

City of Lawrence, Kansas First Quarter Report – 2009

Purpose of Report

The following information summarizes the financial activities of the City of Lawrence for the first quarter of 2009 and advises the City Commission as to current budgetary issues that may become a concern.

The report provides budgetary highlights from the major funds of the City, including the General Operating and Recreation Funds, which are partially funded by property taxes, the Public Transportation Fund, and the Water & Wastewater, Solid Waste, Storm Water and Public Golf Course Funds, which are enterprise funds supported by user fees. The report also compares year to date financial activities to the budget and results for the same period in the two previous years. Finally, the report includes a summary of the City's investment activities for the year and outstanding debt.

General Fund

Summary

The table below summarizes General Fund revenues to date by source and expenditures to date by category for three years. With twenty-five percent of the year lapsed, we have collected \$17,732,012 or 29.4% of budgeted revenues. This is a decrease of 1% from the same period in 2008. Expenditures to date total \$11,715,070, which represents a decrease of 3.4%, or \$412,618, from this quarter last year. Expenditures to date represent only 17.6% of budgeted expenditures for 2009, compared to 20.4% in 2008 and 21.3% in 2007. It should also be noted that the revenues to date exceed expenditures to date by a larger margin (\$6,016,942) for the third consecutive year.

Table 1. General Fund

<i>Revenue Source</i>	<i>2007 1st Qtr.</i>	<i>% of budget</i>	<i>2008 1st Qtr.</i>	<i>% of budget</i>	<i>2009 1st Qtr.</i>	<i>% of budget</i>
Taxes	\$7,147,259	40.4	\$7,503,822	40.4%	\$7,949,107	39.8%
Sales Tax	5,415,228	23.5	5,920,263	26.1%	5,804,735	21.6%
Licenses & Permits	218,889	19.1	205,492	19.1%	233,376	21.3%
Intergovernmental	178,986	25.9	251,638	35.2%	274,600	30.5%
Service Charges	113,839	14.2	112,008	13.8%	99,046	17.2%
Fines	545,497	19.8	590,575	23.6%	564,737	21.7%
Interest	286,804	28.7	57,539	5.8%	30,804	3.9%
Miscellaneous	936,062	22.8	1,279,217	27.8%	1,886,047	44.5%
Transfers	814,737	26.9	855,791	26.9%	889,560	26.9%
Total Revenue	\$ 15,657,301	28.4	\$ 16,776,346	30.4%	\$ 17,732,012	29.4%

Expenditures

General Government	\$ 4,323,608	22.1	\$ 4,388,321	20.6%	\$ 4,171,333	14.6%
Public Safety	6,048,399	21.8	6,272,175	22.3%	5,797,487	20.7%
Public Works	1,287,774	17.6	822,412	12.5%	1,088,371	16.5%
Parks & Recreation	731,824	21.3	644,779	18.5%	657,879	20.0%
Total Expenditures	\$ 12,391,605	21.3%	\$ 12,127,688	20.4%	\$ 11,715,070	17.6%

Revenues over

<i>Expenditures</i>	3,265,696	4,648,658	6,016,942
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Revenue Highlights

Highlights for each category of general fund revenue are provided below.

Taxes. Revenues collected from taxes represent 39.8% of the budget and increased 5.9%, or \$445,285, compared to this period last year. Property taxes increased \$58,762, or 1.0%, from this period last year, and franchise fees increased 9.3%, or \$132,023 over first quarter 2008.

Sales Tax. Local sales and use tax receipts decreased by \$115,528, or 2.0%, from the same period in 2008 and represent only 21.6 % of the amount budgeted for 2009. First quarter receipts are reflecting the impact of national economic trends.

Licenses and Permit Fees. Revenue from licenses and permit fees increased 13.6% from the same period last year and represent 21.3% of budget. Rental Inspection fees collected to date are down almost 62%, while occupational and professional licenses are up 12.3% over the first quarter of 2008. Building permit and inspection fees were up 29.2%, or \$34,771, from this period in 2008.

