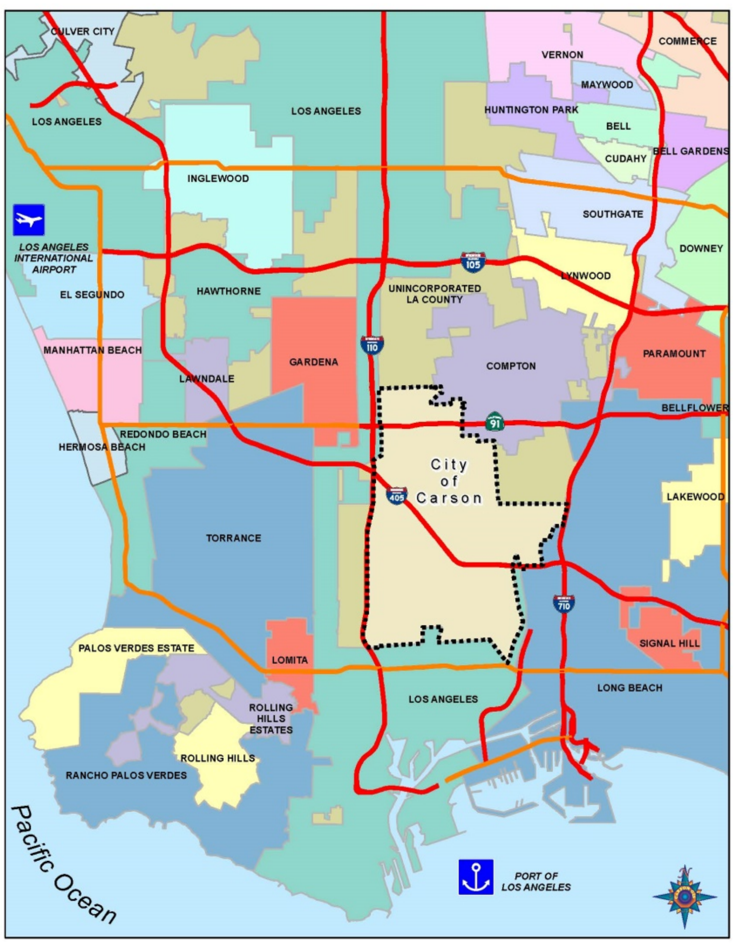
The following narrative is intended to provide an overall understanding of the City's budget structure, current budget challenges, and the future budget outlook. The narrative includes a snapshot of the entire budget, General Fund highlights, employee retirement obligations, the structural budget deficit, significant sources of restricted revenues, highlights from the Capital Improvement Plan, the five-year outlook, staffing trends, and information about the budget process.

OVERVIEW OF THE CITY

The City of Carson is located in the South Bay area of Los Angeles County, California. Carson's proximity to the Port of Los Angeles and several major freeways makes the City an ideal location for residents, business, and industry. The City provides public safety, land use management, parks & recreation, public transit, right-of-way infrastructure maintenance including 203 centerline miles of streets, and human services to its culturally diverse population of 94,000. Residents are also served by the Los Angeles County Fire Department, Los Angeles County Public Library, and the Los Angeles Unified School District. Utility services are provided by public utility companies with franchise agreements granted by the City.



Carson's footprint is 19.2 square miles, and includes 123 acres of City parks with robust recreation and human services programs. The City's Community Center is located 10 minutes from Los Angeles World Airports, and provides 40,000 square feet of flexible meeting space for local and regional groups. Significant landmarks include California State University Dominguez Hills and the StubHub Center 27,000-seat stadium; which is the temporary home of the Los Angeles Chargers and permanent home of the Los Angeles Galaxy. The StubHub Center is also expected to host specific events for the summer Olympics in 2028.

Carson was incorporated as a General Law City in 1968, and operates under the Council-Manager form of government. The City Council is the legislative and policy making body, with the Mayor and four Council Members elected on a non-partisan basis. The City Clerk and City Treasurer are also elected by the City's voters. The City Council appoints the City Attorney and the City Manager. The City Manager is responsible for carrying out City Council policy, overseeing the day-to-day operations of the City, and appointing the Department Directors. The City is currently considering a November 2018 ballot initiative to become a charter city.

THE CITY'S BUDGET

The City's budget is adopted by the City Council based upon staff recommendations in order to execute the City Council's plan to provide services to the Carson community. Staff prepares estimates for all revenues and expenditures, and presents findings and recommendations to the City Council and the public at budget workshops. The City Council conducted budget workshops on March 20th, April 17th, May 15th and May 29th. The final 2018-19 budget was adopted by the City Council after a public budget hearing on June 19, 2018. Due to shared administration, this document includes the adopted budgets for the City, the Carson Housing Authority, the Carson Successor Agency to the dissolved redevelopment agency, and the Carson Joint Powers Reclamation Authority; even though these are all separate legal entities.

	General Fund	Restricted Funds	Total City
Estimated Beginning Balances	$ 19,811,555	$ 8,239,089	$ 28,050,644
Revenue	86,919,816	15,107,646	102,027,462
Expenditures	(88,799,813)	(14,723,452)	(103,523,265)
Net Inter-fund Transfers	(439,699)	439,699	-
Estimated Ending Balances	**$ 17,491,859**	**$ 9,062,982**	**$ 26,554,841**

	Housing Authority	Successor Agency	Reclamation Authority
Estimated Beginning Balances	$ 12,355,547	$ (164,088,400)	$ 107,388,306
Revenue	223,712	36,051,959	62,596,741
Expenditures	(684,408)	(33,279,281)	(116,552,389)
Net Interfund Transfers	233,844	(233,844)	-
Estimated Ending Balances	**$ 12,128,695**	**$ (161,549,566)**	**$ 53,432,658**

The Housing Authority estimated balance includes a $2.9 million land asset. The Successor Agency estimated balance includes a $5 million land asset and a $184 million long-term debt liability. The Reclamation Authority estimated balance includes a $36 million land asset.

GENERAL FUND HIGHLIGHTS

The General Fund is the primary operating fund of the City and accounts for 85% of estimated City-wide FY18-19 revenue. Revenue that is unrestricted and available to spend on any City expenditure is deposited into the General Fund. Revenues restricted to a specific purpose are deposited into Special Revenue funds, and are used for projects and other expenditures in accordance with specific guidelines.

In November 2017, the City's voters approved a new oil industry business license tax. The tax is calculated as 0.25% of business gross receipts subject to the tax, and is estimated to provide the General Fund with $4.7 million of new revenue in FY18-19. The adopted FY18-19 General Fund budget increases the level of service to the Carson community in the form of additional public safety resources and additional staff. The addition of 19 full-time staff, including 12 full-time Public Works maintenance positions, is discussed in greater detail below.

	General Fund
Revenue	86,919,816
Expenditures	(88,799,813)
Transfers from other funds	20,301
Transfers to other funds	(460,000)
Net Activity	**$ (2,319,696)**

The FY18-19 budget deficit is equivalent to 2.7% of the General Fund revenue. The estimated ending General Fund Reserve balance is expected to be slightly less than the City Council's policy Reserve for Economic Uncertainties; which is set at 20% of General Fund Expenditures or $17.8 million.

	General Fund
Estimated Ending Balance	$ 17,491,859
City Council Policy Reserve	(17,759,963)
Policy Reserve Shortfall	**$ (268,104)**

The estimated General Fund balance does not include two significant amounts.

