

City of Lawrence, Kansas Fourth Quarter Report – 2009

Purpose of Report

The following information summarizes the financial activities of the City of Lawrence on a budget basis for fiscal year 2009. **These numbers are unaudited and remain subject to change.**

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 enterprise funds: Water & Wastewater, Solid Waste, Storm Water and Public Golf Course Funds, which are supported by user fees. The report also compares financial activities to the budget and the two previous years.

Summary / Conclusion

Despite declining revenues in almost every category, the City was able to manage expenditures and add to the fund balance in many budgeted funds in 2009. In instances where expenditures did exceed revenues, it was by much smaller margins than were anticipated when the 2009 budget was adopted.

For the third straight year, the general fund ended with expenditures lower than revenues. While total general fund expenditures did grow in 2009, the growth was largely due to expenditures related to the new sales taxes approved by voters in 2008. Despite reduced resources, departments remained focused on the City Commission priorities of street maintenance, infrastructure, public safety, and economic development.

General Operating Fund

Summary

The table below summarizes General Operating Fund revenues and expenditures for three years.

Table 1. General Operating Fund

<i>Revenue Source</i>	<i>Actual 2007</i>	<i>% of Budget</i>	<i>Actual 2008</i>	<i>% of Budget</i>	<i>Estimated 2009</i>	<i>% of Budget</i>
Property Taxes	\$13,449,730	102.1%	\$13,842,433	101.1%	\$14,605,157	99.2%
Franchise Fees	4,784,605	106.3%	5,543,194	113.3%	5,872,925	111.3%
Sales Taxes	22,172,560	96.2%	23,133,235	102.0%	27,025,710	99.1%
Intergovernmental Revenue	731,176	105.7%	865,046	111.7%	856,758	95.1%
Licenses & Permits	928,922	86.0%	1,018,197	94.4%	810,916	71.4%
Fines	2,499,827	90.9%	2,499,596	100.0%	2,487,984	95.7%
Service Charges	795,100	98.4%	653,433	80.8%	692,646	99.4%
Interest	1,398,989	139.9%	684,397	68.4%	38,545	5.1%
Miscellaneous Revenue	3,460,999	83.1%	4,482,821	99.0%	4,079,180	99.0%
Transfers	3,123,322	103.2%	3,184,588	100.2%	3,312,883	100.0%
Total Revenue	\$53,345,230	98.4%	\$55,906,940	101.4%	\$59,782,704	98.3%

Expenditures

General Government	17,310,717	83.5%	18,454,734	89.5%	21,854,811	75.4%
Public Safety	26,888,563	96.8%	27,303,563	95.5%	28,243,593	100.6%
Public Works	5,579,016	90.9%	6,113,573	89.6%	6,183,434	93.9%
Parks & Recreation	3,201,156	93.4%	3,260,229	93.5%	3,160,285	96.0%
Total Expenditures	\$52,979,452	91.2%	\$55,132,099	92.6%	\$59,442,123	88.8%

Revenues over Expenditures	\$365,778	\$774,841	\$340,581
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Revenues totaling \$59,782,704 were collected in 2009. This is an increase of 6.9% from revenue collected in 2008 and represents 98.3% of budgeted revenues. General Fund expenditures in 2009 totaled \$59,442,123, an increase of 7.8% over 2008 that represents only 88.8% of budgeted expenditures for 2009. However, the 2009 budget included a transfer of \$5.25M that was budgeted to comply with the state law that limits budgeted fund balance to 5% of expenditures. Without that transfer, 2009 expenditures represent 96.4% of budget.

For the third consecutive year, general fund expenditures were reduced in order to keep spending levels within available revenues. As a result, the ending fund balance in the General Operating Fund grew for the third year in a row.

Revenue Highlights

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

Property Taxes. Revenues collected from property taxes increased 5.5%, or \$762,724, compared last year. Collections represent 99.2% of the amount budgeted for 2009, compared to 101.1% in 2008, and 102.1% of budget collected in 2007.

Franchise Fees. Revenues collected from gas franchise fees are down 10%, or \$92,560, from last year, however, collections from cable TV franchise fees are up 1.6% and telephone franchise fees are up 8.6% from 2008. Higher electric rates also resulted in an increase in electric franchise fee collections of more than 10%, or \$347,342, over collections in 2008. The result is total collections that represent 111.3% of budget and are 5.9%, or \$329,731, more than total franchise fees collected in 2008.

