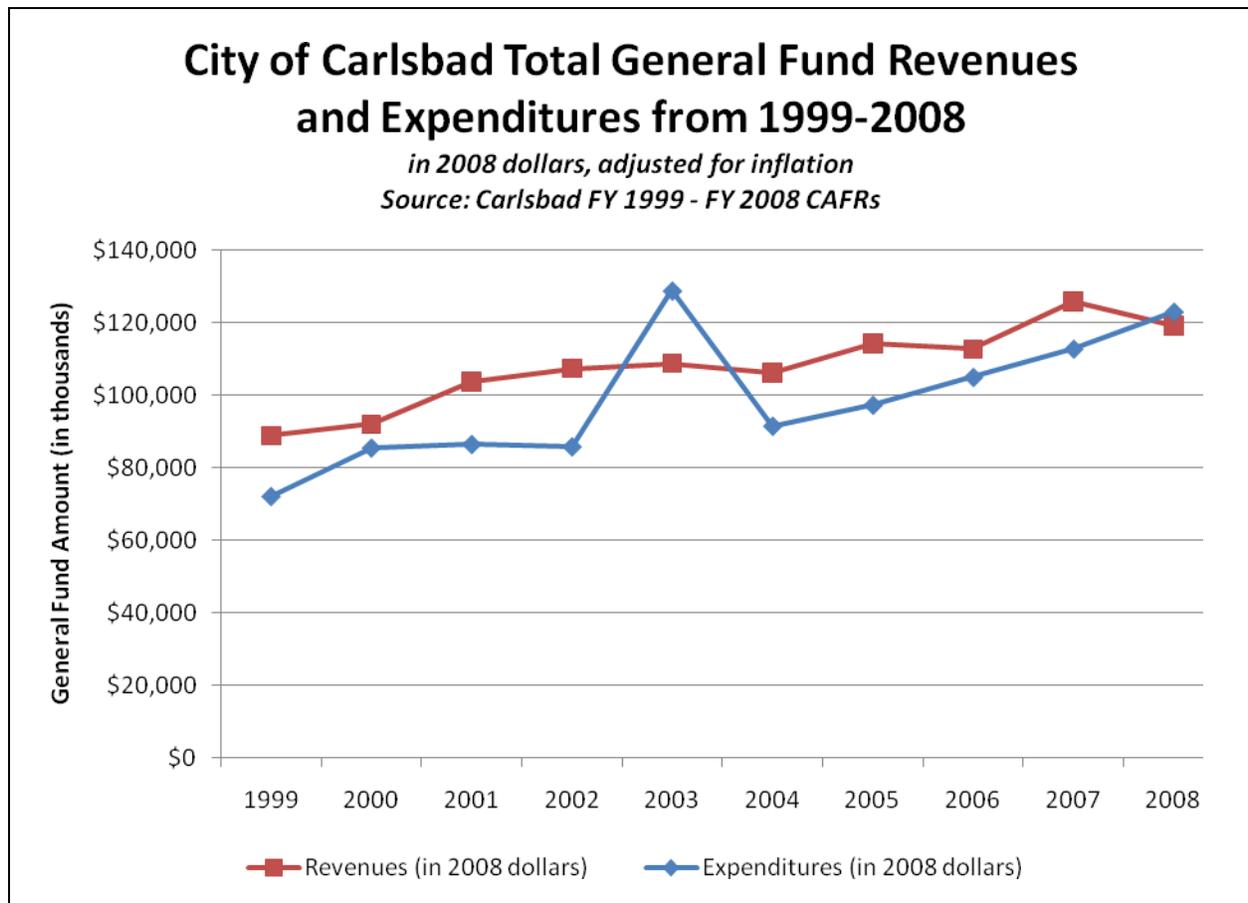


City of Carlsbad Municipal Analysis

September 2009

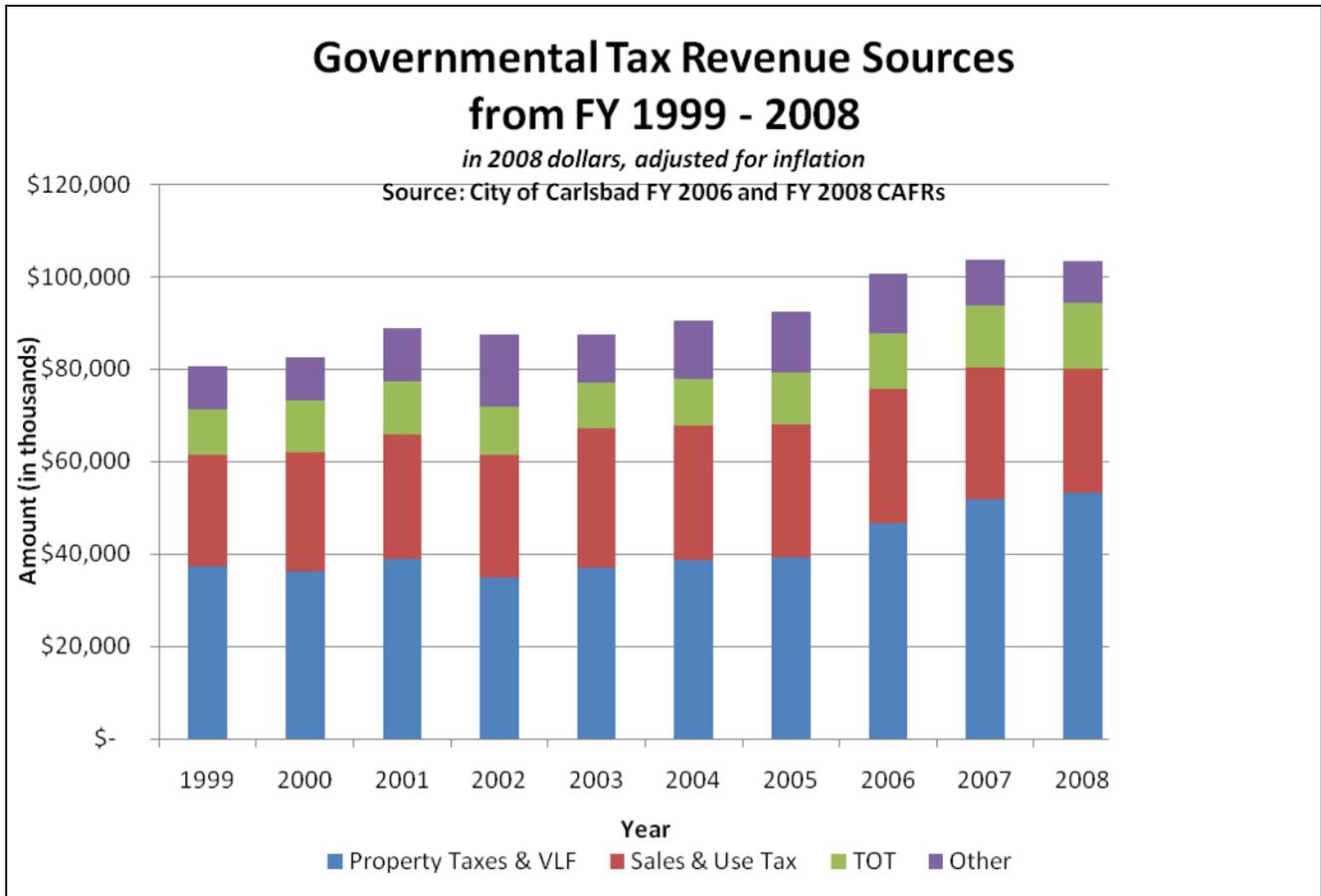
Revenues vs. Expenditures

The following graph outlines revenues and expenditures within the City of Carlsbad for the last 10 years. Between Fiscal Year (FY) 1999 and FY 2008, average annual total General Fund revenues increased nearly 3.5%, while total General Fund expenditures experienced average annual increases of nearly 8% during the same period. Yearly surpluses since 1999 (for the exception of FY 2003 and FY 2008) have allowed the city to increase reserves to its current level of approximately \$46 million.



Tax Revenues

Property taxes account for nearly 50% of the City's total tax revenues, and have increased by 42% between FY 1999 and FY 2008. Property tax revenues for FY 2009 are expected to increase by 7%, totaling \$50.6 million. It is anticipated that these revenues will decline by another 5.3% in FY 2010.