1. The City had previously engaged in litigation with the property owner of the Colony Cove mobile home park regarding fair return rental rates. The City lost the case in a lower court, and set-aside $7.8 million of the General Fund balance for the judgment. The City later prevailed in the federal ninth-circuit court of appeals. The City Attorney has advised that the $7.8 million not be returned to the General Fund balance until the

property owner's legal options have expired. Staff expects to return the $7.8 million to the General Fund balance by the end of calendar-year 2018.

2. The City expects to sell surplus land at 2403 E. 223rd Street. The General Fund originally paid $3.5 million for the parcel. Staff expects the property may be sold by the end of calendar-year 2018.

The FY18-19 budget process began with a draft General Fund deficit of $6.9 million. The following recurring and non-recurring revenue was added to the draft budget:

- $4.7 million for the new oil industry business license tax revenue;
- $1.3 million increased revenue related to the new solid waste hauler; and
- $2.3 million non-recurring revenue for sale of land located at Victoria Street and Cedarbluff Way.

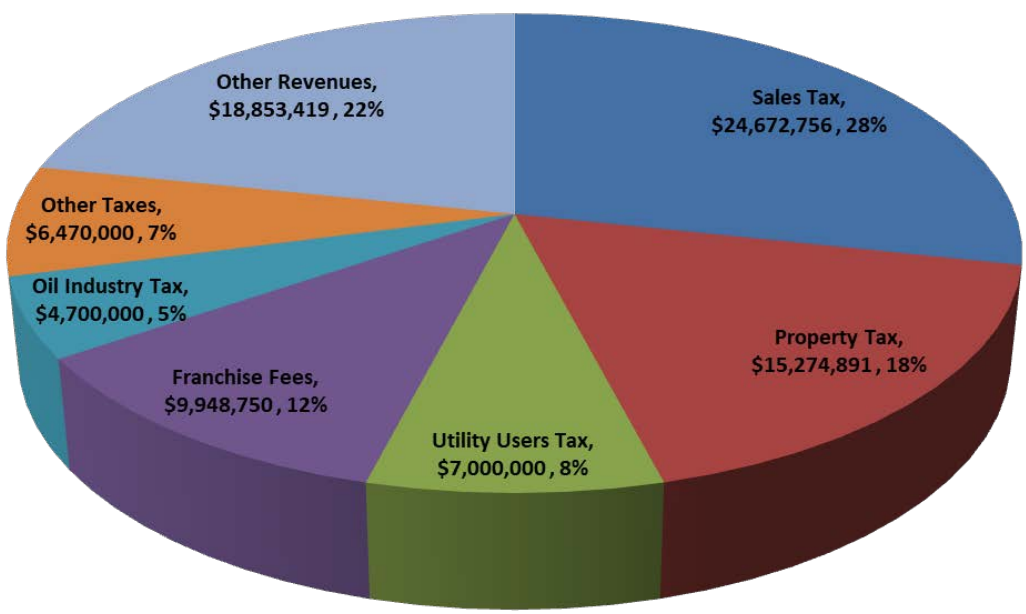
During the FY18-19 budget process, the City Council added funding for:

- Nine new full-time positions, various employee reclassifications, and a partial release of the employee hiring freeze for ten full-time positions.
- A Lieutenant and two Traffic Enforcement units to the Sheriff contract, partially offset with an additional $380,000 of traffic citation revenue;

Excluding the non-recurring $2.3 million of revenue for the sale of land, the General Fund structural deficit is $4.6 million for FY18-19.

GENERAL FUND REVENUE

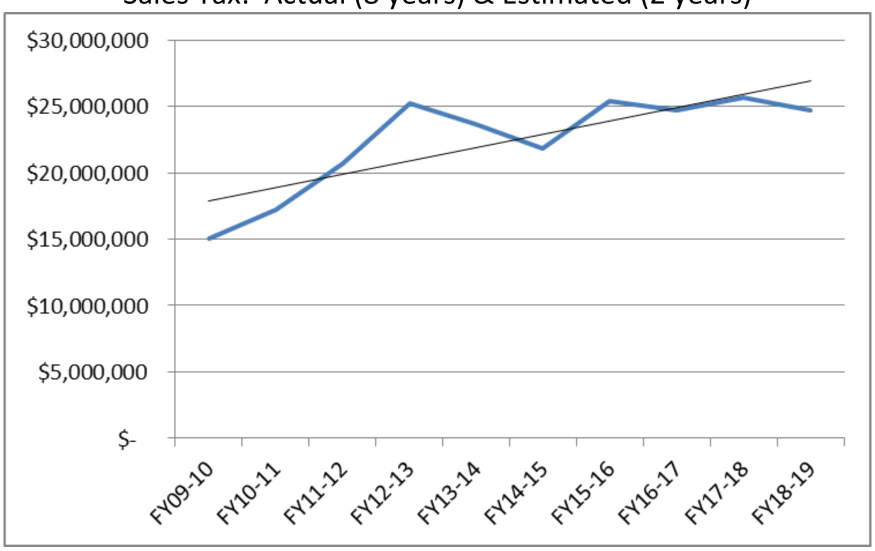
Estimate of $86,919,816 for FY18-19



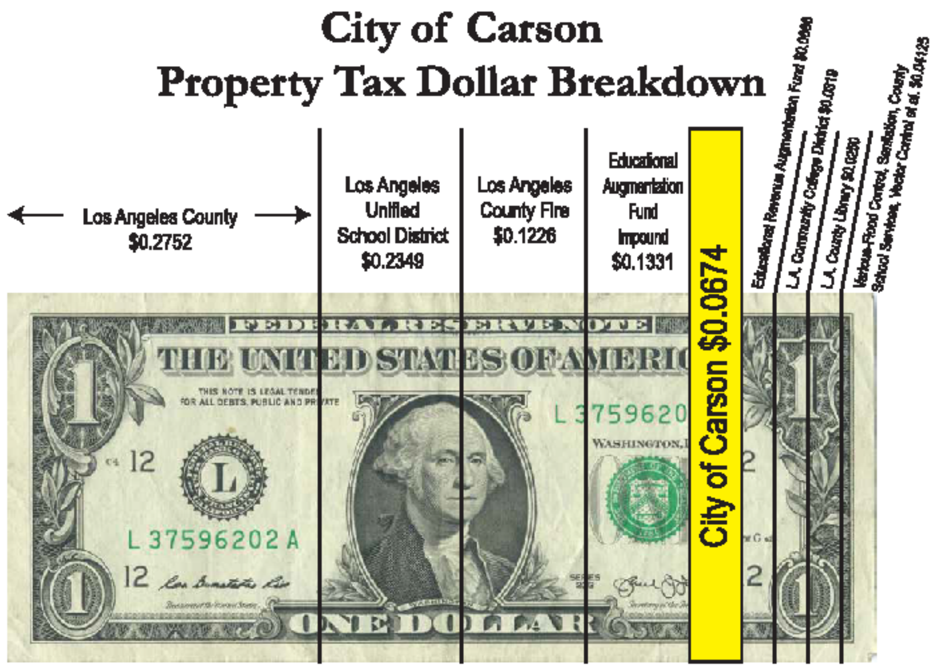
The City's primary revenue sources of Sales Tax, Property Tax, Franchise Fees, and Utility User Tax account for a combined two-thirds of total General Fund revenue. As discussed above, the City's voters approved a new oil industry business license tax, which is expected to raise $4.7 million of revenue during FY18-19. The City's voters previously approved a cannabis tax in November 2016. The City Council adopted regulation limiting cannabis activities to cultivation, distribution, and testing. The City has been taking applications for cannabis permits in the City, but no tax revenue estimates have been included in the budget at this time.