Intergovernmental Revenues. Despite a 1.3% decrease in liquor tax receipts, intergovernmental revenues received to date overall are 9.1% more than those received in the first quarter of 2008. The bulk of the increase can be attributed to an increase of \$81,757 in state revenue sharing. Known as the slider, this revenue from the State is meant to offset the impact of the machinery and equipment exemption, however, the actual amount is significantly less than the loss of property tax revenue due to the exemption. The 2009 budget included \$146,805 in state revenue sharing in the general fund. As of the end of March, 30.5% of budgeted intergovernmental revenues have been collected.

Service Charges. Revenue from service charges decreased 11.6%, or \$12,962, from the first quarter of 2008 and represent only 17.2% of budget. No revenue was received from engineering fees in the first quarter of 2009, compared to \$8,567 received in the first quarter of 2008. Revenues from charges for maps, plans, and ordinances were almost 76% less than the amount collected during this period in 2008. Police tow charges decreased 71.7% compared to the same period last year. Reimbursements paid by non-City user groups (i.e. Kaw Valley Soccer, Lawrence Youth Football, and Douglas County Amateur Baseball) for the daily maintenance costs of the YSI complex declined 43.7% when compared to this period in 2008. Collection of this revenue varies each year according to the timing of fee collection from user group participants.

There were service charges that increased over the first quarter of last year. Revenue from cemetery fees was up 16.0%, in part due to an increase in cemetery fees. Pursuant to our agreement with Grant Township, revenue from the township fire levy has increased 15.4% from last year.

Fines. Fines in the General Fund decreased by 4.4%, or \$25,838, from the first quarter of last year and represent 21.7% of the amount budgeted for fines in 2009. Revenue collected from police officer tickets increased by \$11,073, or 14.3%, however, municipal court fines and fees collected decreased by \$36,911, or 7.2% compared to this period in 2008.

Interest. Interest revenue in the General Fund continues to be down significantly compared to the same period in 2008 due to the timing of our investments and having lower balances to invest. Only 3.9% of the budget for interest in 2009 has been collected as of the end of March. In 2008, 5.8% of the amount of interested budgeted had been collected by the end of March, while in 2007, 28.7% of budget had been collected at this point in the year.

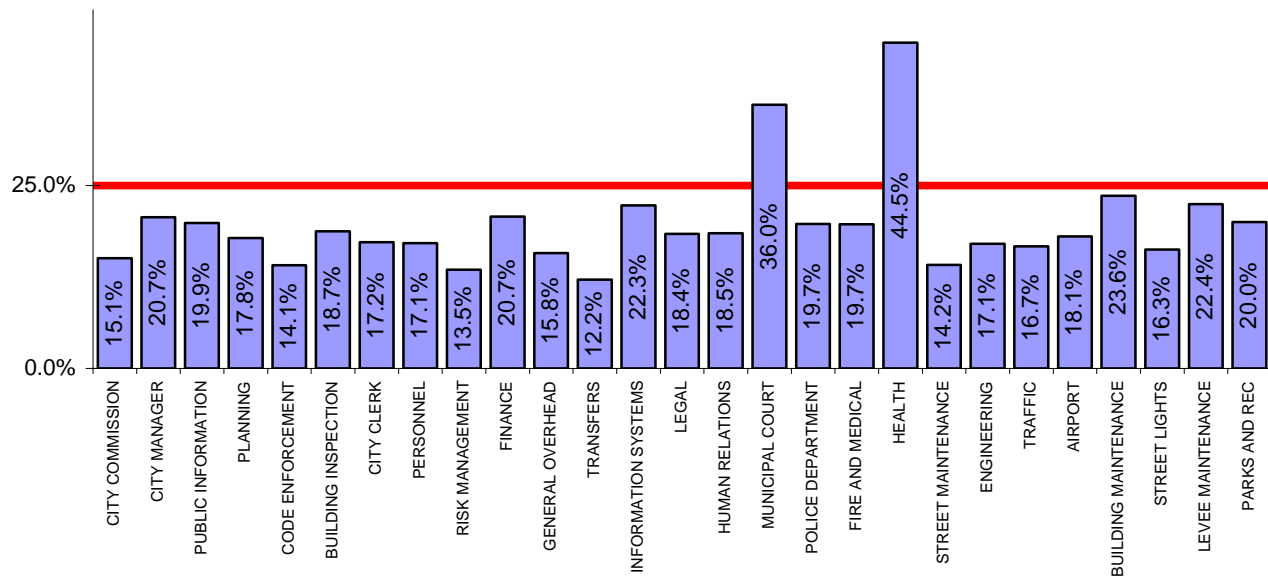
Miscellaneous Revenues. Miscellaneous revenues collected to date have increased 47.4% when compared to the same period last year and represent 44.5% of budget for this revenue source. Included in miscellaneous revenues are EMS charges, which were up \$612,675, or 50.7%, from last year. As of the end of March 2009, 45.3% of the 2009 budget for EMS charges had been collected, compared to only 28.5% of budget collected as of the end of the first quarter of 2008.

