

City of Lawrence
Sales Tax Audit Committee
February 11, 2010 minutes

MEMBERS PRESENT: Kathy Branson, Ted Boyle, Jon King, Charlie Sedlock, Keith Yehle, Chair

MEMBERS ABSENT: None

STAFF PRESENT: David L. Corliss, City Manager
Robert Nugent, Transit Administrator
Casey Toomay, Budget Manager

PUBLIC PRESENT: None

Chair Yehle called the meeting to order at 4:05 p.m., King seconded the motion, approved 4-0, Branson absent.

King made a motion to approve the 12/10/09 meeting minutes; Boyle seconded the motion, approved 4-0, Branson absent.

Branson arrived.

Corliss walked the committee through the [annual report](#) on the three sales tax provisions. He explained how actual collections exceeded the projections made during the discussion of the sales taxes in 2008, however, overall, sales tax collections in 2009 were below 2008 collections. These numbers are unaudited and are still subject to change but as of December 31, 2009 proceeds from the three City sales and use tax received and receipted to the general fund total \$4,380,078. Proceeds have been transferred to the appropriate funds as follows:

- Proceeds from the 0.30% sales tax received as of 12/31/2009, total \$2,389,133.
 - \$1,889,133 has been transferred to the capital improvement reserve fund for infrastructure;
 - \$500,000 has been transferred to the equipment reserve fund for fire apparatus;
- Proceeds from the 0.20% sales tax received as of 12/31/2009, totaling \$1,592,756, have been transferred to the transit fund for operating costs;
- Proceeds from the 0.05% sales tax received as of 12/31/2009, totaling \$398,189, have been transferred to the equipment reserve for transit equipment purchases.

As of December 31, 2009, expenditures have been as follows:

- \$707,996 of the 0.30% infrastructure sales tax was spent on three projects:
 - \$280,888 on repairs to 9th Street, which is now complete;

- \$176,368 on the Burroughs Creek Trail, which is under construction but on hold until the weather improves. King noted this amount was less than previously reported. Toomay explained that \$137,809 of land acquisition costs previously included in the reported expenditures were reclassified and paid with other city funds. This was done pursuant to the infrastructure sales tax ballot language which specified that funds were to be used for “constructing and maintaining” recreational trails and paths, not for land acquisition; and
- \$250,740 on engineering related to the reconstruction of Kasold from Clinton Parkway to 31st Street, which is expected to continue through 2011. Corliss noted that while the City still intends to make progress on this progress in 2010, priorities may need to be adjusted to address Iowa Street from Harvard Road to the KU overpass, which has severely deteriorated in recent months.
- \$1,592,756 of the 0.20% sales tax was spent on Transit operations in 2009. As explained in a separate [memo](#), a total of \$3,764,826 was spent on transit from all funds in 2009. These expenditures were paid from federal, state, and local funds as follows:
 - \$1,692,948 of expenditures were paid with federal and state grants;
 - \$2,071,878 of expenditures were paid with local revenues which included proceeds from the sales tax as well as fare box receipts, bus pass sales, motor vehicle taxes, and transit funds carried forward from 2008.
- None of the 0.05% sales tax was spent in 2009. Corliss explained that these funds will carry forward to be spent as matching funds for state and federal grants for bus purchases or other capital needs.

Bob Nugent, the City's transit administrator provided the committee with a wrap up of Transit operations in 2009. The City made significant progress toward coordination with the University of Kansas. In August, Route 11 was launched, combining 2 KU routes and one City route. This jointly provided route has increased services to KU students by operating on Saturdays and when KU is not in session, and increased service to other riders by increasing frequency on a route that serves as a spine for the system. A combined “Guide to Ride” has been created and a number of practices and policies have been unified. Customer service calls are now routed to a single phone number. Shelter maps have been streamlined and made specific to each route. Work towards a joint maintenance facility continues. The City hopes to lease from KU, reducing costs by combining dispatch, driver training, and maintenance operations. A common set of service standards and policies have been developed to help make system wide decisions into the future. Staff continues to analyze what transit is going to look like in order to replace the aging fleet with appropriate sized vehicles. Stimulus dollars were used to order three, 40ft. hybrid buses to use on Route 11. Overall, the system experienced a 28% increase in ridership, most of which can be attributed to KU students.