Sales tax is collected by the state and distributed to the City. The sales tax rate in the City of Carson is 9.5%, and the City receives 1%. Estimated FY18-19 sales tax revenue is $24.7 million. Sales tax revenue in FY17-18 included an artificial spike due to non-recurring adjustments, and the state changing its software system and methodology for monthly advances. Excluding the artificial spike, sales tax is expected to remain fairly flat due to economic expectations, including the continued cooling of auto sales. The City derives approximately one-third of its sales tax revenue from auto sales. The trend line added to the graph below indicates strong sales tax growth over 10 years.

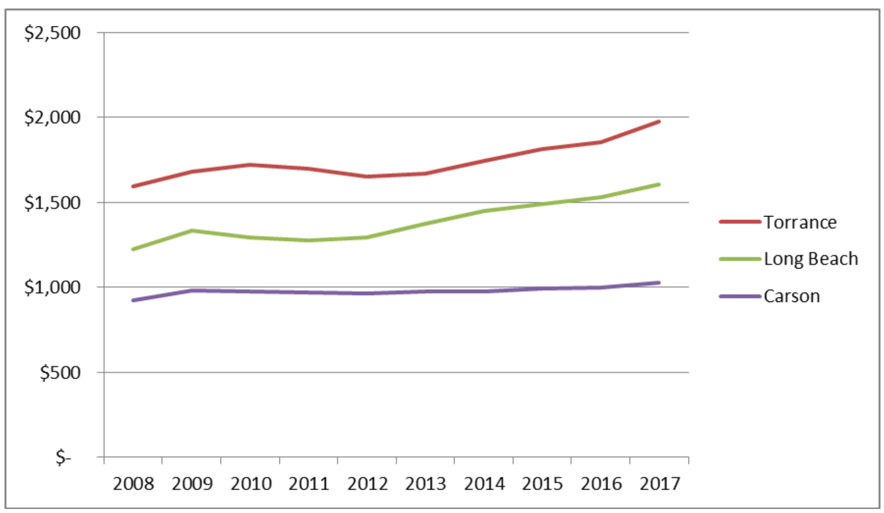
Sales Tax: Actual (8 years) & Estimated (2 years)



Although property tax is a significant source of revenue to the City, the property tax paid by the City's property owners is distributed to many taxing entities. The City only receives approximately 6.7% of the base 1% property tax. For example, if a home has an assessed value of $500,000, the base property tax is $5,000 per year. Of that $5,000, the City only receives $337.

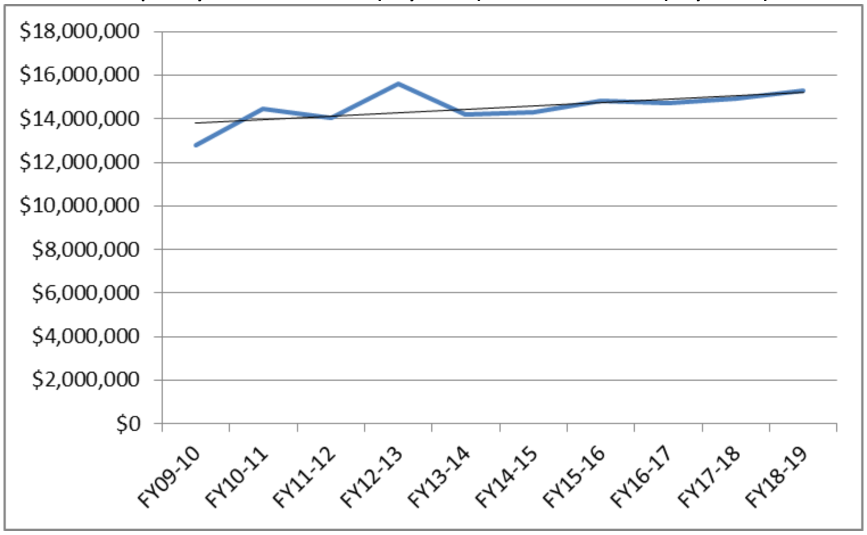


Over the last 10 years, property assessments in the City of Carson have not grown at the same rate as neighboring cities. The chart below illustrates assessed value per acre (in thousands).



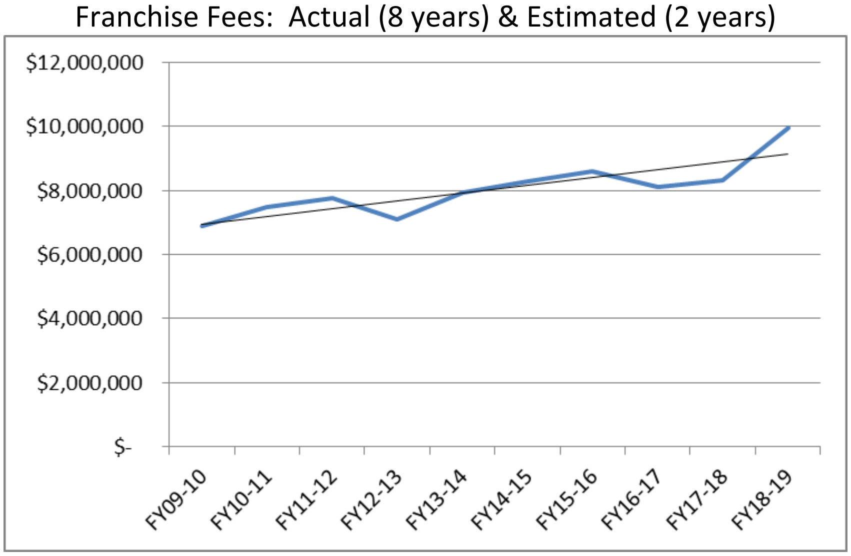
Each time a property is sold and reassessed at a higher value, the City's property tax revenue increases. Property owners may appeal assessed values, and the Los Angeles County Assessor may adjust the valuation. Based on an outside consultant's analysis of property sales and assessed value adjustments, the City's property tax revenue is expected to increase by 2.4% for estimated FY18-19 property tax revenue of $15.3 million. The trend line added to the graph below indicates modest overall growth of property tax over 10 years.