During FY 2008, sales tax revenues accounted for 26.5% of tax revenues for the city. Since 1999, sales tax revenues have increased by 13%, reaching approximately \$27 million last year. Despite this trend of year-to-year increases, revenues are expected to decline by 6.2% by the end of FY 2009, totaling \$26.3 million. Sales tax revenues are expected to undergo the greatest decline of all revenue sources in FY 2010, a nearly 13% decline.

Despite a slight decline in FY 2003, transient occupancy tax (TOT) revenues have increased by 45% since 1999. During FY 2008, TOT revenues accounted for 14% of the city's total tax revenues. Similar to sales tax revenues, TOT revenues are expected to decline by 5.5%, totaling \$13.5 million in FY 2009, and another 10.4% in FY 2010.

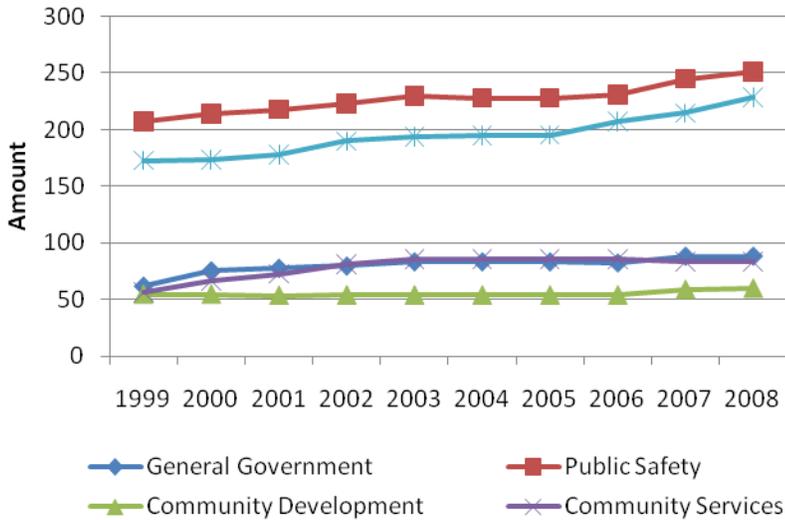
Significant General Fund Revenues (millions)		
Fund	FY09 Projected	FY2010 Budget
Property Tax	\$50.6	\$47.9
Sales Tax	\$26.3	\$23.0
TOT	\$13.5	\$12.1
Franchise Tax	\$4.5	\$5.1
Business Lisc. Tax	\$3.6	\$3.2
Development Rev.	\$1.8	\$1.7
All Other Revenue	\$16.2	\$16.3

Staffing Levels

Between FY1999 and FY 2010, the city has hired 160 new full time and ¾ time employees.

Staffing Levels by Service

Source: City of Carlsbad CAFRs



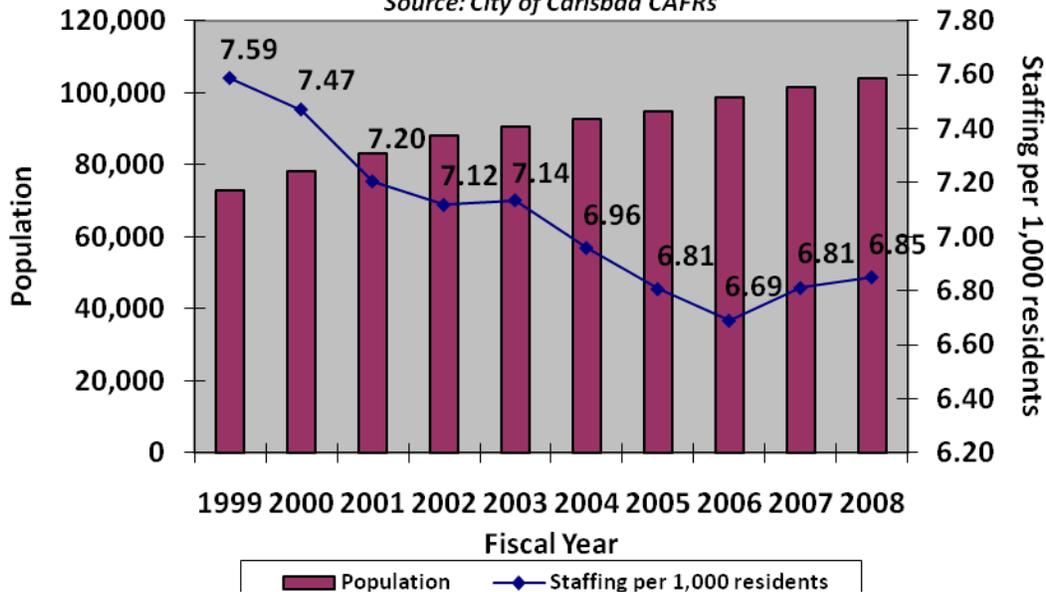
The public works and public safety departments have seen the greatest increase in employees. The public safety department has increased its workforce by 43.75 employees. Other areas such as public works and community services have experienced increases as well, but have significant variances in FY 2010 due to the transfer of the park maintenance activities from Public Works to Community Services.

