

City of Lawrence, Kansas Fourth Quarter Report – 2010

Purpose of Report

The following information summarizes the financial activities of the City of Lawrence on a budget basis for fiscal year 2010. **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

The City experienced revenue growth in almost all of its major funds. Likewise, expenditures grew in all but two of the funds featured in this report. With the exception of the Public Golf Fund, City departments were able to manage expenditures to available revenues and add to ending fund balance in all major funds.

For a fourth consecutive year, the general fund ended with expenditures lower than revenues. When adjusted for the infrastructure and transit sales taxes, revenues grew 2.6% over 2009 while expenditures grew 2.9%. Departments remained focused on the City Commission priorities of street maintenance, infrastructure, public safety, and economic development and expenditures in 2010 reflected those priorities.

General Operating Fund

Summary

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

<i>Revenues</i>	Actual 2008	% of Budget	Actual 2009	% of Budget	Estimated 2010	% of Budget
Property Taxes	\$13,842,433	101.1%	\$14,605,157	99.2%	\$14,979,348	100.4%
Franchise Fees	5,543,194	113.3%	5,872,925	111.3%	6,300,184	109.2%
Sales Taxes	23,133,235	102.0%	27,025,710	99.1%	29,499,359	95.7%
Intergovernmental Revenue	865,046	111.7%	856,758	95.1%	829,366	107.1%
Licenses & Permits	1,018,197	94.4%	810,916	71.4%	880,852	88.8%
Fines	2,499,596	100.0%	2,487,984	95.7%	2,957,151	105.6%
Service Charges	653,433	80.8%	692,646	99.4%	789,043	120.8%
Interest	684,397	68.4%	38,545	5.1%	120,172	20.0%
Miscellaneous Revenue	4,482,821	99.0%	4,079,180	99.0%	4,167,270	97.6%
Transfers	3,184,588	100.2%	3,312,883	100.0%	3,675,128	106.7%
Total Revenue	\$55,906,940	101.4%	\$59,782,704	98.3%	\$64,197,873	98.7%
<i>Expenditures</i>						
General Government	18,454,734	89.5%	21,854,811	75.4%	25,527,127	75.3%
Public Safety	27,303,563	95.5%	28,243,593	100.6%	28,816,379	101.2%
Public Works	6,113,573	89.6%	6,183,434	93.9%	6,393,045	94.5%
Parks & Recreation	3,260,229	93.5%	3,160,285	96.0%	3,243,872	97.1%
Total Expenditures	\$55,132,099	92.6%	\$59,442,123	88.8%	63,980,423	88.3%
Revenues over Expenditures	\$774,841		\$340,581		\$217,450	

Revenues totaling \$64,197,873 were collected in 2010. This is an increase of 7.4% from revenue collected in 2009 and represents 98.7% of budgeted revenues. This is largely due to the new sales tax proceeds. When adjusted for the new sales taxes, revenues increased just 2.6% over 2009.

General Fund expenditures in 2010 totaled \$63,980,423; an increase of 7.6% over 2009 that represents only 88.3% of expenditures budgeted for 2010. However, the 2010 budget included a transfer of \$7.6M that was budgeted to comply with the state law that limits budgeted fund balance to 5% of expenditures. Without that transfer, 2010 expenditures represent 98.6% of budget. In 2009, expenditures represented only 96.4% of budget without the transfer budgeted to achieve a 5% fund balance.

For the fourth consecutive year, the ending fund balance in the General Operating Fund grew, and at 20.0% of expenditures, it remains within the range outlined in the City Commission's general fund balance policy.

Revenue Highlights

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

Property Taxes. Revenues collected from property taxes increased 2.6%, or \$374,191, compared to last year. Collections represent 100.4% of the amount budgeted for 2010, compared to 99.2% of budget collected in 2009 and 101.1% in 2008.