Property Tax: Actual (8 years) & Estimated (2 years)



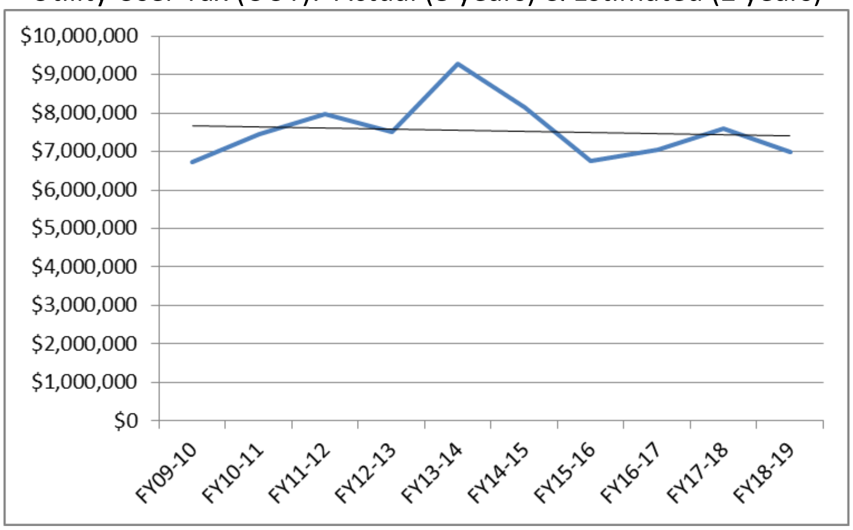
The City receives franchise fees from utility companies such as electricity and water providers; pipelines that run under the City's streets; and other companies that operate in the City's right-of-way to provide services to the residents, such as solid waste haulers. Some franchise fees are set dollar amounts that increase each year with the Consumer Price Index and other franchise fees are based upon a percentage of the company's revenue. Overall, total estimated franchise fee revenue is expected to increase by approximately $1.6 million for FY18-19; with $1.3 million related to the City's new solid waste hauling contract, and $0.3 million related to newly negotiated pipeline franchise fees. Waste Management, the City's former waste hauler, has sued the City over the selection of a new waste hauler; and has not yet transitioned the commercial accounts to the new waste hauler. The increased revenue estimate of $1.3 million may be impacted; and staff expects to re-visit the estimate with the midyear budget review. The trend line added to the graph below indicates strong overall growth of franchise fees over 10 years.

Franchise Fees: Actual (8 years) & Estimated (2 years)



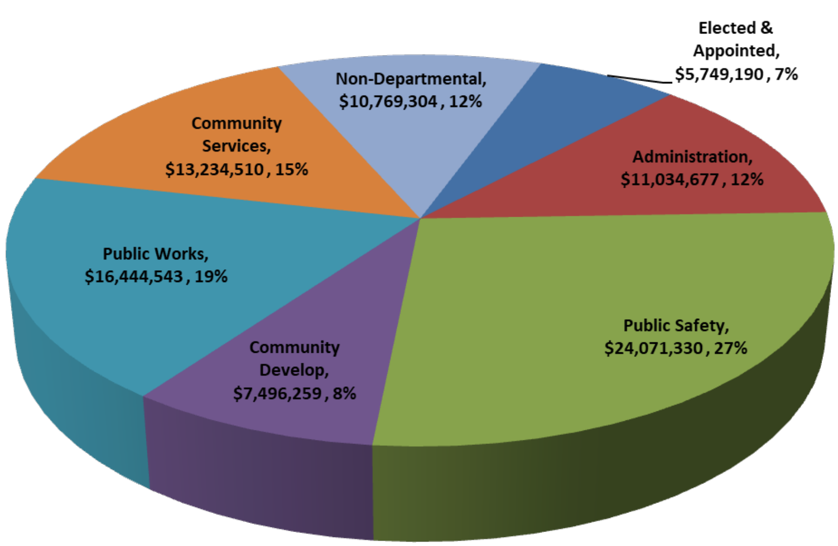
Utility user tax (UUT) was originally approved by the City's voters in 2009, and renewed in 2016 for 7 years. The tax is currently scheduled to sunset in 2023. The UUT is imposed on electricity and natural gas only. Natural gas usage generates approximately 60% of the City's UUT revenue. Therefore, the fluctuating market price of natural gas has a significant impact on the City's revenue. For FY18-19, the revenue is expected to decrease by $0.6 million, from $7.6 million to $7.0 million. The City Council declared a fiscal crisis for FY17-18, which lifted the cap of $1 million per payer per year. The City Council did not declare a fiscal crisis for FY18-19. The trend line added to the graph below indicates a slight overall decline in UUT revenue over 10 years, which is related to both the price of natural gas and the installation of solar energy in the City.

Utility User Tax (UUT): Actual (8 years) & Estimated (2 years)

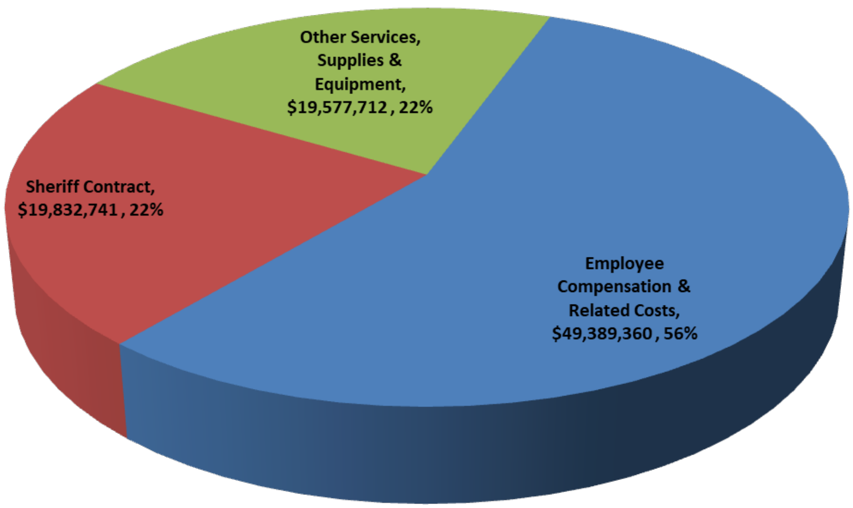


GENERAL FUND EXPENDITURES

By Service Area $88,799,813



By Expenditure Type $88,799,813



Employee compensation and the Sheriff contract together comprise 78% of the City's budget. Examples of other services, supplies and equipment include: building & safety services provided by Los Angeles County, legal services, animal control services also provided by the County, insurance, building security, software support, transit services, and independent audit services.

Employee compensation, including related costs such as retiree health insurance and unemployment claims, is the single largest expenditure of the City; accounting for more than half of the General Fund expenditure budget. Negotiations have been completed with two of the five employee bargaining groups; and the FY18-19 budget includes a 2% cost-of-living salary increase for Managers, Supervisors and Professionals representing roughly one-quarter of the full-time staff. The City is still in negotiations with the other bargaining groups. If salary or benefit increases are negotiated, the City's budget will be impacted