Sales Tax. Receipts from sales tax / use tax increased by \$3,892,475, or 16.8%, from 2008. However, this increase is due to the new City sales tax rate. As shown below, revenue from the 1% city sales tax / use tax was flat, while the city's share of the county sales tax /use tax decreased 5.5% from 2008. When adjusted for the new sales tax rate, revenues from sales tax decreased 2.1% from 2008.

Purpose of Tax (percent)	Actual 2008	Budget 2009	Estimated 2009	% of Budget
City (1%)	\$14,027,094	\$13,871,685	\$14,036,301	101.2%
City Infrastructure (0.3%)		2,255,925	2,389,133	105.9%
City Transit (0.2%)		1,503,950	1,592,756	105.9%
City Transit Equip. (0.05%)		375,988	398,189	105.9%
City share of Countywide (1%)	9,106,141	9,256,815	8,609,331	96.0%
TOTAL SALES TAXES	\$23,133,235	\$27,264,363	\$27,025,710	99.1%

Note – The third quarter of 2009 was the first full quarter of receipts that reflected the new sales tax rate, which went into effect April 1, 2009.

Sales tax /use tax revenues collected in 2009 represent 99.1% of the amount budgeted for 2009. Staff continues to monitor sales tax collections but it likely that revenues collected in 2010 will be below budget.

Licenses and Permit Fees. Revenue from licenses and permit fees decreased 20.4% from 2008 and only 71.4% of 2009 budgeted revenues were collected. The majority of the decrease came in building permit and inspection fees, which decreased 26.5%, or \$205,408, from 2008. Business licenses were up 13.5% and occupational and professional licenses remained relatively flat. There was also a slight increase in rental inspection fees, which were up 9.7%, or \$3,395, from 2008.

Intergovernmental Revenues. Overall, intergovernmental revenues received in 2009 were 1.0% below revenues received in 2008. Much of the decrease was in liquor tax receipts, which decreased

\$23,143, or 3.6%. In addition, several grant payments that were received in 2008 were not received in 2009. These decreases were offset by an increase of \$25,145 in state revenue sharing from the slider payment. The slider payment is revenue from the State meant to offset the impact of the machinery and equipment exemption. The City received \$81,757 of the \$146,805 budgeted for state revenue sharing in the general fund for 2009. Unfortunately, State budget issues led to the elimination of the second half of the slider payment in 2009. Overall, 95.1% of budgeted intergovernmental revenues were collected.

Service Charges. There were service charges that increased over 2008. Revenue from burial fees was up 17.9%, in part due to an increase in cemetery fees charged. Pursuant to our agreement with Grant Township, revenue from the township fire levy increased 15.4% from last year. Fees from maps, plans, and ordinances increased 247%, or \$18,127, while engineering fees increased 241.3%, or \$43,950, over 2008.

These increases were offset by decreases in other service charge revenues. Revenue from Douglas County for their share of the Planning and Development Services Department budget decreased \$20,656, or 8.6%. Cemetery lot fees were down \$18,071, or 27.2%, from 2008.

Overall, revenue from service charges increased 6.0%, or \$39,213, over 2008 and represent 99.4% of 2009 budgeted service charges.

Fines. Fines in the General Fund decreased less than one percent, or \$11,612, from 2008 and represent 95.7% of the amount budgeted for fines in 2009. Revenue collected from police officer tickets increased by \$48,970, or 15.2%, however, municipal court fines and fees collected decreased by \$55,339, or 2.5%, compared to 2008.

Interest. Interest revenue in the General Fund was down significantly compared to 2008 due to lower interest rates, the timing of our investments, and having lower balances to invest. Only 5.1% of the budget for interest in 2009 was actually collected. In 2008, 68.4% of the amount of interest budgeted was collected, while 139.9% of budget was collected in 2007.

Miscellaneous Revenues. Miscellaneous revenues decreased \$403,641, or 9.0%, when compared to 2008 and represent 99.0% of budget. The largest category included in miscellaneous revenues is payments from Douglas County for providing EMS services. In 2009, the City received \$358,849, or 8.8%, less than was received for these services in 2008.

