

## General Fund Budget Summary & Highlights

On June 4, 2013, staff presented the proposed FY 2013/14 general fund budget to Council. Staff recommended a series of decision packages which addressed a projected deficit of \$1.7 million due to unavoidable increases in costs or necessary expenditures. These decision packages presented opportunities to reduce expenditures, enhance revenues and use of fund balance as appropriate. Staff also submitted fund balance recommendations as the City estimates a higher than expected fund balance of \$33 million at the end of June 30, 2013. Council supported the decision packages with budget referrals, discussed and thoroughly reviewed all recommended items and after six budget sessions and a public hearing, Council approved increasing revenue projections by \$1,219,691, decreasing expenditures by \$1,846,013 and using \$1,778,115 of the fund balance to eliminate the projected deficit of \$1,679,221. Consequently, on September 9, 2013 Council approved Resolution 13-085 adopting the FY 2013/14 General Fund Budget with revenues of \$70,022,083, expenditures of \$68,635,600 with an estimated surplus of \$1,386,483 at the end of June 30, 2014.

The following paragraphs provide an overview of the adopted FY 2013/14 general fund budget.

**Revenues:** For FY 2013/14 revenues are projected to decrease 5.6% to \$70.02 million from the estimated actual revenues of \$74.2 million in FY 2012/13. The decrease is mainly due to a total of \$4.4 million one-time revenues received in FY 2012/13.

Projected property taxes are 11% lower at \$14.8 million from \$16.6 million estimated actual in FY 2012/13. This is due to the one-time payment of Prop 1A borrowing by the State. Sales and Use tax is 9% lower at \$22.8 million from \$25.2 million estimated actual for FY 2012/13. Again, the decrease was due mainly to the one-time settlement payment of the agreement on sales tax sharing with La Mirada. The pass-through revenues decreased 65% from \$3.01 million in FY 2012/13 to \$1.06 million in FY 2013/14 due to increased pass-through payments received in FY 2012/13 which are not expected in FY 2013/14.

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

**Expenditures:** For FY 2013/14 expenditures are projected to go up 2% from \$67,406,481 estimated actual expenditures for FY 2012/13 to \$68,635,600 in FY 2013/14. Expenditures expected to increase include the payment to the Other Post-Employment Benefits (OPEB) contribution, cost of sheriff's contract, cost of contract federal & state legislative representation and higher medical rates for employees. Council approved savings on expenditures by pre-paying the annual CalPERS contribution (\$217K), eliminating and not funding or partially funding various vacant positions (\$1.731M), modifying public works support staffing (\$253K) and reducing Capital Asset Replacement Fund contribution (CARF) (\$500K) among others.

Also included in the budget is \$136K support for 16 special events citywide, improvements for the community center (\$286K), conversion of wading pools to splash pads at Calas park (\$450K), other park improvements for Scott park, Calas park, Mills park and other City parks (\$1.04M)

For comparison purposes, provided below are the FY 2010/11 thru FY 2013/14 general fund revenue and expenditure data.

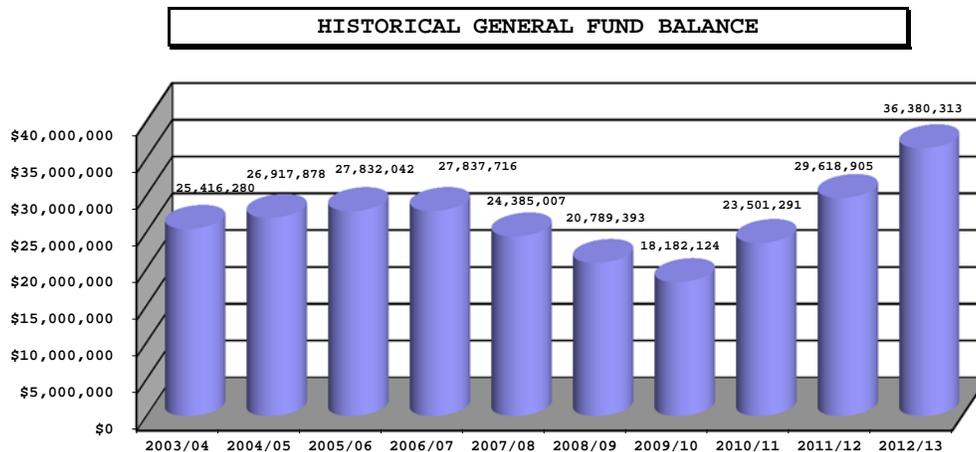
GENERAL FUND	FY 2010/11 ACTUAL	FY 2011/12 ACTUAL	FY 2012/13 ACTUAL	FY 2013/14 ADOPTED BUDGET
Revenues/Transfers	\$62,726,567	\$66,599,432	\$73,627,875	\$70,022,083
Expenditures/Transfers	57,407,400	60,481,818	66,866,467	68,635,600
Fund Balance Inc/(Dec)	\$ 5,319,167	\$6,117,614	\$6,761,408	\$1,386,483