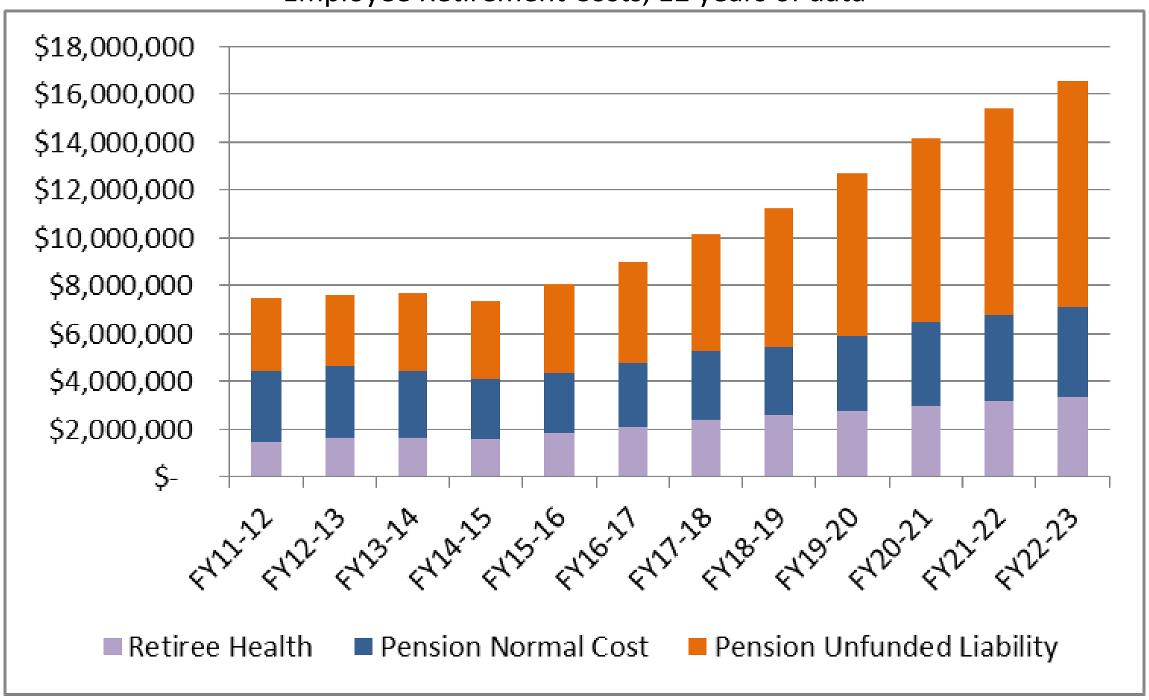
The California Public Employees Retirement System (CalPERS) manages the employee pension plan. The City's "normal cost" of the employee pension plan, which is the cost of current benefit accruals, increased from 10.6% of pensionable wages to 11.1%. The City has a $98 million unfunded liability for the employee pension plan, calculated as the difference between the accrued liability and the market value of plan assets. The plan has a 63% funded ratio, calculated as the market value of plan assets divided by the accrued liability. The required contribution to the unfunded liability for FY18-19 is $5,982,446. CalPERS offered a 3.5% discount for paying the entire annual contribution by July 31, 2018. The City took advantage of the offer and saved $209,105.

Due to changes in methods and assumptions to strengthen the longevity of the pension system, the City's contribution to the unfunded liability will continue to increase over the next six years, until it reaches an estimated $11 million in FY24-25 (an 83% increase over 6 years). When

combined with the estimated normal cost contribution, the City's total contribution to the employee pension plan is expected to be $14.9 million in FY24-25.
The number of retirees on the City's health insurance plan continues to grow, and the City's cost of coverage is expected to be $2.4 million in FY18-19. The City's unfunded liability for the retiree health plan is $52 million; which is partially offset by $18 million of cash in a Section 115 Trust account established to set aside money for future retiree health insurance.

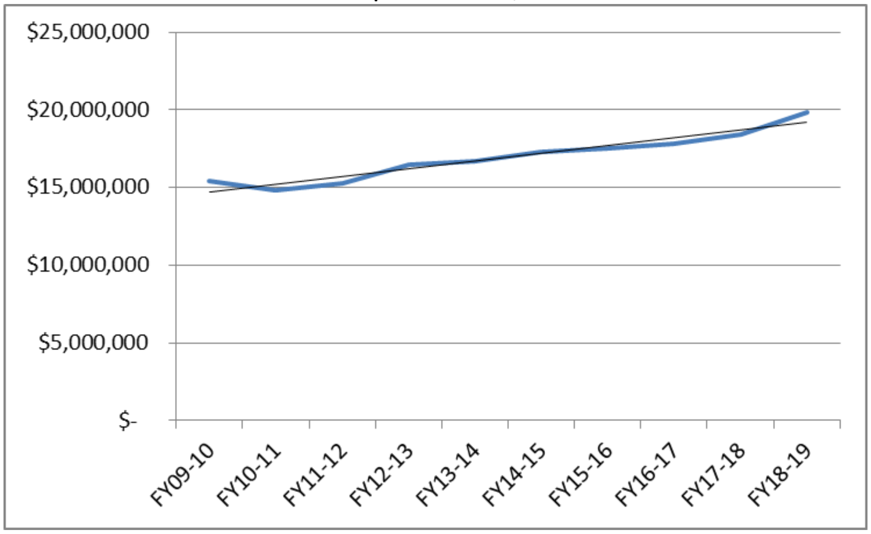
The contribution to the unfunded pension liability and the City's cost of retiree health insurance are considered legacy costs. In other words, if the City were to significantly reduce services and City staff, these legacy costs would not decrease. Employee legacy costs for FY18-19 total $8,164,305 or 8.8% of General Fund revenue.

Employee Retirement Costs, 12 years of data



The City's single largest contract expenditure is for police services provided by the Los Angeles County Sheriff's Department. Unit rates increased by 2.7% for FY18-19, and the surcharge for the liability trust fund contribution increased from 10% to 10.5% of billings for patrol units. The City Council added a Lieutenant and two traffic patrol units to the contract for FY18-19. Therefore, the overall increase for the contract is expected to be 7.7% for FY18-19; with an expected total contract expenditure of $19.8 million. The trend line added to the graph below is nearly identical to the actual cost line, indicating the cost of the Sheriff contract grows at a steady and predictable pace.

Sheriff Contract Expenditures, 10 Years of Data



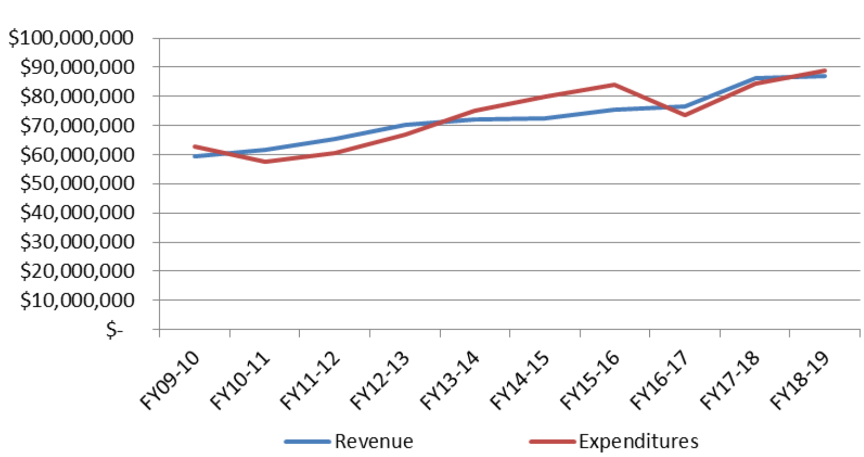
FUTURE GENERAL FUND EXPENDITURE INCREASES

In addition to normal inflation-related cost increases, staff expects various significant cost increases in the future; which have been included in the Five-Year Model discussed below.