Expenditures

Overall, General Fund expenditures decreased \$412,618 or 3.4% from the first quarter of 2008 and represent 17.6% of the 2009 adopted budget. In 2008, expenditures through the end of the first quarter represented 20.4% of the 2008 budget. As shown in Table 2, only two divisions in the General Fund have expended more than 25% of budget at the end of the first quarter of 2009:

- Municipal Court (36.0%) due to an encumbrance for the lease of office space
- Health (44.5%.) due to the timing of the payment to the Lawrence Douglas County Health Department and an encumbrance for janitorial services for the public health building.

**Table 2. 2009 GENERAL FUND EXPENDITURES
AS PERCENT OF BUDGET BY DEPARTMENT**



Highlights for each category of expenditure are provided below.

General Government expenditures include City Commission, City Manager's office, Public Information, Planning and Development Services, City Clerk, Personnel, Risk Management, Finance, General Overhead, Information Systems, Legal Services, Human Relations, and Municipal Court. Expenditures in this category have decreased \$216,988, or 4.9%, over the first quarter last year. The majority of the decrease is due to reduced transfers. To date, \$132,250 less has been transferred from this fund in 2009 than was transferred through the end of the first quarter in 2008. Reductions to budgeted transfers were made to the equipment reserve, capital improvement reserve, liability reserve, or worker's compensation reserve funds). Other departments have reduced expenditures including planning, code enforcement, building inspections, risk management, finance, legal service, human relations, and municipal court. Total general government expenditures to date represent only 14.6% of the 2009 budget, compared to 20.6% of the 2008 cutback budget, and 22.1% in 2007.

Public Safety includes Police, Fire Medical, and the City's share of the Health Department operations and maintenance. Overall, public safety expenditures decreased \$474,688, or 7.6% from this period last year and represent 20.7% of budget. Police expenditures in the General Fund decreased \$364,744, or 11.7%, compared to the first quarter of 2008 and represent just 19.7% of the 2009 budget. In 2008, police expenditures through the end of March represented 21.9% of budget. This decrease was largely due to vehicle replacement that occurred in 2008 that did not occur in 2009. Expenditures in the Fire Medical department decreased \$202,807 or 7.3%, largely in personnel costs and represent 19.7% of budget. In 2008, fire expenditures through the end of the first quarter represented 21.5% of budget.