Transfers In. Revenue is transferred to the General Operating Fund from other City funds for general overhead expenses and in the case of City utilities, in lieu of franchise fees. In 2009, \$128,295 more was transferred than in 2008 due to an increase in the amount transferred for general overhead expenses from the Water and Wastewater Fund.

Expenditures

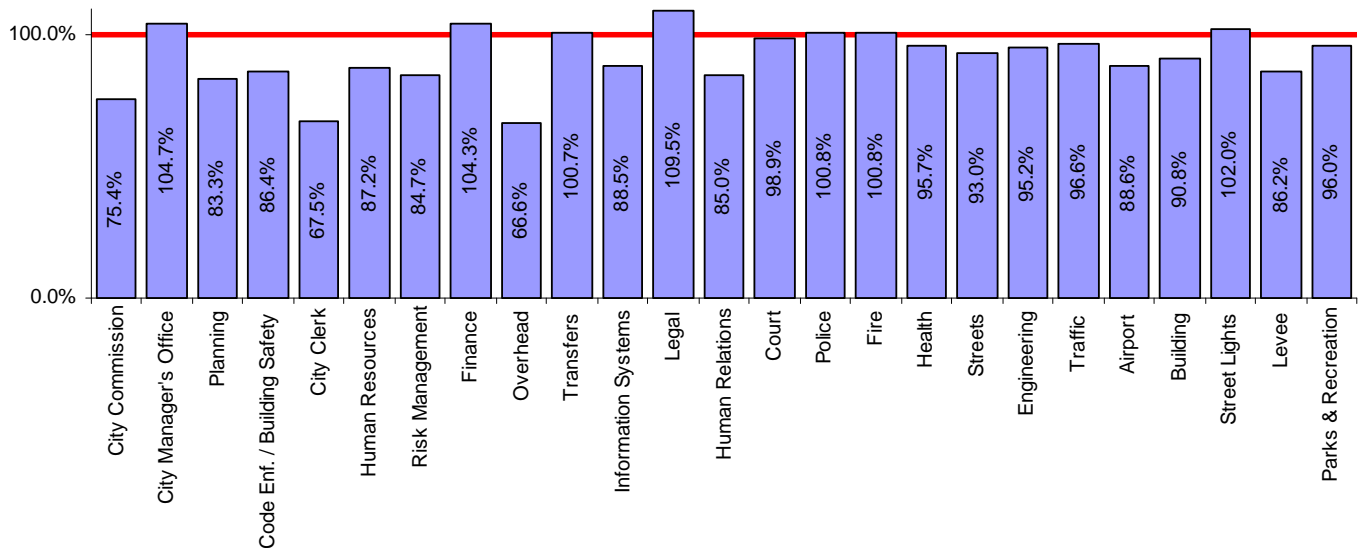
Overall, General Fund expenditures increased \$4,310,024 or 7.8% from 2008 and represent 88.8% of the 2009 adopted budget. When adjusted for the transfer budgeted for fund balance purposes, 96.4% of budget was expended in 2009.

This increase was related to the new sales tax proceeds. State law requires that all sales tax proceeds be deposited into the General Fund before being transferred to another fund. When adjusted for the transfers of the new sales tax proceeds, expenditures in the general fund were actually \$70,054 less than in 2008.

As shown on Table 2, seven divisions in the General Fund expended more than 100% of 2009 budget. In most instances, the overages were due to how longevity and merit increases were budgeted in 2009. Instead

of budgeting for longevity and merit in the individual departments in the general fund, a lump sum was budgeted in the general overhead division.

**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, Transfers, Information Systems, Legal Services, Human Relations, and Municipal Court. Expenditures in this category have increased \$3,400,077, or 18.4% over 2008 due to the transfers of the new sales tax proceeds. This increase has been offset by reduced expenditures in other departments/divisions including the City Commission, Planning, City Clerk, Finance, General Overhead, Information Systems, Legal Services, and Human Relations. General government expenditures in 2009 represented only 75.4% of 2009 budget, compared to 89.5% in 2008, and 83.5% in 2007.