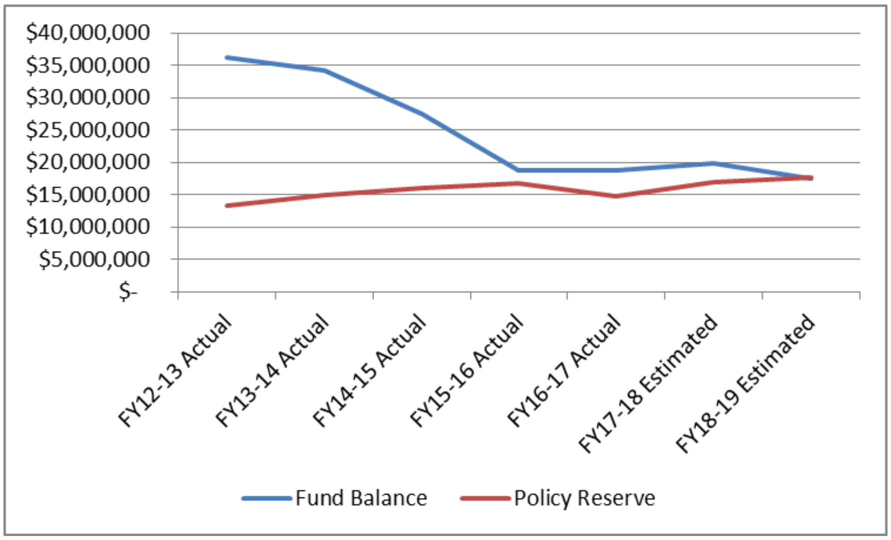
- The City contracts with Los Angeles County for animal control services. The County has historically subsidized impound services, but expects to increase fees charged to cities to eliminate the subsidy. The fees are expected to increase over a six year period, increasing the City's costs by nearly $0.8 million.
- As discussed in detail above, the City's contribution to the employee pension plan will continue to increase by roughly $1 million per year to improve the plan's funded ratio.

ONGOING GENERAL FUND DEFICIT

In 5 out of 10 years, the General Fund has operated or is expected to operate with a deficit. The chart below includes 8 years of actual data, and 2 years of budget data.



One of the major reasons for the ongoing budget deficit is that expenditures are increasing faster than revenue. For example, FY18-19 revenue is only expected to grow by less than 1%. Even though the City is receiving additional oil industry business license tax and franchise fees, FY17-18 revenue included community benefit payments from Andeavor refinery that are not included in FY18-19 estimates due to pending environmental litigation. However overall expenditures are expected to grow by 5.2%, partially due to the increased level of service noted above. Due to the ongoing structural budget deficit, the General Fund balance decreased precipitously from FY12-13 to FY15-16, but has stabilized since that time.



SPECIAL REVENUE FUNDS

Revenues that are restricted by law, other government agencies, or by agreement are deposited into Special Revenue funds. The City has 38 Special Revenue funds. Only 21 of those funds are expected to receive restricted revenue during FY18-19. There are 7 funds that receive significant annual revenue, including the 6 transportation funds discussed below and the Community Development Block Grant fund.

TRANSPORTATION REVENUES

The City receives restricted transportation revenues allocated annually from other agencies.

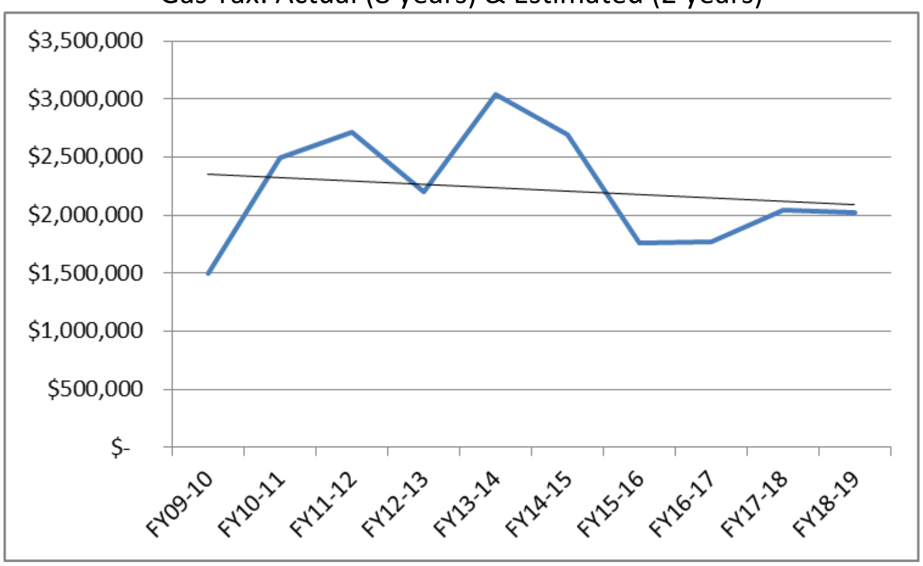
Source	Annual Revenue	Use of Funds
Highway Users Tax, commonly known as Gas Tax	$2,023,614	Tree trimming, street sweeping, traffic signal maintenance. $450,000 allocated to new traffic signals.
Proposition A	$1,833,458	Public transit system.
Proposition C	$1,520,805	Public transit system. $200,000 for pavement overlay.
Measure R	$1,140,628	Primarily allocated to annual pavement overlay.

Measure M	$1,292,684	Primarily allocated to pavement slurry seal, with $250,000 allocated to green streets projects such as tree planting.
RMRA (SB 1)	$1,567,354	Albertoni Street rehabilitation.

The City's Road Maintenance and Rehabilitation Account (RMRA) funding secured by California SB 1 in 2017 is at risk. Proposition 6 has qualified for the November 2018 statewide ballot, and would repeal the SB 1 fuel tax increase if approved by voters. The City's need for pavement maintenance and the existing funding shortfall is discussed in detail below. If Proposition 6 is successful, the City will lose $1.6 million of dedicated funding to repair streets.

Due to the state's method of allocating Gas Tax, the City's revenue has fluctuated widely over the last 10 years. The trend line added to the graph indicates an overall decrease of Gas Tax over the last 10 years. With increased usage of electric vehicles, the City can expect further deterioration of this revenue source dedicated to street maintenance.

Gas Tax: Actual (8 years) & Estimated (2 years)



Proposition A, Proposition C, Measure R, and Measure M are local allocations of special transportation sales taxes approved by Los Angeles County voters. These revenue sources are fairly stable, and do not fluctuate much each year.

The City's Proposition A and Proposition C allocations from the County are primarily used for the City's public transit system. A route study has been funded; and when completed, may impact the City's transit costs in the future.

The City's Measure R and Measure M allocations are primarily used for pavement rehabilitation projects each year. The City is currently considering a proposal to issue debt against Measure R and Measure M; which would provide immediate funding for high-priority roadway projects, but would commit 2/3 of these revenue sources to debt service for the next 30 years.

OTHER RECURRING RESTRICTED REVENUES

Each year, the City receives annual allocations from the following sources.

- Federal Community Development Block Grant (CDBG) money ($1,103,514) to fund the Neighborhood Pride Program, commercial loans and grants, improvements for Americans with Disabilities Act (ADA) compliance, and sub-grants to local non-profit organizations providing services to the City's residents. This federal revenue source continues to be at risk under the current administration.
- Measure A money ($433,998) from the Los Angeles County Parks District to fund park improvements and maintenance of those improvements.
- State Citizens' Option for Public Safety (COPS) money ($145,000) to partially fund the Sheriff's Community Oriented Policing Services (COPS) program.
- Public Education/Government (PEG) fees ($120,000) to fund equipment for local government broadcasting.
- An allocation from the South Coast Air Quality Management District ($116,000) to pay for clean air programs, including purchase of qualifying clean-air vehicles.