Franchise Fees. Revenues collected from cable TV franchise fees are up 7.5% compared to 2009. Higher electric rates also resulted in an increase in electric franchise fee collections of 11%, or \$420,535, over collections in 2009. Gas franchise fees were relatively flat, increasing just \$7,898 over 2009. Telephone franchise fees decreased 14.8%, or \$60,687, from 2009. The overall result is total collections that represent 109.2% of budget and are 7.3%, or \$427,260, more than total franchise fees collected in 2009.

Sales Tax. Receipts from sales tax / use tax increased by \$2,473,649, or 9.2%, from 2009. However, this is due to the increase in the City sales tax rate that went into effect in April of 2009. As shown below, revenue from the 1% city sales tax / use tax decreased 3.6%, while the city's share of the county sales tax /use tax remained relatively flat. When adjusted for the new sales tax rate, revenues from sales tax decreased 2.1% from 2009. This is the second straight year of a 2.1% reduction in sales tax proceeds. In fact, revenues from the City 1% sales tax and City's share of the Countywide sales tax in 2010 were \$5,344 less than collections in 2007.

Purpose of Tax (percent)	Actual 2008	Estimated 2009	Estimated 2010	% of Budget
City (1%)	\$14,027,094	\$14,036,301	\$13,531,722	94.6%
City Infrastructure (0.3%)		2,389,133	3,999,351	101.4%
City Transit (0.2%)		1,592,756	2,666,232	101.4%
City Transit Equip. (0.05%)		398,189	666,560	101.4%
City share of Countywide (1%)	9,106,141	8,609,331	,635,494	93.0%
TOTAL SALES TAXES	\$23,133,235	\$27,025,710	\$29,499,359	95.7%

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 2010 represent 95.7% of the amount budgeted for 2010. In 2009, revenues collected represented 99.1% of budget and in 2008; revenues collected represented 102% of budget.

Licenses and Permit Fees. Revenue from licenses and permit fees increased 8.6% from 2009 but only 88.8% of 2010 budgeted revenues were collected. The majority of the increase came in building permit and inspection fees, which were up 13.1%, or \$74,593, from 2009. There was a slight increase in rental inspection fees, which were up 3.4% from 2009. Business licenses also increased while occupational and professional licenses decreased by 1.0%.

Intergovernmental Revenues. Overall, intergovernmental revenues received in 2010 were 3.2% below revenues received in 2009. This was in large part due to elimination of the slider payment. Meant to offset the impact of the machinery and equipment exemption, The City received \$81,757 in 2009. However, the State eliminated this payment in 2009, so no slider payment was received in 2010. This decrease was offset by an increase of 3.8%, or \$23,185 in liquor tax receipts. In addition, grant payments were received in 2010 that were not received in 2009. Overall, intergovernmental revenues collected exceeded budget, representing 107.1% of 2010 budget.

Service Charges. Overall, revenue from charges for service increased 13.9%, or \$96,397, over 2009. Many service charges generated more revenue in 2010 than in 2009. For example, revenue from cemetery lots was up 68.6% while burial fees were up 3.6%, in part due to an increase in cemetery fees charged. Pursuant to our agreement with Grant Township, revenue from the township fire levy increased 40.0% from 2009. Engineering fees increased 136.8%, or \$85,065, over 2009.

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 \$16,753, or 7.7%. Reimbursements for YSI were down 15.1%, or \$13,585. Copy/reproduction charges decreased 44.4%, or \$16,985, compared to 2009. Revenue from fingerprint and driving record fees was also down in 2010.

Overall, revenue from service charges represent 120.8% of 2010 budgeted service charges.

Fines. Fines in the General Fund increased 18.9%, or \$469,167, from 2009 and represent 105.6% of the amount budgeted for fines in 2010. Revenue collected from police officer tickets increased by 2.5%, while municipal court fines and fees collected increased by \$459,865, or 21.7%, compared to 2009.

Interest. Interest revenue in the General Fund increased significantly compared to 2009; increasing 211.8%. However, only 20.0% of the budgeted revenues were collected in this category in 2010.

Miscellaneous Revenues. Miscellaneous revenues increased \$88,088, or 2.2%, when compared to 2009 and represent 97.6% of budget. The largest category included in miscellaneous revenues is payments from Douglas County for providing EMS services. In 2010, the City received \$43,523, or 1.2%, more than was received for these services in 2009.