Public Safety includes Police, Fire Medical, and the City's share of the Health Department operations and community health building maintenance. Overall, public safety expenditures increased 3.4%, or \$940,030, over 2008 and represent 100.6% of budget. Police expenditures in the General Fund grew by 2.5%, or \$336,060, and represented 100.8% of 2009 budget. Expenditures in Fire Medical also totaled 100.8% of budget and increased \$556,264, or 4.4%, over 2008. This increase is largely due to merit adjustments and overtime. Other contributing factors include an almost 63% increase in electricity costs, in part due to the correction of an accounting error that was paying for electricity for Fire Station 5 out of a different department. Also contributing were increases in consumable supplies (fire fighting hose, fire fighting clothes, software, etc.), other operating supplies (equipment, computer equipment), vehicle repairs and capital outlay.

Expenditures related to the Health Department and maintenance of the community health building increased \$47,706, or 5.0%, over expenditures in 2008 and represent 95.7% of budget. The increase is due in part to an increase of \$16,700, 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 community health building. A total of \$325,625 was spent on maintenance of the facility. This is an increase of 5.9%, or \$18,058, compared to 2008. The majority of this increase can be attributed to building repairs and other service contracts for the heating and air conditioning repair contract.

Public Works includes Street Maintenance, Engineering, Traffic, Airport, Building Maintenance, Street Lights, Levee Maintenance, and Building Maintenance. Expenditures in this category increased just 1.1%, or \$69,861, from 2008 and represents 93.9% of budget. In 2008, 89.6% of the budget was expended. Increased expenditures related to building maintenance were due to increased building repairs including HVAC repair for the computer room in City Hall. The increase in street lights can be attributed to higher electricity rates. Staff is committed to exploring options to reduce costs related to street lights, including the option of purchasing the streetlight system from Westar. These increases were offset with reduced expenditures in the traffic, airport, and levee divisions due to lower fuel prices as well as reduced need for motor vehicle repairs and maintenance.

Parks and Recreation expenditures from the General Fund decreased 3.1%, or \$99,944, from 2008 expenditures. Expenditures in this category represent 96.0% of budget compared to 93.5% of budget spent in 2008. The decrease was largely due to a vehicle replacement that occurred in 2008 that did not occur in 2009 as well as salary savings and decreased tree removal in the Forestry division.

Special Revenue Funds

Recreation Fund

Revenues. Table 3 shows Recreation Fund revenues increased \$25,951, or 0.7%, over 2008 and represent 101.8% of budget.

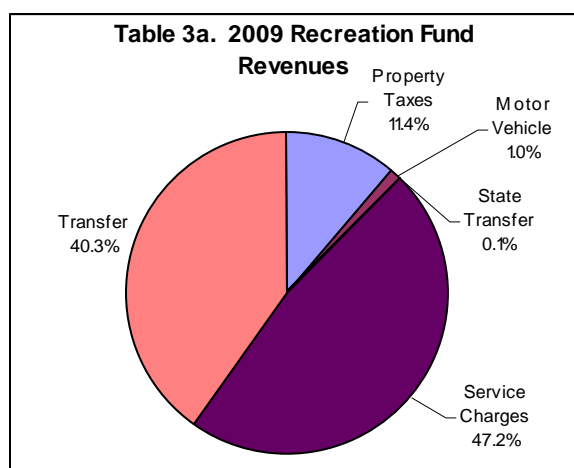
Table 3. Recreation Fund

<i>Revenue Source</i>	<i>Actual 2007</i>	<i>% of Budget</i>	<i>Actual 2008</i>	<i>% of Budget</i>	<i>Estimated 2009</i>	<i>% of Budget</i>
Property Taxes	\$396,805	99.4%	\$410,865	100.9%	\$408,976	99.7%
Motor Vehicle	30,245	105.1%	35,494	101.4%	35,189	95.4%
In-lieu	866		346	29.6%	344	94.7%
State Transfer	-		1,839		2,491	52.2%
Service Charges	1,531,669	106.1%	1,668,992	107.3%	1,696,488	104.3%
Transfer	1,400,000	100.0%	1,447,000	100.0%	1,447,000	100.0%
Total Revenue	\$3,359,585	102.7%	\$3,564,536	103.5%	\$3,590,487	101.8%