There being no further business to discuss, the Committee scheduled the next meeting for June 17 at 4:00 p.m. in the City Manager's Conference Room, Fourth Floor of City Hall. Yehle made a motion to adjourn that was seconded by Sedlock. The motion was approved 5-0. The meeting was adjourned at approximately 5:17 p.m.

Public Transportation, Streets and Infrastructure Sales Taxes

2009 Report

In November of 2008, voters approved three new sales tax proposals. Each of these taxes, which became effective April 1, 2009 and which will remain in effect for ten years, has a dedicated purpose. When the taxes were approved, the City pledged to create a Sales Tax Audit Committee to ensure the money generated by each was expended pursuant to the ballot language approving the tax. The following information summarizes the revenues collected and expenditures made from each of the three sales taxes in 2009 as of December 31, 2009. As shown, actual collections exceeds the amount of sales tax projected when the sales taxes were first proposed in 2008.

0.3 percent for streets and infrastructure

This tax was approved to help Lawrence catch up on the maintenance of residential streets and make improvements to high traffic streets by creating a dedicated revenue sources for streets, sidewalks, trails, equipment, and storm sewers.
Projected 2009 Collection: \$2,255,900

2009 Sales Tax Collected: \$2,389,133

2009 Expenditures:

9 th Street, from Iowa to Indiana	\$280,888
Burroughs Creek Trail	\$176,368
Kasold from Clinton Pkwy to 31 st St.	\$250,740

Total \$707,996

Balance Forward: \$1,681,137

Funds not spent in 2009 will carry forward to fund purchases in future years. For example, \$500,000 will be used toward the purchase of fire apparatus in 2010.

A complete plan for the expenditure of proceeds from this sales tax can be found on the reverse page.

0.2 percent for public transportation

This dedicated funding source replaced property tax as the main local revenue source for operation of the City's public transit system. It was approved to ensure that the City had the resources to merge with the University of Kansas transit system.
Projected 2009 Collection: \$1,504,000

2009 Sales Tax Collected: \$1,592,756

2009 Transit Expenditures*: \$3,816,874

*includes expenditures in both the budgeted Transit Fund (\$2,071,878) and the non-budgeted state and federal grant fund (\$1,744,996) for operations. In addition to proceeds from the sales tax, transit operations are supported by federal and state grants as well as fare box revenues.

The City has made great progress with the University of Kansas toward providing more coordinated services. In August of 2009, a jointly provided Route 11 was created to replace one City route and two KU routes. In addition, a joint map was created and a joint information hotline has been established.

0.05 percent for public transportation, expanded

This tax was approved to provide additional dedicated resources for the transit system for route enhancements and vehicle and facility improvements.
2009 Projected Collection: \$376,000

2009 Sales Tax Collected: \$398,189

2009 Expenditures*: \$0

Balance Forward: \$398,189

Funds not spent in 2009 will carry forward to fund purchases in future years. For example, the City has ordered hybrid buses to replace some of the City's current fleet. These buses will be paid for in part with proceeds from the 0.05% sales tax.



Infrastructure Sales Tax Resources and Expenses

RESOURCES	Estimated 2009	Budget 2010	Budget 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017	Budget 2018	Budget 2019	Budget TOTAL
Infrastructure Sales Tax - CI Reserve	\$1,889,133	\$3,444,646	\$3,523,539	\$3,604,010	\$3,686,090	\$3,769,812	\$3,855,208	\$3,942,312	\$4,031,158	\$4,121,781	\$1,464,257	\$37,331,946
Interest												
Infrastructure Sales Tax - Equip Reserve	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$5,500,000
Interest												
Total Revenue	\$2,389,133	\$3,944,646	\$4,023,539	\$4,104,010	\$4,186,090	\$4,269,812	\$4,355,208	\$4,442,312	\$4,531,158	\$4,621,781	\$1,964,257	\$42,831,946