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 2010, \$362,245 more was transferred than in 2009 due in part to an increase in the amount transferred for general overhead expenses from the Water and Wastewater Fund.

Expenditures

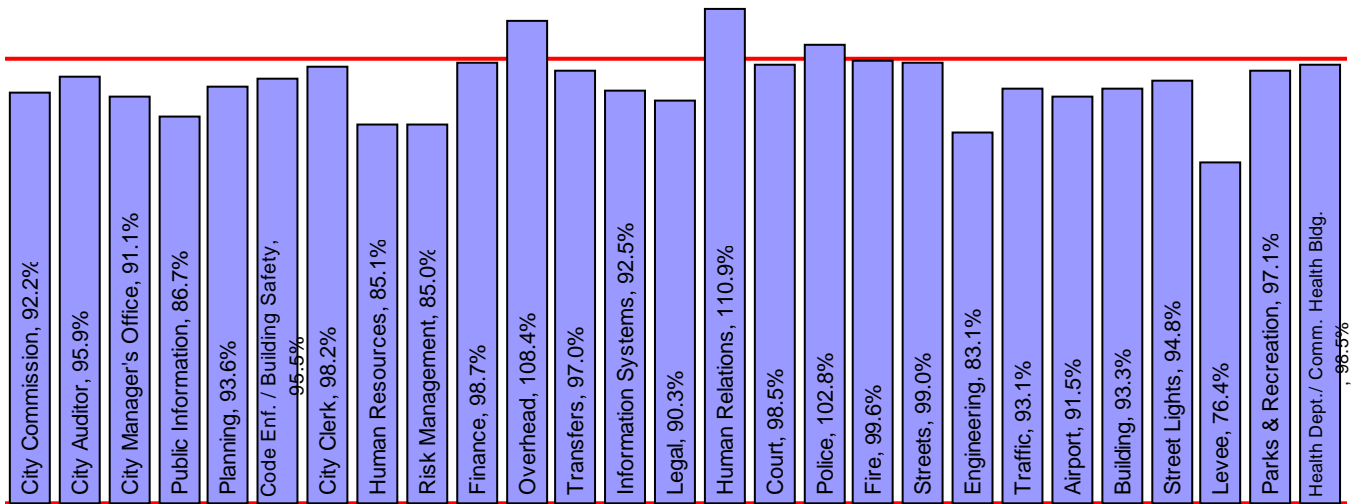
Overall, General Fund expenditures increased \$4,538,300, or 7.6% from 2009 and represent 88.3% of the 2010 adopted budget. When adjusted for the transfer budgeted for fund balance purposes, 98.6% of budget was expended in 2010.

This increase was largely 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 \$1,611,235 more than in 2009, an increase of 2.9%. This is slightly greater than revenues, which grew by 2.6% in 2010.

As shown on Table 2, there were three department / divisions in the General Fund that expended more than 100% of their 2010 budget.

- **General Overhead (108.4%)** due to the reimbursement of the Oread TIF sales tax proceeds, which was not included in the 2010 budget. In addition, this division includes payments to social service agencies, all of which received 100% of their budgeted allocation. It also includes costs for Legal Aid services and emergency communications, both of which exceeded the amount budgeted for 2010.
- **Human Relations (110.9%)** due to personnel costs that were not budgeted in 2010. Without these costs, only 28.0% of this division budget was spent in 2010.
- **Police (102.8%)** due to charges paid to Douglas County for the cost of incarceration of City inmates at the County jail, which greatly exceeded the amount included in the 2010 budget.

Table 2. 2010 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 \$3,672,316, or 16.8% over 2009 largely due to the transfers of the new sales tax proceeds. When adjusted for the new sales tax, general government expenditures increased 4.3%, or \$745,251, over 2009.