Expenditures related to the Health Department and maintenance of the Community Health building increased \$92,863, or 24.7% over expenditures through the end of March 2009 and represent 44.5% of budget. In 2008, expenditures for the first quarter represented 37.8% of budget. Part of this increase was due to an increase of \$8,350, or 2.5%, in the City's share of the Health Department operations. The remainder of the increase was due to increased expenditures related to the maintenance of the health building. A total of \$133,917.29 has been spent (including encumbrances) this year to date on maintenance of the health building. This is an increase of 171.1%, or \$84,513, compared to this period in 2008. The majority of this increase can be attributed to the contract for janitorial services. More than five times the amount spent on this contract through the end of the first quarter in 2008 has been spent this year to date. In addition, other service contracts have increased \$24,186.96, due to the timing of the payment for the heating and air conditioning repair contract for 2009.

Public Works includes Street Maintenance, Engineering, Traffic, Airport, Building Maintenance, Street Lights, Levee Maintenance, and Building Maintenance. Expenditures in this category to date have increased \$265,959, or 32.3%, over the same period in 2008. Much of this increase can be attributed to the crack sealing expenditures, which increased by \$242,000 over this period last year. In addition, building maintenance expenditures more than tripled compared to this quarter in 2008 due to an encumbrance for HVAC repair for the computer room in City Hall. Despite the dollar increase, none of the divisions of public works have exceeded 25% of their budget with 25% of the year lapsed:

Parks and Recreation expenditures from the General Fund increased by 2.0%, or \$13,099 over this period last year. Expenditures in this category to date in 2009 represent 20.0% of budget compared to 18.5% of budget spent at the end of the first quarter in 2008. The increase is in part due to a vehicle replacement that occurred in 2009 that did not occur in 2008.

Special Revenue Funds

Recreation Fund

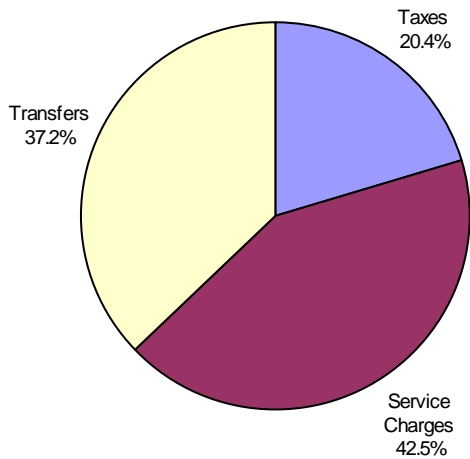
Revenues. Table 3 shows Recreation Fund revenues increased \$48,047, or 5.2%, over the first quarter of 2008.

Table 3. Recreation Fund

	<i>2007 % of 1st Qtr. budget</i>		<i>2008 % of 1st Qtr. budget</i>		<i>2009 % of 1st Qtr. budget</i>	
<i>Revenue Source</i>						
Taxes	189,391	44.3%	196,283	44.3%	198,199	43.8%
Service Charges	345,209	23.9	367,217	23.6%	413,348	25.4%
Transfers	350,000	25.0	361,750	25.0%	361,750	25.0%
Total Revenue	\$ 884,600	27.0%	\$ 925,250	26.9%	\$ 973,297	27.6%
<i>Expenditures</i>						
Parks & Recreation	685,208	19.7%	670,726	18.7%	672,146	18.2%
Total Expenditures	\$ 685,208	19.7%	\$ 670,726	18.7%	\$ 672,146	18.2%
<i>Revenues over Expenditures</i>	199,392		254,524		301,151	

As shown on Table 3a, the largest category of revenues in the Recreation Fund is service charges. Service charges increased 12.6%, or \$46,131, over this period last year due in part to an increase in revenue from the indoor aquatics center, youth sports entry fees, class enrollment fees, and the addition of the DCABA league.

Table 3a. 2009 Recreation Fund Revenues



More than one-third of the revenues in the Recreation Fund are sales tax transferred from the General Fund. State law requires all sales tax revenue to be deposited in our General Operating Fund before it can be transferred to other funds. Transfers through the end of March have remained flat relative to 2008, and represent 25.0% of budget. The remaining revenues in this fund come from property taxes, which are up 1% over the same period last year.