CAPITAL ASSETS

The City owns more than $440 million of depreciable infrastructure assets; including roadways, public buildings, sewers, and storm drains. These assets are depreciable because they wear over time and need to be rehabilitated. The $440 million figure is the historical cost. Therefore, it would cost more to rehabilitate those assets in today's dollars. If infrastructure lasts an average of 30 years, then the City should be rehabilitating at least $15 million per year in historical dollars. This rough estimate does not include new infrastructure. There is a demand for new infrastructure such as roadway safety improvements, new traffic signals, and new storm water drainage facilities.

Due to the loss of redevelopment revenue in 2012, the City does not have ample funding to provide for timely rehabilitation of infrastructure. The Five-Year Capital Improvement Plan is included in this budget document. The Plan includes a quantified list of unfunded projects with costs totaling more than $39 million, including more than $9 million of high-priority projects such as improvements to ADA accessibility requirements. There are additional needs that have not been quantified by project location or added to the unfunded list, such as the $11.5 million of sidewalk improvements noted below.

The FY18-19 budget includes $6.2 million of funding for capital improvement projects. All funding is from restricted sources, and no General Fund money is included.

Type	Project Name	FY18-19	Funding Source
Parks	Anderson Park Electrical Panel	30,000	Quimby
Parks	Calas Park Main Building Siding Replacement	50,000	Quimby
Parks	Calas Park Termite Damage Repair and Gazebo Replacement	125,000	Quimby & State Grant FY17-18
Parks	Dolphin Park ADA Playground/Restroom/Picnic/Pathways	1,000,000	Andeavor Contribution of $1.25 million, with $250,000 already appropriated in FY17-18
Parks	Dominguez Park Small Waterslide	100,000	Quimby
Parks	Mills Park Install Outside Access to Restroom	20,000	Quimby
Parks	Mills Park Shade Cover	50,000	Quimby
Parks	Sidewalk Repair in City Parks	60,000	TDA Article 3
Parks	Stevenson Park Replace Play Surface	20,000	Quimby
Parks	Veterans Park Kitchen Refurbishment	40,000	Quimby
Pavement	Annual Pavement Overlay (Rehabilitation)	1,200,000	Measure R & Prop C
Pavement	Annual Slurry Seal (Preventative Maintenance)	900,000	Measure M
Pavement	Rehab Martin Luther King Jr. St. between Avalon & Main	50,000	Gas Tax
Pavement	Albertoni St Rehab (Figueroa to Avalon)	1,572,302	RMRA (SB1)
Roadway	Annual Concrete Program	200,000	CDBG
Roadway	Annual Street Tree Replacement	50,000	Measure M
Roadway	Green Streets & Sustainability	200,000	Measure M
Roadway	Central & Dimondale Stop Gap Measure	40,000	Gas Tax
Roadway	New Traffic Signal Central & Dimondale	250,000	Gas Tax
Roadway	New Traffic Signal - Del Amo & Tajauta	200,000	Gas Tax
	TOTAL PLANNED FUNDING FOR PROJETS	**$ 6,157,302**	

The City's Pavement Management System (PMS) indicates the City has an overall Pavement Condition Index (PCI) rating of 67, which is "fair" on a scale of 0-100. Some streets have lower ratings, and some streets have higher ratings. In general, the City's residential streets are in better condition. The City's main arterial streets, particularly those that are truck routes, are in the worst condition. Wear on City streets from each truck trip is equivalent to 1,526 car trips. The PMS indicated the City would need to spend $8 million per year to maintain the overall PCI rating of 67; or $9 million per year to gradually improve the overall PCI rating to 70, which is the bottom of the "good" range. Only $3.7 million was included in the FY18-19 budget, from the transportation funding sources noted above. If the City continues to spend less than $8 million per year on pavement, the City's streets will continue to deteriorate.

The City's Sidewalk Assessment indicates the City would need to spend $11.5 million to address trip hazards and compliance with the Americans with Disabilities Act (ADA). Only $200,000 has been included in the budget for the concrete replacement program. In addition, the City has identified $9.4 million of costs to bring all the City's curb ramps into ADA compliance.

To comply with the Los Angeles County storm water permit, the City must improve its storm drain system to reduce pollution that drains to the ocean. Compliance with this permit is estimated to cost approximately $8 million per year. The City budgeted approximately $200,000 from its new Measure M revenue for green streets & sustainability projects to help comply with the permit requirements.

The City has aging park buildings and other facilities with very limited available funding. The most significant project budgeted for FY18-19 is construction of an ADA accessible playground at Dolphin Park, funded with a $1.25 million contribution from the Andeavor refinery. Other budgeted park rehabilitation projects total $495,000.

In addition to infrastructure assets, the City owns $15 million of depreciable equipment and vehicles. If the equipment has an average useful life of 7 years, then the City should be replacing more than $2 million of equipment per year. The FY18-19 equipment replacement budget of $1,051,338 includes $474,000 to replace 16 vehicles and $360,000 for security cameras at City facilities.

FIVE-YEAR MODEL

Finance staff prepares a Five-Year Model each year. The Model includes the current budget structure and various assumptions for the future. The results of the Model provide a mid-term outlook and indicators of where structural budget adjustments may be needed.

Results of the 2018 Five-Year Model for the General Fund

Estimated	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Beginning Balance	$ 19,811,555	$ 17,491,859	$ 11,374,310	$ 4,728,466	$ (2,837,147)
Revenue	86,919,816	87,208,649	90,485,431	92,870,950	95,314,513
Expenditures	(88,799,813)	(92,446,499)	(96,451,576)	(99,756,864)	(102,534,120)
Net Transfers	(439,699)	(879,699)	(679,699)	(679,699)	(679,699)
Ending Balance	**$ 17,491,859**	**$ 11,374,310**	**$ 4,728,466**	**$ (2,837,147)**	**$ (10,736,453)**
Reserve Policy	$ 17,759,963	$ 18,489,300	$ 19,290,315	$ 19,951,373	$ 20,506,824

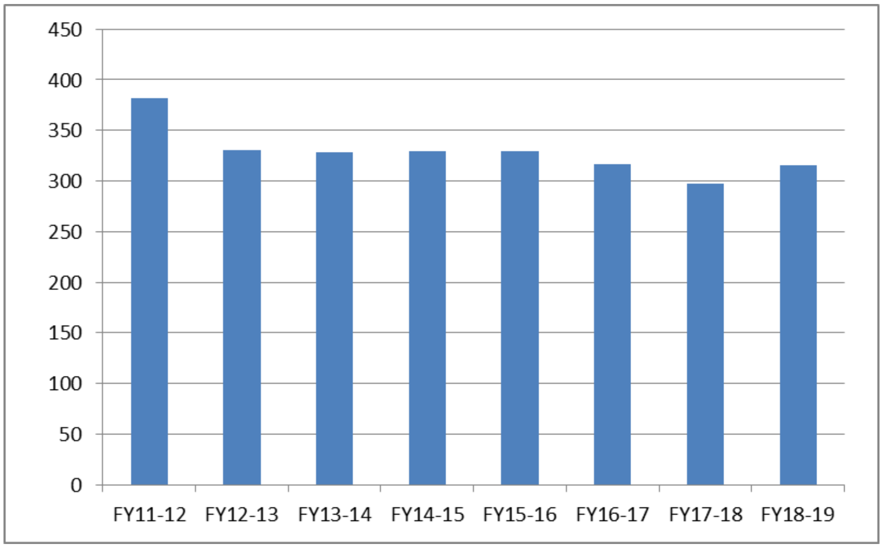
The results of the Model indicate the General Fund balance would be depleted in 2022 if no further changes are made to the City's structural budget. To cure the structural deficit, the City Council will continue to consider new or increased revenue sources, or reductions of service levels.