Expenditures

Recreation	3,216,204	92.6%	3,338,982	93.0%	3,506,857	94.8%
Total Expenditures	\$3,216,204	92.6%	\$3,338,982	93.0%	\$3,506,857	94.8%

Revenues over Expenditures	\$143,381	\$225,554	\$83,630
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As shown on Table 3a, the largest category of revenues in the Recreation Fund is service charges. Service charges increased 1.6%, or \$27,496, over last year. The increase can be attributed to youth sports entry fees and the addition of the DCABA league, class enrollment fees, field rental, and special population program fees. Revenues from the outdoor pool and Carl Knox pool were down while revenue from the indoor pool was flat.

More than one-third of the revenues in the Recreation Fund are proceeds from the City share of the countywide 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 remained

flat relative to 2008. The remaining revenues in this fund come from taxes, which were down just \$1,545 from 2008.

Expenditures. Table 3 above shows Recreation Fund expenditures increased by 5.0% from 2008 and represent 94.8% of 2009 budget. In 2008, 93.0% of the budget was expended, while 92.6% of budget was expended in 2007.

Public Transportation Fund

Table 4. Public Transportation Fund

<i>Revenue Source</i>	<i>Actual 2007</i>	<i>% of Budget</i>	<i>Actual 2008</i>	<i>% of Budget</i>	<i>Estimated 2009</i>	<i>% of Budget</i>
Property Taxes	\$617,060	98.7%	\$993,436	99.6%	\$7,341	
Motor Vehicle	47,297	105.6%	55,331	102.3%	83,825	
In-lieu	1,340	73.0%	840	54.9%		
State Transfer	-		4,459			
Sales Tax	-		-		1,592,756	105.9%
Reimbursements	14,068		-		711	
Transfers	232,000		-			0.0%
Service Charges	216,789	131.4%	288,271	92.3%	270,569	86.7%
Total Revenue	\$1,128,554	134.9%	\$1,342,337	98.3%	\$1,955,202	81.1%
<i>Expenditures</i>						
Transportation	\$1,457,534	83.1%	\$1,532,101	85.9%	\$2,071,878	85.4%
Total Expenditures	\$1,457,534	83.1%	\$1,532,101	85.9%	\$2,071,878	85.4%
Revenues over Expenditures	(\$328,980)		(\$189,764)		(\$116,676)	

Revenues. Revenues collected in 2009 represent only 81.1% of budget, compared to 98.3% in 2008. However, in 2008, the Public Transportation Fund received support from property tax. In 2009, that revenue source was replaced with a transfer of proceeds from one of the two new 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. The transit sales tax provisions did not go into effect until April 1, 2009, so only seven months of collections are reflected in 2009 revenues. In addition, the 2009 budget included a \$595,000 loan from another fund to cover the five months of operating expenses before the sales tax proceeds became available. However, the fund balance at the end of 2008 was greater than anticipated and that loan was not necessary.