Expenditures. Table 3 shows Recreation Fund expenditures to date increased by less than one percent over the same period last year and represent 18.2% of 2009 budget. In 2008, 18.2% of the budget had been expended as of the end of the first quarter, while 19.7% of budget had been expended at the end of this quarter in 2007.

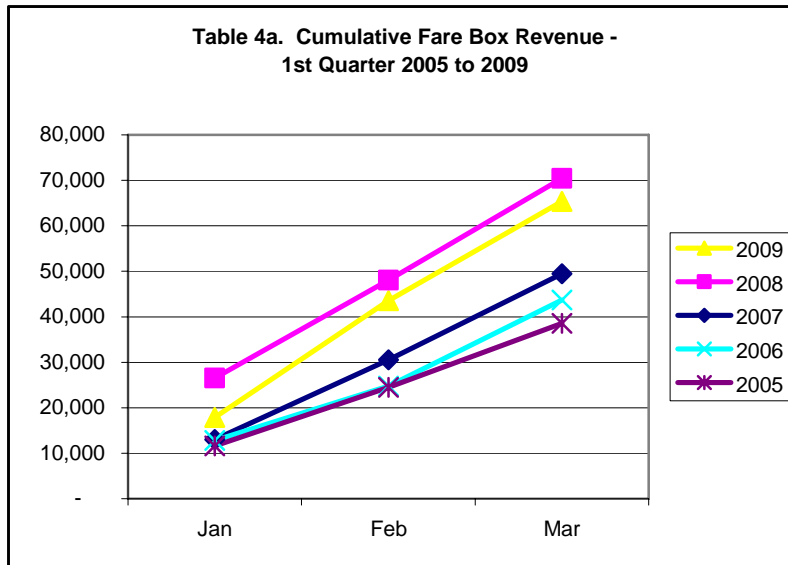
Public Transportation Fund

Table 4. Public Transportation Fund

	2007	% of	2008	% of	2009	% of
	1st Qtr.	budget	1st Qtr.	budget	1st Qtr.	budget
<i>Revenue Source</i>						
Taxes	\$ 306,691	45.7%	\$ 466,067	44.3%	\$ 21,361	0.0%
Service Charges	49,460	30.0%	70,454	22.6%	65,342	20.9%
Miscellaneous	150		4,836		0	0.0%
Transfer					0	0.0%
Total Revenue	\$ 356,301	42.6%	\$ 541,357	39.6%	\$ 86,703	3.6%
<i>Expenditures</i>						
Public Transportation*	286,372	16.0%	334,066	21.1%	746,597	30.8%
Total Expenditures	\$ 286,372	16.0%	\$ 334,066	21.1%	\$ 746,597	30.8%
<i>Revenues over Expenditures</i>						
	69,929		207,291		(659,894)	

* Expenditures do not include encumbrances to MV Transportation for operations, but encumbrances to MV for repairs and encumbrances for fuel are included.

Revenues. Revenues collected in the first quarter of 2009 represent only 3.6% of budget, compared to 39.6% for the first quarter of 2008. However, in 2008, the Public Transportation Fund received support from property tax. In 2009, that revenue source will be replaced with proceeds from two sales tax provisions for transit. Similar to the Recreation Fund, state law requires that sales tax revenue be deposited in our General Operating Fund before it can be transferred to other funds. However, these sales tax provisions did not go into effect until April 1, 2009 so the revenue is not reflected in the first quarter report. Tax revenues totaling \$21,361 were received from delinquent property tax, motor vehicle tax, and vehicle excise taxes in 2009. In addition, the fund receives revenues from bus fares and the sale of bus passes. In the first quarter of 2009, fare box revenues decreased compared to this period last year by \$5,112, which represents a 7.3% decrease. The reduction in fare revenue is likely due to the 2% reduction in the number of T-Lift rides provided in the first quarter. The fare for T-Lift rides is double that of the fare for a ride on the fixed route system. Overall, first quarter ridership on the transit system in 2009 is up 10% over ridership in the first quarter of 2008. Table 4a shows the overall trend in cumulative fare box revenue since 2005.