### ECONOMIC GROWTH

California's economic recovery is slower than previous years' despite many sectors improving. The typical drivers of California's economic recovery such as home values rising, credit conditions and household spending are strong and improving. Better real estate conditions, faster job growth and better consumer attitude gathered some momentum. The housing market started to improve in 2012. The median sales price of existing single family homes sold in California rose nearly 9% for the first 10 months of 2012 compared to the 10 months in 2011. Employment improved with 21,200 jobs more per month for the first 11 months of the year making it the strongest pace of growth since 2005. Jobs came from private sector as government employment continued to decline. California's personal income is projected to grow 5% in 2012 from 2011. Approximately \$7 billion of the growth is attributed to the additional wages from the Facebook Initial Public offering.

Both national and state economic growth is projected to continue to expand at a moderate pace based on the index of leading indicators. On the local front, the City's economic growth is expected to sustain a moderate pace. Home sales in Carson increased 9.4% in the 3<sup>rd</sup> quarter in 2013 over the same period in 2012. Median price increased 2.9% in the same period over last year. However, unemployment rate is higher at 10.9% in July 2013. As the winding down of redevelopment agencies continue, capital projects in Carson will slow down. Therefore, Carson's economy will mirror California's slow but stable growth.

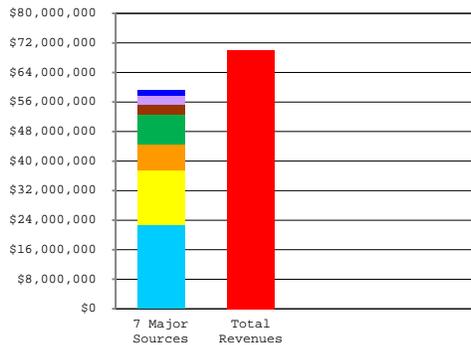
The historical ten-year data for the General Fund balance of the City of Carson is shown on the following chart.



## FINANCIAL OUTLOOK

The major revenue sources of the City of Carson are stable. The increases in some revenues for FY 2012/13 were one-time revenues. FY 2013/14 projections are therefore lower than the actual received for FY 2012/13. Below is a brief discussion of the seven major revenue sources of the City.

### MAJOR REVENUE SOURCES

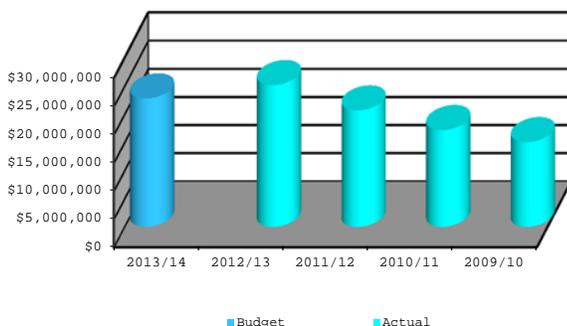


Sales and Use Tax	22,810,696	32.6%
No/Low Property Tax	14,800,000	21.1%
Franchise tax	7,083,848	10.1%
Utility User's Tax	8,070,331	11.5%
Business License	2,519,456	3.6%
Bldg. Construction Permits	2,580,573	3.7%
Transient Occupancy Tax	1,466,425	2.1%
<b>Total Major Revenue Sources</b>	<b>59,331,329</b>	<b>85%</b>
<b>TOTAL REVENUES</b>	<b>70,022,084</b>	<b>100%</b>