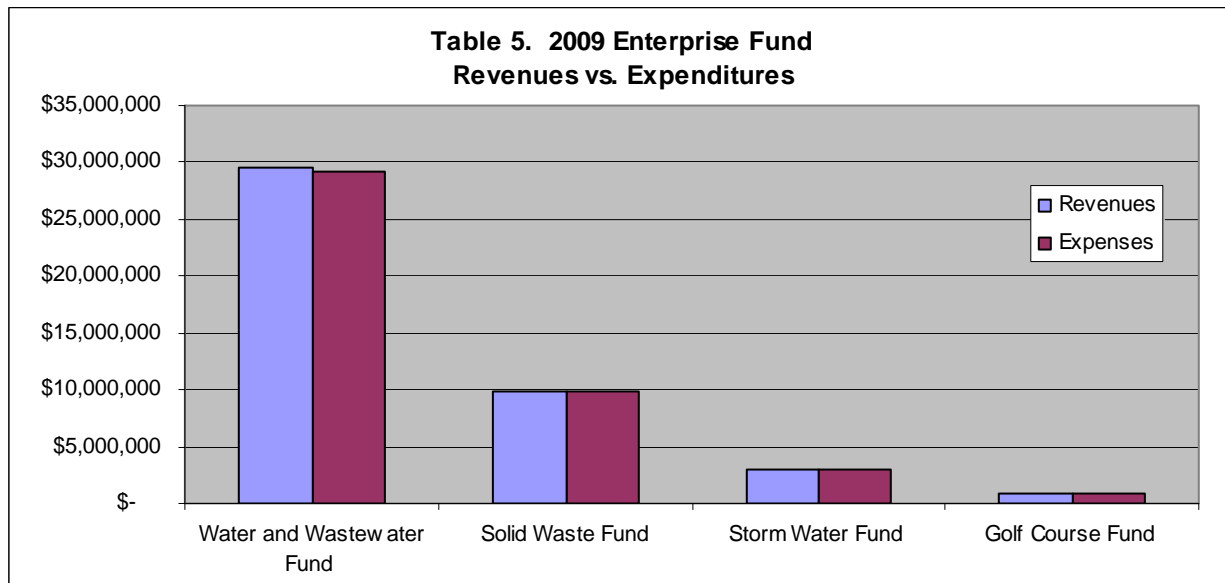
Revenues from bus fares and the sale of bus passes decreased \$17,702, or 6.1%, compared to 2008. The reduction in fare revenue is due to the reciprocal agreement with the University of Kansas under which KU cardholders can ride the T for no additional charge. This arrangement has not been revenue neutral; however, it has lead to a significant increase in ridership. Total ridership on the fixed route system was up 28% compared to 2008.

Expenditures. Expenditures in the Public Transportation Fund represent 85.4% of budget and increased by \$539,777, or 35.2%, compared to 2008. This increase can be attributed to 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, which were the responsibility of MV under the contract in place in 2008.

Enterprise Funds

Summary

Table 5 compares revenues and expenses for the City's four major Enterprise Funds. Revenues collected in 2009 exceeded expenses in the Water and Wastewater Fund and the Golf Course Fund. Expenses in the Solid Waste and Storm Water Funds exceeded revenues in 2009; however, the deficits in both funds were much smaller than budgeted.



Highlights for these four Enterprise Funds are also provided below.

Water and Wastewater Fund

Table 6. Water and Wastewater Fund

<i>Revenue Source</i>	<i>Actual 2007</i>	<i>% of Budget</i>	<i>Actual 2008</i>	<i>% of Budget</i>	<i>Estimated 2009</i>	<i>% of Budget</i>
Customer charges	\$26,560,018	104.9%	\$27,034,415	95.6%	\$27,803,428	98.3%
Interest	355,681	47.4%	238,761	26.5%	210,770	21.1%
Development charges	1,142,890	103.9%	919,320	83.6%	1,296,540	162.1%
Other	474,264	316.2%	273,425	182.3%	262,795	175.2%
Total Revenue	\$28,532,853	104.4%	\$28,465,921	93.6%	\$29,573,533	97.8%
<i>Expenses</i>						
Operations	\$32,006,157	85.0%	\$28,205,270	70.9%	\$29,189,661	82.2%
Total Expenses	\$32,006,157	85.0%	\$28,205,270	70.9%	\$29,189,661	82.2%
Net Income	(\$3,473,304)		\$260,651		\$383,872	

Revenues. Due to an increase in water and sewer rates for 2009, revenues collected from service charges increased 2.8%, or \$769,013, compared to 2008. Revenue from system development charges increased 41.0%, or \$377,220, over 2009. Overall, revenues collected in 2009 increased \$1,107,612, or 3.9%, compared to 2008 and represented 97.8% of the adopted budget.

Expenses. Water and Wastewater Fund expenses increased 3.5%, or \$984,391, over 2008 and represent 82.2% of the adopted budget. However, 2009 expenses were less than revenues collected in 2009. This was the second consecutive year that revenues exceeded expenses.