Expenditures. Expenditures in the Public Transportation Fund through the end of March represent 30.8% of budget (not including the encumbrance to MV Transportation for operations) and have increased by \$412,532, or 144% compared to this quarter in 2008. This increase can be attributed to encumbrances for fuel and major component replacement. The City entered into a new contract with MV Transportation, which began January 1, 2009, and requires the City to pay for these expenses. These expenses were the responsibility of MV under the contract in place in 2008.

Enterprise Funds

Summary

Table 5 compares revenues and expenses to date for the City's four major Enterprise Funds. Revenues collected to date in the Storm Water Fund are slightly greater than expenses to date as of the end of the first quarter. Expenses to date in the Water and Wastewater Fund, as well as the Solid Waste and Public Golf funds have exceeded revenues collected through the end of March.

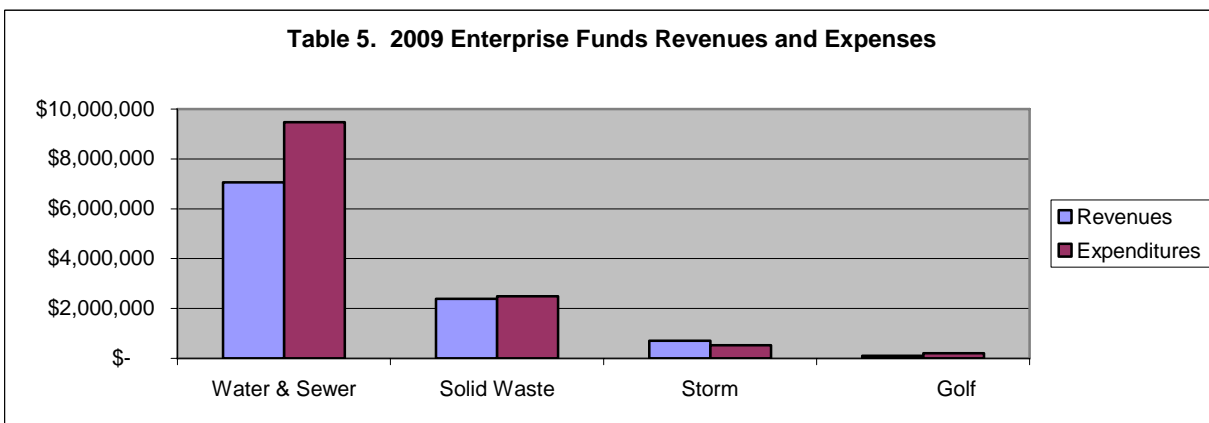


Table 6 compares 2009 revenues and expenses to date with the same period for the two prior years. Highlights for these four Enterprise Funds are also provided below.

Table 6. Enterprise Funds 2007 - 2009

2007 Enterprise Funds - 1st Qtr.

<i>Revenue Sources</i>	Water & Sewer	%	Solid Waste	%	Storm	%	Golf	%
Intergovernmental	-		16,844		-			
Service Charges	\$5,682,365	21.5%	\$2,192,341	24.6%	\$679,839	24.3%	\$72,909	7.3%
Interest	447,284	59.6%	42,139	93.6%	27,298	54.6%	0	
Miscellaneous	276,797	184.5%	58,244	52.9%	0		1,871	
Total Revenues	\$ 6,406,446	23.4%	\$ 2,309,568	25.4%	\$ 707,137	24.8%	\$ 74,780	7.5%

Expenses

Operations	\$ 8,992,718	23.9%	\$ 2,450,528	22.6%	\$ 734,373	13.1%	\$ 212,279	21.1%
<i>Net Income</i>	(2,586,272)		(140,960)		(27,236)		(137,499)	