As previously mentioned, general overhead expenses increased 17.6%, or \$482,640, in 2010. The transfer to the Health Care fund for the City's contribution to employee healthcare also increased by 14.0%, or \$521,086. These increases were offset by reduced transfers to the Sales Tax Reserve Fund, as well as reduced expenditures in the City Manager's Office, Public Information, Risk Management, Legal, and Human Relations divisions. Overall, general government expenditures in 2010 represented only 75.3% of budget, compared to 75.4% in 2009, and 89.5% in 2008.

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 2.0%, or \$572,786, over 2009 and represent 101.2% of budget. Police expenditures in the General Fund grew by 24.2%, or \$595,823, and represented 102.8% of 2010 budget. Expenditures in Fire Medical represent 99.6% of budget but increased just \$4,612, less than one percent, over 2009.

Expenditures related to the Health Department and maintenance of the community health building decreased \$27,649, or 2.7%, from expenditures in 2009 and represent 98.5% of budget. The bulk of the reduction came from the City's share of the Health Department operations, which was reduced from \$669,000 in 2009 to \$648,929 in 2010.

Public Works includes Street Maintenance, Engineering, Traffic, Airport, Building Maintenance, Street Lights, Levee Maintenance, and Building Maintenance. Expenditures in this category increased just 3.4%, or \$209,611, from 2009 and represents 94.5% of budget. In 2009, 93.9% of the budget was expended. The largest increase was in the street division, which increased 9.3% or \$285,733 over 2009, due to increased street maintenance efforts in 2010. Expenditures in the airport division increased by \$57,197 due to the purchase of equipment. The increases were offset with reduced expenditures in the engineering, traffic, and levee divisions. Expenditures related to streetlights also decreased by 2.7% in 2010, or \$17,102, despite higher electricity rates.

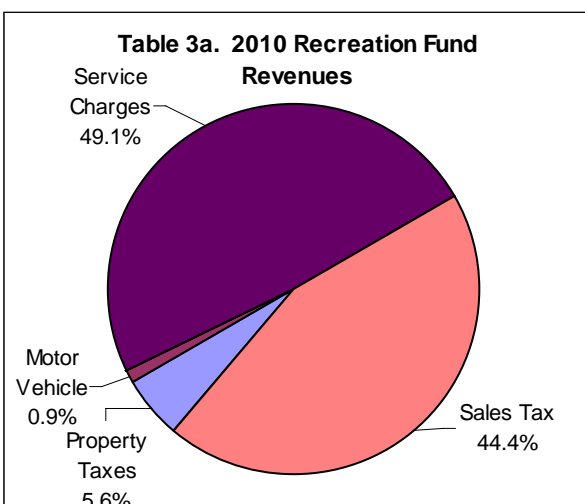
Parks and Recreation expenditures from the General Fund increased 2.6%, or \$83,587, from 2009 expenditures. Expenditures in this category represent 97.1% of budget compared to 96.0% of budget spent in 2009. While personnel costs were lower in 2010, contractual services increase 10.5%, commodities 9.3%, and due to equipment replacement in 2010 that did not occur in 2009, capital outlay increased 72.5%, or 14,874.

Special Revenue Funds

Recreation Fund

Table 3. Recreation Fund

<i>Revenues</i>	Actual 2008	% of Budget	Actual 2009	% of Budget	Estimated 2010	% of Budget
Property Taxes	\$410,865	100.9%	\$408,976	99.7%	\$208,510	102.4%
Motor Vehicle	35,494	101.4%	35,189	95.4%	34,874	99.3%
In-lieu	346	29.6%	344	94.7%	7	2.2%
State Transfer	1,839	0.0%	2,491	52.2%	-	0.0%
Service Charges	1,668,992	107.3%	1,696,488	104.3%	1,821,817	103.0%
Sales Tax	1,447,000	100.0%	1,447,000	100.0%	1,646,420	100.0%
Total Revenue	3,564,536	103.5%	3,590,487	101.8%	3,711,628	101.6%
<i>Expenditures</i>						
Recreation	3,338,982	93.0%	3,506,857	94.8%	3,606,750	89.9%
Total Expenditures	3,338,982	93.0%	3,506,857	94.8%	3,606,750	89.9%
Revenues over Expenditures	225,554		83,630		104,878	



Revenues. Table 3 shows Recreation Fund revenues increased \$121,141, or 3.4%, over 2009 and represent 101.6% of budget.

