receive 3/4% of 1% of the 8.75% total sales tax due to the triple flip that started in FY 2004/05. Before FY 2004/05, the City received 1% of the 8.75%. To make up for the revenue lost in sales tax, the state agreed to replace the funds, dollar for dollar, with property taxes. The City projects sales and use tax for FY 2012/13 to be \$19.9M which is 4% lower than the \$20.7M actual revenues for FY 2011/12.

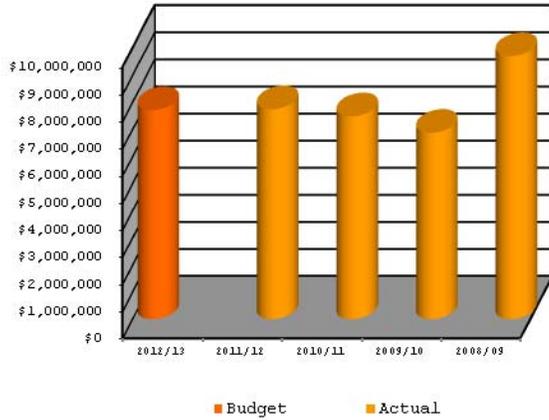
NO/LOW PROPERTY TAX



Property tax revenues for FY 2012/13 are projected at \$16.1M. This represents a \$2.1M, or 14%, increase over the FY 2011/12 actual of \$14M. Property tax revenues are affected by the triple flip that began in FY 2004/05, in that property tax revenues have increased due to the "backfill" provided to make up for the loss of motor vehicle license fees that were reduced in 2004. Those lost motor vehicle license fees are now received as property taxes. Therefore, only about \$7.1M of the \$16.1M projected for FY 2012/13 are "true" property tax dollars based on the City's assessed values.

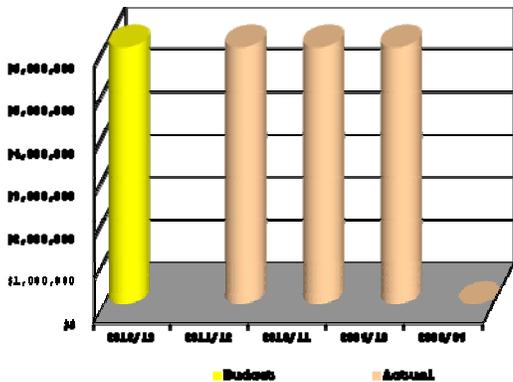
FRANCHISE TAX

Franchise taxes are paid for the privilege of using City property or to operate a franchise within the City limits. In FY 2011/12, the largest franchise taxes were paid to the City by the gas and electric utility companies, providing revenues of \$3.1 million and \$1.5 million, respectively. For FY 2012/13, the City projects gas and electric franchise taxes to be at about the same level as FY 2011/12. Consequently, the City projects total franchise tax revenues to be \$7.7M, which is about the same as FY 2011/12.



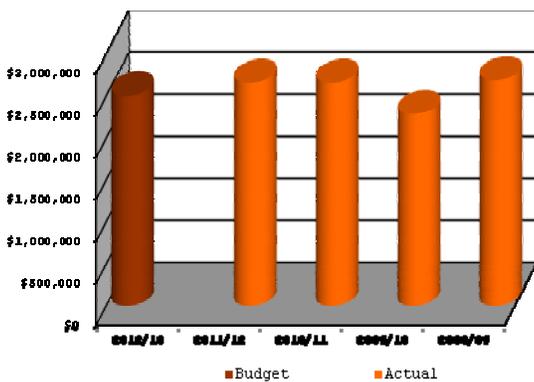
UTILITY USERS TAX

On March 3, 2009, the citizens of the City of Carson voted overwhelmingly to enact Measure C, a 2% utility users tax on gas and electric utilities. In FY 2009/10, the first year the tax was in place, the City received \$6.7 million. In FYs 2010/11 and 2011/12, the City received \$7.4 and \$8 million, respectively. In FY 2012/13, the City projects that the utility users tax will generate \$8.1 million for the City, which is a 1% increase over FY 2011/12.