Solid Waste Fund

Table 7. Sanitation Fund

<i>Revenue Source</i>	<i>Actual 2007</i>	<i>% of Budget</i>	<i>Actual 2008</i>	<i>% of Budget</i>	<i>Estimated 2009*</i>	<i>% of Budget</i>
Sanitation Service Charge	\$7,212,174	102.0%	\$7,579,443	102.5%	\$7,667,358	100.6%
Roll Off	1,596,908	114.1%	1,545,292	95.4%	1,612,816	100.8%
Extra Pickups, Miscellaneous	358,969	71.8%	505,569	103.6%	536,930	112.6%
State Grants	16,844		0		0	
Interest on Investments	149,348	135.8%	85,097	85.1%	(2,957)	-3.0%
Total Revenue	\$9,334,243	102.8%	\$9,715,401	101.2%	\$9,814,147	100.2%
<i>Expenses</i>						
Operations	\$9,722,086	89.6%	\$10,229,019	93.0%	\$9,883,820	87.6%
Total Expenses	\$9,722,086	89.6%	\$10,229,019	93.0%	\$9,883,820	87.6%
Net Income	(\$387,843)		(\$513,618)		(\$69,673)	

Revenues. Revenue in the Solid Waste Fund increased \$98,746, or 1.0%, over 2008 and represent 100.2% of budget. In 2008, 101.2% of budgeted revenues were collected while in 2007, 102.8% of budgeted revenues were collected.

Expenses. Expenses in 2009 represented 87.6% of budget and decreased 3.4% compared to 2008. Expenses exceeded revenues by \$69,673; however, this deficit is significantly less than the deficit in the fund in the two previous years. In 2008, expenses exceeded revenues by \$513,618 at the end of 2008 and in 2007, the deficit was \$387,843.

Storm Water Fund

Table 8. Storm Water Fund

<i>Revenue Source</i>	<i>Actual 2007</i>	<i>% of Budget</i>	<i>Actual 2008</i>	<i>% of Budget</i>	<i>Estimated 2009</i>	<i>% of Budget</i>
Storm Water Utility Charges	\$2,836,484	101.3%	\$2,890,385	101.4%	\$2,919,033	102.4%
Interest on Investments	67,877	135.8%	46,989	234.9%	(6,445)	-32.2%
Miscellaneous	0			0.0%	500	7.1%
Total Revenue	\$2,904,361	101.9%	\$2,937,374	102.1%	\$2,913,088	101.3%
<i>Expenses</i>						
Operations	\$3,434,092	85.4%	\$3,250,695	92.8%	\$3,003,729	85.4%
Total Expenses	\$3,434,092	85.4%	\$3,250,695	92.8%	\$3,003,729	85.4%
Net Income	(\$529,731)		(\$313,321)		(\$90,641)	

Revenues. Revenue in the Storm Water Fund decreased just \$24,286, or less than 1%, from last year and represent 101.3% of budget. This decrease can be attributed to lower interest earned in 2009.

Expenses. Expenses in 2009 represent 85.4% of budget and decreased \$246,966, or 7.6%, compared to last year. This is due largely to expenses related to capital improvements made at the intersection of 19th and Louisiana in the 2008 and to reduced transfers to the General Fund in 2009. While expenses exceeded revenues by \$90,641, the deficit was significantly less than the deficit in both 2007 and 2008.

Public Golf Course Fund

Table 9. Golf Course Fund

<i>Revenue Sources</i>	<i>Actual 2007</i>	<i>% of Budget</i>	<i>Actual 2008</i>	<i>% of Budget</i>	<i>Estimated 2009</i>	<i>% of Budget</i>
Golf Course Fees	\$910,139	91.0%	\$914,846	90.7%	\$919,416	93.8%
Interest on Investments	0		1,963		1,145	
Miscellaneous	13,236		1,393		464	
Transfers in	0		0			
Total Revenue	\$923,375	92.3%	\$918,202	91.0%	\$921,024	93.9%
<i>Expenses</i>						
Operations	\$765,414	76.2%	\$816,813	84.0%	\$858,640	77.1%
Total Expenses	\$765,414	76.2%	\$816,813	84.0%	\$858,640	77.1%
Net Income	\$157,961		\$101,389		\$62,384	

Revenues. Public Golf Course Fund revenue increased just \$2,822 over 2008 and represent 93.9% of 2009 budgeted revenues. Revenue collected in 2008 represented 91.0% of the 2008 budget, while 92.3% of budgeted revenues were collected in 2007.

Expenses. Public Golf Course Fund expenses to date represent 77.1% of budget and increased \$41,827, or 5.1%, over 2008. However, expenses in 2009 were less than revenues collected in 2009 by \$62,384.