2008 Enterprise Funds - 1st Qtr.

<i>Revenue Sources</i>	Water & Sewer	%	Solid Waste	%	Storm	%	Golf	%
Intergovernmental	0		0		0			
Service Charges	6,409,040	21.8%	2,287,458	24.4%	696,273	24.4%	62,415	6.2%
Interest	301,988	33.6%	15,052	15.1%	5,969	22.1%	-435	
Miscellaneous	39,497	21.9%	120,186	84.0%	0		8,706	
Transfer	0.00							
Total Revenues	\$ 6,750,525	22.2%	\$ 2,422,696	25.2%	\$ 702,242	24.4%	\$ 70,687	7.0%

Expenses

Operations	\$ 8,722,392	22.0%	\$ 2,534,438	23.0%	\$ 808,405	14.9%	\$ 174,165	17.9%
<i>Net Income</i>	(1,971,867)		(111,742)		(106,164)		(103,478)	

2009 Enterprise Funds - 1st Qtr.

<i>Revenue Sources</i>	Water & Sewer	%	Solid Waste	%	Storm	%	Golf	%
Intergovernmental	0		0		0		0	
Service Charges	6,914,745	23.8%	2,357,545	24.7%	699,724	24.5%	101,919	10.4%
Interest	88,168	8.8%	2,357	2.4%	210	1.0%	0	0.0%
Miscellaneous	62,744	41.8%	26,681	18.0%	0	0.0%	-1,642	0.0%
Transfer	0		0				0	
Total Revenues	\$ 7,065,656	23.4%	\$ 2,386,584	24.4%	\$ 699,934	24.3%	\$ 100,276	10.2%

Expenses

Operations	\$ 9,471,260	26.7%	\$ 2,486,059	22.0%	\$ 521,221	22.2%	\$ 200,037	18.0%
<i>Net Income</i>	(2,405,603)		(99,475)		178,713		(99,761)	

Water and Wastewater Fund

Revenues. Due to an increase in water and sewer rates for 2009, revenues collected to date have increased \$315,131, or 4.7%, compared to the same period last year and represent 23.4% of adopted budget.

Expenses. Water and Wastewater Fund expenses increased 8.6%, or \$478,868, over the first quarter of 2008 and represent 26.7% of the adopted budget. We will be closely monitoring expenditures in 2009 to ensure they do not exceed available revenues.

Solid Waste Fund

Revenues. Revenue in the Solid Waste Fund decreased \$36,113, or 1.5%, from the first quarter of 2008 and represent 24.4% of budget. This is slightly less than in 2008, when 25.2% of budgeted revenues had been collected as of the end of this quarter.

Expenses. Expenses to date represent 22.0% of budget and decreased almost two percent from this period last year. Expenses to date exceed revenues to date by \$99,475 due to significant encumbrances (\$738,775). This deficit is smaller however, than the deficit in the fund at the end of March in the two previous years. In

2008, expenses exceeded revenues by \$111,742 at the end of the first quarter, and in 2007, the deficit was \$140,960.

Storm Water Fund

Revenues. Revenue in the Storm Water Fund decreased less than one percent from the first quarter of last year and represent 24.3% of budget. This is consistent with 2008, when 24.4% of budgeted revenues were collected in the first quarter, and with 2007, when 24.8% of budgeted revenues were collected in the first quarter.

Expenses. Year to date expenses as of the end of March 2009 represent 22.2% of budget but decreased \$287,185, or 35.3%, compared this period in 2008. This is due largely to expenses related to capital improvements made at the intersection of 19th and Louisiana in the first quarter of 2008.

Public Golf Course Fund

Revenues. Public Golf Course Fund revenue increased 41.9%, or \$29,589, over revenues collected through the end of March in 2008 and represents 10.2% of 2009 budgeted revenues. Revenue collected through the end of the first quarter in 2009 represented only 7.0% the 2008 budget. In 2009, service Charges are up \$39,503, or 63.3%, however, miscellaneous revenues are down 118.9%, or \$10,349.