As shown on Table 3a, the largest category of revenues in the Recreation Fund is service charges. Service charges increased 7.4%, or \$125,329, over last year. Contract concessions, building rentals, and batting cage revenues decreased compared to 2009. However, all other charges for services generated more revenue in 2010 than in 2009 including youth sports, adult sports, special population program fees, and all aquatic facilities.

More than one-third of the revenues in the Recreation Fund are proceeds from the City's 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 were increased in 2010 to offset a reduction in the property tax mill levy for this fund. In 2010, only 5.6% of the revenues in this fund came from property taxes, compared to 2009, when 11.4% of revenue was from property taxes.

Expenditures. Table 3 above shows Recreation Fund expenditures increased by 2.8% from 2009 and represent 89.9% of 2010 budget. In 2009, 94.8% of the budget was expended, while 93.0% of budget was expended in 2008. The increase can be attributed to personnel costs, which increased 4.9% due in part to increased health insurance costs and merit for eligible employees. Expenditures for contractual services and commodities both decreased from 2009.

Public Transportation Fund

Table 4. Public Transportation Fund

<i>Revenues</i>	Actual 2008	% of Budget	Actual 2009	% of Budget	Estimated 2010	% of Budget
Property Taxes	\$993,436	99.6%	\$7,341	0.0%	\$3,887	0.0%
Motor Vehicle	55,331	102.3%	83,825	0.0%	496	0.0%
In-lieu	840	54.9%	-	0.0%	-	0.0%
State Transfer	4,459	0.0%	-	0.0%	-	0.0%
Sales Tax	-	0.0%	1,592,756	105.9%	2,666,233	101.4%
Reimbursements	-	0.0%	711	0.0%	40,382	0.0%
Transfers	-	0.0%	-	0.0%	-	0.0%
Service Charges	288,271	92.3%	270,569	86.7%	255,166	93.3%
Total Revenue	\$1,342,337	98.3%	1,955,202	81.1%	2,966,164	102.2%
<i>Expenditures</i>						
Transportation	\$1,532,101	85.9%	\$2,071,878	85.4%	\$2,587,008	89.1%
Total Expenditures	\$1,532,101	85.9%	\$2,071,878	85.4%	\$2,587,008	89.1%
Revenue over Expenditures	(\$189,764)		(\$116,676)		\$379,156	

Revenues. Revenues collected in 2010 represent 102.2% of budget, compared to just 81.1% in 2009 and 98.3% in 2008. In 2009, property tax 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. Sales tax collections increased 67.4% over 2009, however, the transit sales tax provisions did not go into effect until April 1, 2009, so 2009 revenues reflect only seven months of collections. When adjusted, transit sales tax collections were relatively flat with collections for the same period in 2009.

For the second consecutive year, revenues from bus fares and the sale of bus passes declined. Revenue from this category was down 5.7% compared to 2009. The reduction 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 led to a significant increase in ridership. Total ridership on the fixed route system was up 28% compared to 2009.