SALE TAX EXPENSES (total proj. cost)	Estimated 2009*	Budget 2010*	Budget 2011*	Budget 2012*	Budget 2013*	Budget 2014*	Budget 2015*	Budget 2016*	Budget 2017*	Budget 2018*	Budget 2019*	Budget TOTAL*	Needed From other sources**
Residential Street Maintenance - (\$5,000,000)	\$280,888	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$210,000	\$4,990,888	\$9,112
Fire Apparatus													
Ladder 2 - (\$1,205,591)		\$500,000											\$705,591
Engine 6 - (\$851,065)		\$500,000											\$151,065
Quint 6 - (\$973,236)			\$500,000										\$473,236
Quint 3 - (\$998,191)				\$250,000									\$748,191
Hazmat 5 - (\$750,000)				\$250,000									\$500,000
Quint 7 - (\$1,106,329)					\$500,000								\$606,329
Quint 5 - (\$1,081,374)						\$500,000							\$581,374
Ladder 5 - (\$1,688,298)								\$1,000,000					\$688,298
Tender 1 - (\$600,000)									\$500,000				\$100,000
Quint 1 - (\$1,247,739)										\$500,000			\$747,739
Total Fire Apparatus												\$5,000,000	\$5,301,823
Burroughs Creek - (\$350,000)	\$176,368	\$173,632										\$350,000	\$0
Kasold - 23rd to 31st - (\$7,135,000)													
Engineering	\$250,740	\$189,260											
R/W		\$120,000											
Construction		\$2,500,000	\$2,500,000									\$5,560,000	\$1,575,000
5th and Maple Pump Station - (\$5,000,000)													
Engineering				\$400,000									
R/W		\$100,000		\$100,000									
Construction					\$2,400,000	\$2,000,000						\$5,000,000	\$0
Wakarusa - BBP to 18th - (\$3,150,000)													
Engineering													
R/W			\$25,000										
Construction				\$2,700,000								\$2,725,000	\$425,000
19th - Iowa to Naismith - (\$3,885,500)													
Engineering					\$350,000								
R/W					\$25,500								
Construction						\$2,200,000	\$1,000,000					\$3,575,500	\$310,000
Kasold - Harvard to BBP - (\$4,922,000)													
Engineering						\$420,000							
R/W						\$42,000							
Construction							\$3,000,000	\$1,100,000				\$4,562,000	\$360,000
Wakarusa - BBP to Legends - (4,663,000)													
Engineering								\$300,000					
R/W								\$23,000					
Construction									\$2,000,000	\$2,100,000		\$4,423,000	\$240,000
BBP - Crestline to Kasold - (\$3,483,000)													
Engineering									\$300,000				
R/W									\$23,000				
Construction										\$2,900,000		\$3,223,000	\$260,000
BBP - Iowa to Crestline (\$5,605,000)													
Engineering										\$400,000			
R/W										\$10,000			
Construction - Phase I											\$2,500,000	\$2,910,000	\$2,695,000
Total Expenses from Infrastructure Sales Tax	\$707,996	\$4,582,892	\$3,525,000	\$4,200,000	\$3,775,500	\$5,662,000	\$4,500,000	\$2,923,000	\$3,323,000	\$6,410,000	\$2,710,000	\$42,319,388	\$16,477,758
Revenues over Expenses	\$1,681,137	-\$638,246	\$498,539	-\$95,990	\$410,590	-\$1,392,188	-\$144,792	\$1,519,312	\$1,208,158	-\$1,788,219	-\$745,743	\$512,558	
Fund Balance Forward Jan 1	\$0	\$1,681,137	\$1,042,891	\$1,541,430	\$1,445,440	\$1,856,030	\$463,841	\$319,049	\$1,838,361	\$3,046,520	\$1,258,301		
Ending Balance Dec 31	\$1,681,137	\$1,042,891	\$1,541,430	\$1,445,440	\$1,856,030	\$463,841	\$319,049	\$1,838,361	\$3,046,520	\$1,258,301	\$512,558	\$512,558	

* expenses do not reflect total project cost. Instead, only the project expenses to be funded with proceeds from the Infrastructure Sales Tax are shown here.

** Other sources include state and/or federal aid, as well as cash from other funds or other reserve funds, debt financing, etc.