Expenses. Public Golf Course Fund expenses to date represent 18.0% of budget and have increased \$25,872, or 14.9%, from year to date expenses at the end of the first three months of 2008. This increase is largely due to encumbrances for concession and pro-shop goods, as well as golf carts and maintenance vehicles.

INVESTMENTS

Short-term investment rates have been considerably lower in the first quarter of 2009 compared to last year. Because of longer term investments, maturities in 2009 are less than in previous years. As a result, recognized interest earnings are lower than the first quarter of 2008 for most funds. Interest revenue will likely be less than the budget in 2009 for most funds.

As of March 31, 2009, the City of Lawrence had over \$104 million in cash and investments. More than \$80 million was invested in securities and \$24 million in a money market fund or interest bearing checking account pending investment. Approximately 50% of our investments were in certificates of deposit, 27% in government agencies, and 23% in money market funds or an interest bearing checking account. The City's investment policy limits the portfolio to a maximum of 30% in any one financial institution's certificates of deposit. The City's certificates of deposit are with the Bank of Kansas City, Commerce Bank and U.S. Bank. The average rate of return on our investments during the first quarter was 2.81%.

The City's entire portfolio has an original maturity of less than twenty-four months. Approximately 30% of the City's investments mature in over one but less than two years. More than 25% of investments mature between six months and one year. The City plans to hold its investments to maturity and has sufficient cash and short-term investments to avoid a liquidity crisis that would force the sale of the longer-term investments.

DEBT ISSUANCE

The City closed on its most recent general obligation debt issuance in September of 2008. The issues included an \$11,890,000 general obligation bond and a temporary note totaling \$10,635,000. The debt was issued to pay for fire equipment and various street improvements, two of which involve benefit districts. In addition, the issue advanced refunded two prior issues from 2000. The City also issued a \$4,270,000 water and sewer revenue bond to pay for a water storage tank and water transmission lines.

The following table shows the current total outstanding debt for the City and the different funding sources. A preliminary analysis has shown that the City can issue approximately \$4.5 – 5.0 million in at-large general obligation annually without having an adverse impact on the debt levy.

**City of Lawrence Estimated Debt
3/31/09**

	GO Debt	Enterprise Fund Debt	<u>Less Enterprise Portion of GO Debt</u>	Total
Long term debt, 1/1/09	80,990,000	\$94,392,672	\$(5,483,420)	\$169,899,252
Debt, added			-	
Debt, added, Kansas Water Supply Loan	-	-	-	-
Less: Principal paid in 2009		<u>(1,182,355)</u>		<u>(1,182,355)</u>
Total long term debt, 3/31/09	<u>\$80,990,000</u>	<u>\$93,210,317</u>	<u>\$ (5,483,420)</u>	<u>\$ 168,716,897</u>
Total long term debt is composed of:				
Enterprise fund portion	\$5,483,420	\$87,726,897	\$ -	\$93,210,317
Sales tax portion	9,240,227	-	-	9,240,227
Benefit District Debt (estimated)	15,546,735	-	-	15,546,735
Net long term debt, city at large, 3/31/09	<u>\$50,719,618</u>	<u>\$5,483,420</u>	<u>\$(5,483,420)</u>	<u>\$50,719,618</u>
Total long term debt, 3/31/09	<u>\$80,990,000</u>	<u>\$93,210,317</u>	<u>\$(5,483,420)</u>	<u>\$168,716,897</u>
Future long term debt will result from:				
Notes currently outstanding which will be bonded (includes fall note issue)	\$10,635,000	\$ -	\$ -	\$10,635,000

CAPITAL BUDGET

As of March 31, 2009, expenditures for active projects in the capital improvement budget totaled \$18.5 million. Funding for the projects came from \$10.6 million in temporary notes along with \$3.3 million in general obligation bonds and \$4.6 million in grants and reimbursements.