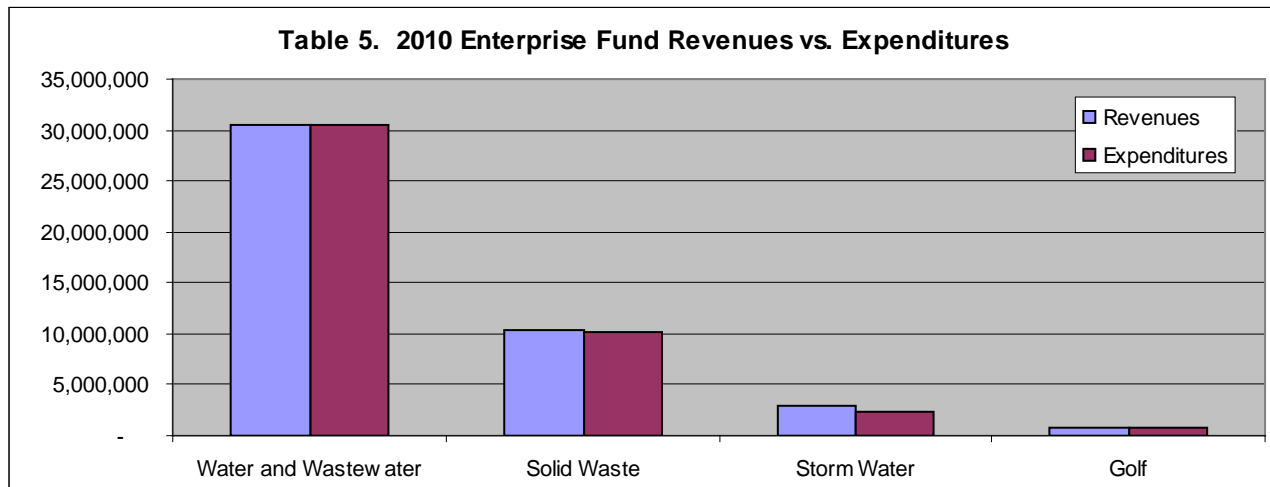
Expenditures. Expenditures in the Public Transportation Fund represent 89.1% of budget and increased by \$515,130, or 24.9%, compared to 2009. This increase can be attributed to the purchase of vehicles in 2010. The University of Kansas will be paying for the vehicles, however, as the federal grant recipient, the City will make the purchase and be reimbursed by the University. This funding arrangement is in exchange for a reduction in the City's costs to use the University's new transit maintenance facility.

Expenditures for contractual services also increased in 2010 due to increases in the cost of the contract with MV Transportation for operations of the transit system, as well as vehicle repairs and major component replacement.

Enterprise Funds

Summary

Table 5 compares revenues and expenses for the City's four major Enterprise Funds. Revenues collected in 2010 exceeded expenses in the Water and Wastewater Fund, Solid Waste and Storm Water Funds. Expenses in the Golf Course Fund exceeded revenues in 2010 by just \$2,746.



Highlights for these four Enterprise Funds are also provided below.

Water and Wastewater Fund

Table 6. Water and Wastewater Fund

	Actual 2008	% of Budget	Actual 2009	% of Budget	Estimated 2010	% of Budget
<i>Revenues</i>						
Customer charges	\$27,034,415	95.6%	\$27,588,072	97.6%	\$29,215,314	95.1%
Interest	238,761	26.5%	187,132	18.7%	94,901	15.2%
Development charges	919,320	83.6%	1,286,540	160.8%	865,310	86.5%
Other	273,425	182.3%	286,433	191.0%	418,576	114.7%
Total Revenue	\$28,465,921	93.6%	\$29,348,177	97.1%	\$30,594,101	93.6%
<i>Expenses</i>						
Operations	\$27,228,756	68.4%	\$28,126,633	79.2%	\$30,590,855	78.9%
Total Expenses	\$27,228,756	68.4%	\$28,126,633	79.2%	\$30,590,855	78.9%
Net Income	\$1,237,165		\$1,221,544		\$3,246	

Revenues. Due to an increase in water and sewer rates for 2010 and increased water sales, revenues collected from service charges increased 5.9%, or \$1,627,242, compared to 2009. Revenue from system development charges decreased 32.7%, or \$421,230, compared to 2009. Interest also decreased significantly due to having a smaller balance invested. Overall, revenues collected in 2010 increased \$1,245,924 or 4.2%, compared to 2009 and represented 93.6% of the adopted budget.

Expenses. Water and Wastewater Fund expenses increased 8.8%, or \$2,464,222, over 2009 and represent 78.9% of the adopted budget. The bulk of the increase can be attributed to contractual services, debt service, and commodities such as chemicals and fuel.

Despite the increase in expenses, total expenses were less than revenues collected for the third consecutive year.