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 2013/14. Last year, the top seven revenue sources represented 87.5%, or \$57.9 million, of the \$66.2 million total general fund revenues projected for FY 2012/13. For FY 2013/14, the major revenues sources make up 85%, or \$59.3 million, of the \$70.02 million projected total general fund revenues. The City's projected revenues fell by \$4.1 million, from the actual revenues of \$74,167,900 for FY 2012/13 to the projected revenues of \$70,022,084 for FY 2013/14. This decrease in revenues is due mainly to the one-time revenues received in FY 2012/13 for the State's payment of its Prop 1A borrowing and the sales tax settlement payment received from La Mirada.

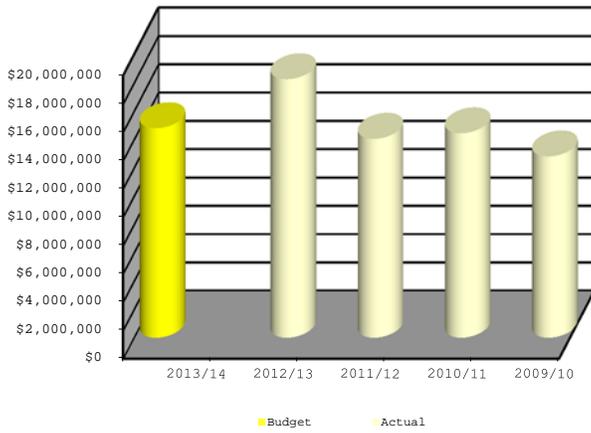
In the paragraphs that follow, information will be provided for each of these seven major revenue sources, including charts showing actual performance for the past four fiscal years and the budget for FY 2013/14.

### SALES AND USE TAX



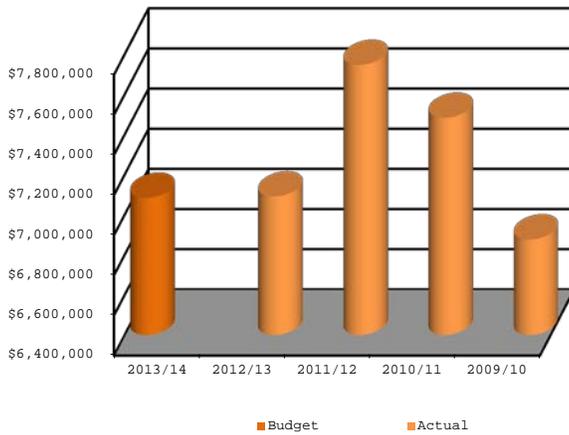
Carson's sales taxes have been a consistent top performer as a revenue source for the past several years. For FY 2013/14, Carson will receive 1% of the 9% total taxable sales. For FY 2013/14 the sales and use tax is 9% lower than the estimated actual of \$25.2 million for FY 2012/13. The reason for the drop is the \$2.7 million sales tax sharing settlement payment for 18 quarters from La Mirada that the City received in FY 2012/13. This is considered a one-time revenue receipt.

**NO/LOW PROPERTY TAX**



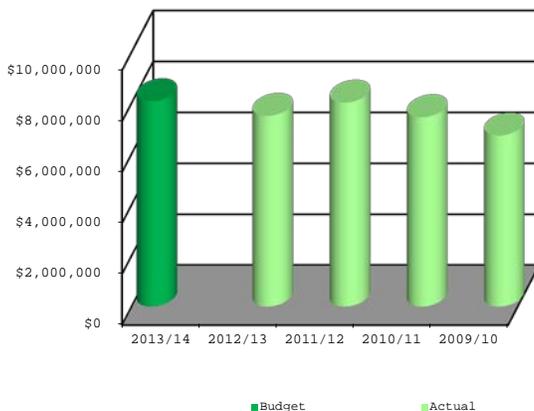
Property tax revenues for FY 2013/14 are projected at \$14.8 million. This represents an 11% decrease or \$1.8 M, drop from \$16.6 estimated actual for FY 2012/13. Property tax rate assessed by the County is 1% of the assessed property value. The City receives 6.74% of the 1% tax rate which basically equates to 7 cents for each \$1 received by the county. In FY 2012/13, the City received \$1.6 million in property tax as the State's payment of the Prop 1A borrowing that the State made in FY 2009/10. This is also considered a one-time revenue receipt.