EMPLOYEE COMPENSATION

The City's employees provide many of the services to the community including code enforcement, park and street maintenance, recreation, transit and human services. There are 316 full-time employee positions authorized for FY18-19; which is a 6% increase from the FY17-18 authorization for 297 full-time employees. Since FY11-12, there has been a steady reduction of full-time staffing, primarily due to the ongoing budget deficit. With the addition of 19 full-time positions for FY18-19, the City Council has restored some of the City's service levels.

At the beginning of FY17-18, there were 38 full-time employee positions subject to a hiring freeze resulting from the structural budget deficit. Since January 2018, the City Council has made a number of funding decisions for staff; including releasing the hiring freeze for various positions, approving reorganization recommendations, and approving the City Manager's proposed list of high-priority requests. The high-priority list was a combination of new positions, reclassifications, and additional positions released from the hiring freeze.

Authorized Full-Time Positions



A summary of the full-time positions by department follows.

City Council's Office	5
City Clerk's Office	6
City Treasurer's Office	4
City Manager's Office	7
Public Information Office	4
Information Technology	8
Public Safety	22
Human Resources	11
Finance	32
Community Development	22
Public Works	130
Community Services	65
Funded Full-Time Positions	**316**

Not all 316 full-time positions are funded with General Fund money. Portions of employee compensation are allocation to restricted funds, as the employees perform work to support those programs. The equivalent of 21 full-time positions is funded with restricted money, and some of that funding is at risk.

- The equivalent of 2.5 full-time positions is funded with federal CDBG money. If that funding source is lost, the General Fund would need to absorb the additional employee compensation as necessary.
- The Measure R & Measure M funds pay for the equivalent of 1 full-time employee each. If those funds are used for bond debt service, there will be less available to pay for staff.
- The Housing Authority funds the equivalent of 2.5 positions. There is no ongoing source of revenue for the Housing Authority. Once the accumulated fund balance is expended, employee compensation will need to be absorbed by another funding source as necessary.
- The Successor Agency funds the equivalent of 3.5 positions. With the continued wind-down of redevelopment business, the California Department of Finance may reduce the administrative allowance used to pay for employee compensation in the future.
- The Cooperative Agreement Bond Proceeds fund pays for the equivalent of 1 full-time employee. The bond proceeds are nearly exhausted, and the employee compensation will need to be shifted back to the General Fund in FY19-20.

The summary of employee compensation follows.

	Salary	Overtime	Benefits	Total Comp
City Council	$ 105,712	$ -	$ 69,510	$ 175,222
City Clerk & City Treasurer	245,827	-	67,637	313,464
Full-Time	22,302,226	248,003	7,575,728	30,125,957
Part-Time	5,084,844	-	449,483	5,534,327
Subtotal General Fund	**$ 27,738,609**	**$ 248,003**	**$ 8,162,358**	**$ 36,148,970**
Full-Time	$ 1,980,229	$ 8,071	$ 628,056	$ 2,616,356
Part-Time	121,648	-	33,081	154,729
Subtotal Other Funds	**$ 2,101,877**	**$ 8,071**	**$ 661,137**	**$ 2,771,085**
Grand Totals	**$ 29,840,486**	**$ 256,074**	**$ 8,823,495**	**$ 38,920,055**

Full-time employee benefits include pension, health insurance and Medicare tax. The City's employees do not participate in the Social Security system. The average full-time employee ratio of benefits to wages is approximately 34%. This ratio does not include the legacy costs noted above, including the unfunded pension liability payment of $5.7 million and the retiree health insurance of $2.4 million.

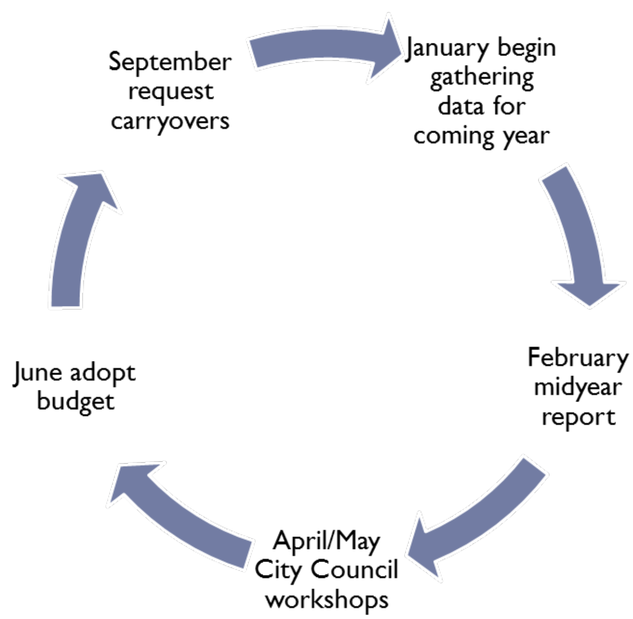
The City employs more than 600 part-time staff, of which approximately 120 are enrolled in the employee pension plan where costs are shared by the employee and the City. Most part-time employees participate in a pension plan fully funded by the employee, and the City incurs no cost. Only 12 part-time employees receive some portion of health insurance benefits. The average part-time employee benefit to wage ratio is approximately 9%.

The summary of Employee Compensation & Related Costs follows.

Employee Compensation	$ 38,920,055
Legacy Cost - Unfunded Pension Liability Payment	5,773,341
Legacy Cost - Retiree Health Insurance	2,390,964
Workers Comp & Unemployment Claims	760,000
Long & Short Term Disability Insurance	450,000
Leave Redemption & Termination Pay	1,095,000
Employee Compensation & Related Costs	**$ 49,389,360**

BUDGET CYCLE & CONTROL

The City's fiscal year runs from July 1st to June 30th. The budget process typically begins in January, with the goal of the City Council adopting the upcoming fiscal year budget by June.



In June 2016, the City Council adopted a Budgetary Control Ordinance (Ordinance No. 16-1591). The Ordinance set the level of budgetary control at department and fund; and required City Council resolutions for all budget amendments. Budget transfers within a department and fund can be approved by the City Manager up to $25,000. Any budget transfers in excess of $25,000 or any budget transfers between departments or funds must be approved by the City Council.

ADDITIONAL INFORMATION

Additional information about the City's finances and budget may be found on the City's website.

- City Council agendas for the 2018 budget process: March 20, 2018, April 17, 2018, May 15, 2018, May 29, 2018 and June 19, 2018.
- Comprehensive Annual Financial Reports, which include the audited financial statements, can be found on the Finance Department webpage.
- This budget document, previous budget documents, and budget-in-brief documents can be found on the Finance Department webpage.
- Monthly General Fund expenditure reports can be found with the Measure C Citizen Oversight Committee agendas.
- Monthly Treasurer's reports can be found on the City Treasurer's webpage.
- Cash disbursement reports are on most every City Council agenda.

Residents and interested parties may also contact the Finance Director by email at kdowns@carson.ca.us with questions or a request for an appointment.

The public is welcome to make budget suggestions on the City's website. The budget suggestion form can be found under Quick Links/Online Forms on the City's website.