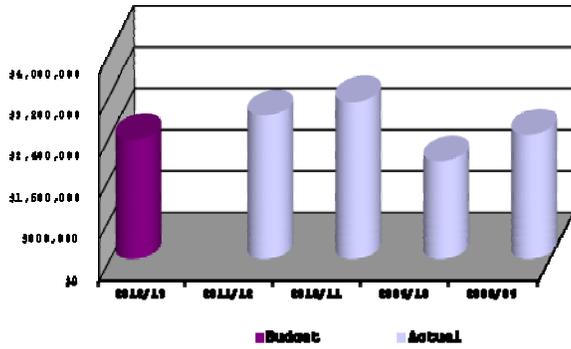
BUSINESS LICENSE

As shown on the chart to the left, business license fees continue to be a consistent revenue source for the City. Business license revenues are projected to be \$2.5 million for FY 2012/13, a decrease of 6% from FY 2011/12. This revenue source is based on the number of employees of each business entity. The basic license fee is \$153.00 for the first five employees and \$30.60 for each additional employee.



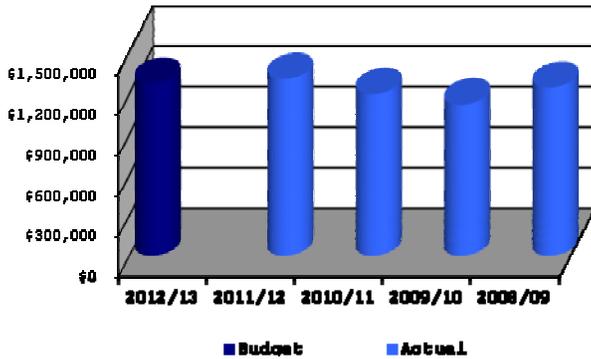
BUILDING CONSTRUCTION PERMITS

Building construction permit revenues for FY 2012/13 are projected to be



TRANSIENT OCCUPANCY TAX

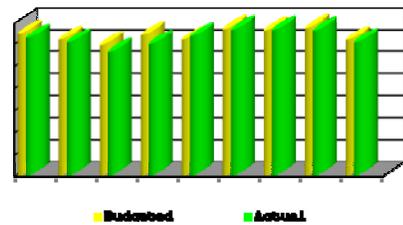
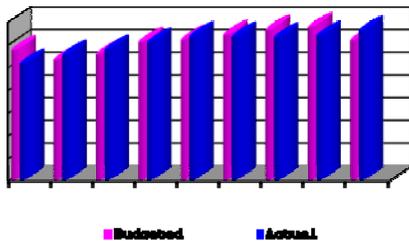
The Carson Municipal Code authorizes the City to levy a tax for the privilege of occupying lodgings on a transient basis. This tax is charged to the lodger but is collected by the lodging operator and is transmitted to the City on a monthly basis. Currently, the transient occupancy tax (TOT) rate is 9.0%. For FY 2012/13, revenues from TOT are projected at \$1,275,000, a 3% decrease from the actual TOT revenues of \$1,307,730 received in FY 2011/12.



The City's financial condition continues to be challenged, most recently with the elimination of redevelopment. However, the City will persevere and with the adoption of the FY 2012/13 budget has set the stage for future success. The graph on the lower left shows the relationship between the budgeted general fund revenues and transfers to actual revenues over the last ten fiscal years, while the graph on the lower right shows budgeted expenditures as compared to actual expenditures for the last ten fiscal years.

**REVENUES
BUDGET VS. ACTUAL**

**EXPENDITURES
BUDGET VS. ACTUAL**



CONCLUSION

As the City strives to maintain fiscal health, this budget is intended as a tool that will communicate to the Carson residents the FY 2012/13 work plan. It is our hope that the economic recovery will soon gain further momentum so that the City will be able to continue to move forward in positive direction.