**FRANCHISE TAX**



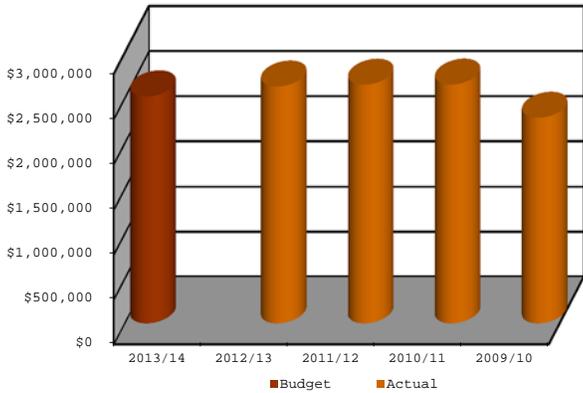
Franchise taxes are paid for the privilege of using City property or to operate a franchise within the City limits. In FY 2012/13, the largest franchise taxes were paid to the City by the gas and electric utility companies, providing revenues of \$2.4 million and \$1.4 million, respectively. Franchise taxes increased by 9% from FY 2009/10 to FY 2010/11 and another 3.5% the following fiscal year due to the increase in gas prices. For FY 2013/14, the City projects gas and electric franchise taxes to be at about the same level as FY 2012/13. Consequently, the City projects total franchise tax revenues to be \$7.1M, which is about the same as FY 2012/13.

**UTILITY USERS TAX**



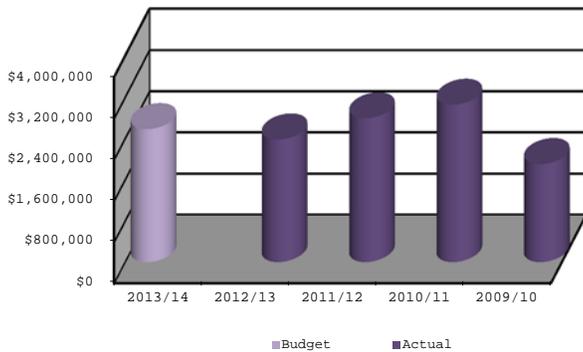
On March 3, 2009, the citizens of the City of Carson voted overwhelmingly to enact Measure C, a 2% utility users tax on gas and electric utilities. In FY 2009/10, the first year the tax was in place, the City received \$6.7 million. In FY 2011/12, the City received \$7.4 million and in FY 2012/13 the City received \$7.5 million. In FY 2013/14, the City projects that the utility users tax will generate \$8.1 million for the City, which is about 8% increase over the estimated actual revenues received for FY 2012/13.

**BUSINESS LICENSE**



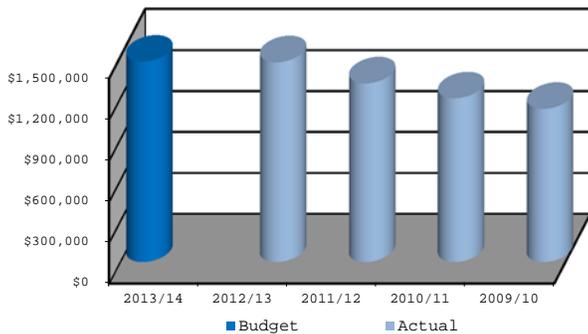
As shown on the chart to the left, business license fees continue to be a consistent revenue source for the City. Business license revenues are projected to be \$2.5 million for FY 2013/14, a decrease of 5% from the estimated actual receipt of \$2,628,905 in FY 2012/13. This revenue source is based on the number of employees of each business entity. The basic license fee is \$157.00 for the first five employees and \$31.40 for each additional employee.

**BUILDING CONSTRUCTION PERMITS**



Building construction permit revenues for FY 2013/14 are projected to be \$2,580,573, a decrease of \$201,544, or 8%, from the \$2,379,029 received in FY 2012/13. Building permit revenues can fluctuate significantly from year to year depending on the level of building activity, as it did in FY 2010/11 when two large building permits were issued for the Carson City Center and 425 E. Carson Street housing projects. There are no major building permits projected for FY 2013/14.