Despite these increases in staffing levels, population has outpaced these levels,

causing a decline in staffing per thousand residents. Since 1999, the population has increased by 42%, reaching 103,811 residents.

Staffing Levels vs. Population

Source: City of Carlsbad CAFRs



Pension Costs

The city currently has Memorandums of Understanding (MOU) with the Carlsbad Firefighters' Association (CFA), Carlsbad Police Officers' Association (CPOA), and Carlsbad City Employees' Association (CCEA). These MOUs outline all of the benefits that the respective groups of city employees receive, including salary increases and pension benefits.

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and personal disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

Carlsbad Employee Retirement Benefits	
CalPERS Formula: 3% @ 60 for miscellaneous employees and 3% @ 50 for public safety	
Employee Contribution: City pays all but 1 % of the employee contribution (i.e. city picks up 7% for miscellaneous members and 8% for public safety)	
Single highest year benefit for final compensation	
EPMC is reported as income for purposes of calculating compensation at retirement for public safety employees	

Miscellaneous Employee Example	
Single Highest Year Salary	\$85,000
Service Years	30
Benefit Factor	3%
Total Pension Benefit	\$76,500

Public Safety Employee Example	
Single Highest Year Salary	\$100,000
Inclusion of EPMC	\$8,000
Total Calculated Salary	\$108,000
Service Years	30
Benefit Factor	3%
Total Pension Benefit	\$97,200

Carlsbad active plan members are "required" by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer picks up 7% and 8% of the contribution required of City employees for miscellaneous (nonsafety employees) and safety employees, respectively (this is known as Employer Paid Member Contributions, or EPMC). This means employees are responsible for 1% of their annual pension contributions.

The City also reports the value of EPMC as additional compensation to CalPERS for all public safety employees. This additional contribution allows these employees to earn 97.2% of their highest year's salary after thirty years of service.

A summary of pension costs since FY 1999 is presented in the following table:

Annual Pension Costs (not adjusted for inflation) <i>Source: City of Carlsbad FY 1999 - 2008 CAFRs</i>				
Fiscal Year	City Annual Required Contribution (ARC)	EPMC	Total Pension Costs	Ratio of Total Pension Costs to General Fund
1999	\$2,284,512	\$1,973,190	\$4,257,702	8.28%
2000	\$963,142	\$2,148,775	\$3,111,917	4.83%
2001	\$376,051	\$2,402,368	\$2,778,419	4.07%
2002	\$472,638	\$2,566,898	\$3,039,536	4.34%
2003	\$473,370	\$2,630,411	\$3,103,781	2.84%
2004	\$2,283,841	\$2,922,496	\$5,206,337	6.48%
2005	\$7,030,146	\$3,326,086	\$10,356,232	11.69%
2006	\$9,819,997	\$3,632,020	\$13,452,017	13.62%
2007	\$10,199,902	\$3,818,759	\$14,018,661	13.17%
2008	\$11,935,983	\$4,334,339	\$16,270,322	13.48%

When adjusting for inflation, the city's total pension costs have increased 173% between FY 1999 and FY 2008. During much of this time, the city's pension fund was super-funded (where assets far exceeded liabilities), which meant that the city had a very low payment on its required contribution to CalPERS. During this time, however, payment toward EPMC did not stop. City staff estimate pension costs will increase between 5% and 10% in FY 2012 due to market conditions in FY 2008 and FY 2009. The exact figures will not be known until the next valuation is completed.¹

For a more comprehensive look at public pensions in the region, please review SDCTA's Phase I report issued in October of 2009.

¹ CalPERS may increase employer pension contribution rates for the next 30 years as a result of market losses in 2008 and 2009.