Memorandum

City of Lawrence

City Manager's Office

DATE: 2/9/2010
TO: David L. Corliss, City Manager
FROM: Casey Toomay, Budget Manager
CC: Cynthia Boecker, Assistant City Manager
Diane Stoddard, Assistant City Manager
Jonathan Douglass, Assistant to the City Manager
RE: Questions Regarding Transit Resources and Expenses

The memo below provides information in response to Mayor Chestnut's request for a breakdown of all transit resources and all transit expenditures for 2009.

The table below provides a breakdown of local revenues (sales tax, fares, and bus pass sales) as well as federal and state grants for 2009. It also shows a breakdown of expenditures made with federal and state grants and those expenditures made with local resources.

	Local	Fed/State	Total
Revenues	1,948,524	1,692,948	3,641,472
Expenditures	<u>2,071,878</u>	<u>1,692,948</u>	<u>3,764,826</u>
Difference	(123,354)	-	(123,354)

Local expenditures did exceed local revenues in 2009. As a result, it will be necessary to spend down fund balance in the Transit Fund by \$123,354. However, it will not be necessary to borrow from any other City fund to make up for the five months of sales tax revenue not collected due to the April effective date of the new sales tax. This was in part due to a beginning fund balance that was greater than budgeted. In addition, 2009 expenditures were \$353,606 less than budgeted.

And while it was necessary to spend fund balance in 2009, the attached [projection](#) shows that the sales tax should generate sufficient resources to cover expenditures into the future. It will be a challenge, considering recent declines in sales taxes collections. However, we will continue to monitor expenditures to ensure they are within available resources.

Transportation Fund

	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Projected 2009	Budget 2010	Projection 2010	Projection 2011
Revenues									
Property Taxes	981,041	500,165	617,060	993,436	-	7,341	-		
Motor Vehicle	123,681	98,944	47,297	55,331	-	77,147	-		
In-lieu	3,775	1,864	1,340	840	-	-	-	-	-
State Transfer	-	-	-	4,459	-	-	-		
Sales Tax	-	-	-	-	1,503,950	1,592,756	2,629,764	2,630,000	2,682,600
Reimbursements	-	42,982	14,068	-	-	711	-	-	-
Transfers	-	-	232,000	-	595,000	-	-	-	-
Service Charges	<u>164,721</u>	<u>181,641</u>	<u>216,789</u>	<u>288,271</u>	<u>312,000</u>	<u>270,569</u>	<u>273,499</u>	<u>278,686</u>	<u>287,047</u>
Total Revenue	1,273,218	825,596	1,128,554	1,342,337	2,410,950	1,948,524	2,903,263	2,908,686	2,969,647
Expenditures									
Transportation	1,587,865	1,354,785	1,457,534	1,532,101	2,425,484	2,071,878	2,903,780	2,134,034	2,198,055
Revenue over Expenditures	(314,647)	(529,189)	(328,980)	(189,764)	(14,534)	(123,354)	(517)	774,652	771,591
Beginning Balance	1,719,320	1,404,673	875,484	546,504	129,065	356,740	123,194	233,386	1,008,038
End Balance	<u>1,404,673</u>	<u>875,484</u>	<u>546,504</u>	<u>356,740</u>	<u>114,531</u>	<u>233,386</u>	<u>122,677</u>	<u>1,008,038</u>	<u>1,779,629</u>

Assumptions

No property tax levy in 2009, .20 sales tax beginning in 2009 (only 7 months collection in 2009) then 2.0% increase over 09 budget adjusted for 12 months
3% increase in expenditures in 2010,2011

	Local	Fed/State	Total
Revenues	1,948,524	1,692,948	3,641,472
Expenditures	<u>2,071,878</u>	<u>1,692,948</u>	<u>3,764,826</u>
Difference	(123,354)	-	(123,354)

As of Dec. 31, 2009, expenditures related to transit operations for 2009 totalled \$3,816,874. This included encumbrances totalling \$149,228. Of that total, \$1,692,948 was eligible for reimbursement from federal and state grant funds. The remaining \$2,071,878 of expenditures will be paid from sales tax proceeds, fares, and bus pass sales, as well as fund balance carried forward from 2008.