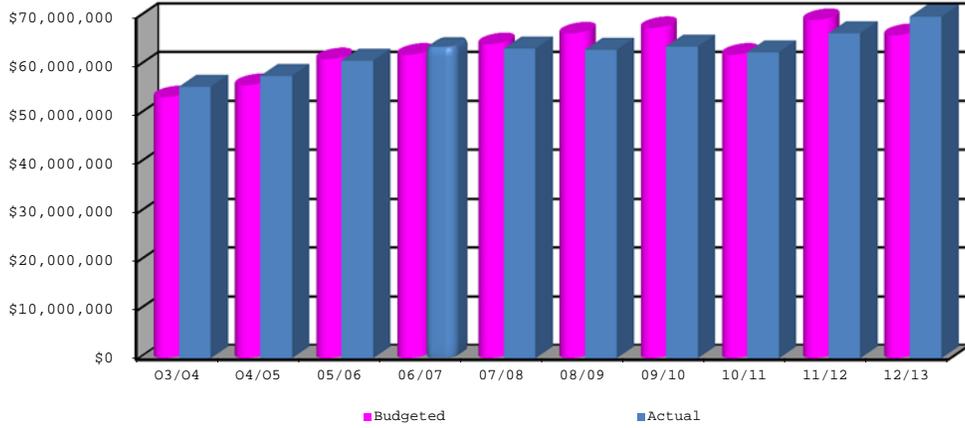
**TRANSIENT OCCUPANCY TAX**



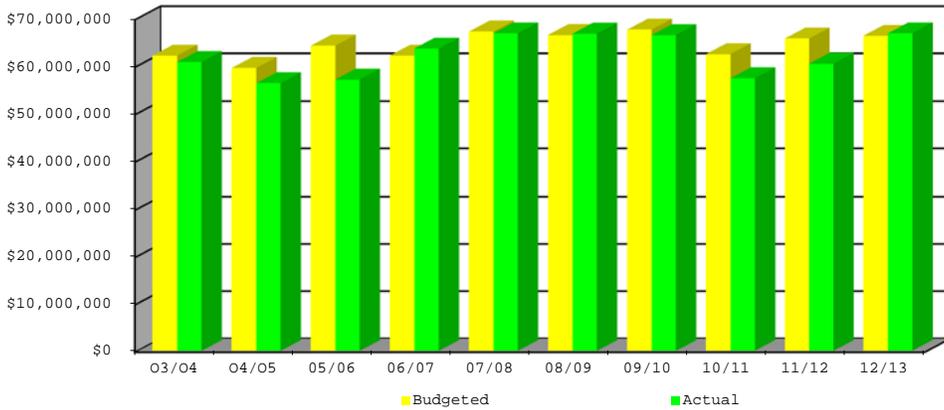
The Carson Municipal Code authorizes the City to levy a tax for the privilege of occupying lodgings on a transient basis. This tax is charged to the lodger but is collected by the lodging operator and is transmitted to the City on a monthly basis. Currently, the transient occupancy tax (TOT) rate is 9.0%. For FY 2012/13, revenues from TOT are projected at \$1,466,425, a .3% decrease from the actual TOT revenues of \$1,462,174 received in FY 2012/13.

The City's financial condition is stable, there is growth but very minimal. As the City adopts a budget with a surplus for FY 2013/14, the City will continue to be prudent with its fiscal management. The graphs on the next page show: A. the relationship between the budgeted general fund revenues and transfers to actual revenues over the last ten fiscal years; B. the budgeted expenditures as compared to actual expenditures for the last ten fiscal years.

**A**  
**REVENUES**  
**BUDGET VS. ACTUAL**



**B**  
**EXPENDITURES**  
**BUDGET VS. ACTUAL**



**CONCLUSION**

As the City strives to maintain fiscal health, this budget book is intended as a tool that will communicate to the Carson residents the FY 2013/14 work plan. It is our hope that the slow economic recovery will soon gain momentum so that the City will be able to continue to move forward in a positive direction.