Solid Waste Fund

Table 7. Solid Waste Fund

<i>Revenues</i>	Actual 2008	% of Budget	Actual 2009	% of Budget	Estimated 2010	% of Budget
Sanitation Service Charge	\$7,579,443	102.5%	\$7,865,864	103.2%	\$8,116,727	100.4%
Roll Off	1,545,292	95.4%	612,816	100.8%	1,476,318	96.5%
Extra Pickups, Miscellaneous	505,569	103.6%	320,098	67.1%	684,132	174.1%
State Grants	-	0.0%	-	0.0%	-	0.0%
Interest on Investments	85,097	85.1%	2,584	2.6%	3,549	4.7%
Total Revenue	9,715,401	101.2%	\$9,801,362	100.1%	\$10,280,726	102.0%
<i>Expenditures</i>						
Operations	\$10,229,019	93.0%	\$9,896,934	87.7%	\$10,121,353	91.8%
Total Expenditures	\$10,229,019	93.0%	\$9,896,934	87.7%	\$10,121,353	91.8%
Net Income	(\$513,618)		(\$95,572)		\$159,373	

Revenues. Revenue in the Solid Waste Fund increased \$479,364, or 4.9%, over 2009 and represent 102.0% of budget. In 2009, 100.1% of budgeted revenues were collected while in 2008, 101.2% of budgeted revenues were collected. Revenue from charges for service increased 3.2%, while revenue from miscellaneous charges (recycling sales, cardboard recycling, mixed paper, compost site use, etc.) increased 113.7%, or \$364,034, over 2009 collections.

Expenses. Expenses in 2010 represented 91.8% of budget and increased 2.3% compared to 2009. However, the increase can be largely attributed to an increased transfer to the City's equipment reserve fund for future equipment replacement. Operating expenses were actually 3.1% less, or \$298,776, in 2010 than in 2009.

Despite the increase over last year, expenses in the solid waste fund were less than revenues in 2010.

Storm Water Fund

Table 8. Storm Water Fund

<i>Revenues</i>	Actual 2008	% of Budget	Actual 2009	% of Budget	Estimated 2010	% of Budget
Storm Water Utility Charges	\$2,890,385	101.4%	2,919,032	102.4%	\$2,948,627	102.0%
Interest on Investments	46,989	234.9%	(6,445)	-32.2%	1,486	7.4%
Miscellaneous	-	0.0%	500	7.1%	-	0.0%
Total Revenue	\$2,937,374	102.1%	\$2,913,087	101.3%	\$2,950,113	101.1%
<i>Expenditures</i>						
Operations	\$3,250,695	92.8%	\$3,004,427	85.4%	\$2,408,311	74.6%
Total Expenditures	\$3,250,695	92.8%	\$3,004,427	85.4%	\$2,408,311	74.6%
Net Income	(\$313,321)		(\$91,340)		\$541,802	

Revenues. Revenue in the Storm Water Fund increased 1.3%, or \$37,026, over 2009 and represent 101.1% of budget.

Expenses. Expenses in 2010 represent 74.6% of budget and decreased \$596,117, or 19.8%, compared to 2009. The majority of the decrease can be attributed to reduced transfers to reserve funds in 2010, and a reduced debt service payment.

In contrast to the two prior years, revenues in the Storm Water Fund exceeded expenses in 2010.

Public Golf Course Fund

Table 9. Golf Course Fund

<i>Revenues</i>	Actual 2008	% of Budget	Actual 2009	% of Budget	Estimated 2010	% of Budget
Golf Course Fees	\$14,846	90.7%	\$919,416	93.8%	\$780,231	77.2%
Interest on Investments	1,963		1,144		325	32.5%
Miscellaneous	1,393		464		(1,708)	-21.4%
Total Revenue	\$918,202	91.0%	\$921,024	93.9%	\$778,848	76.4%
<i>Expenditures</i>						
Operations	\$816,813	84.0%	\$878,173	78.9%	\$781,594	72.2%
Expenditures	\$816,813	84.0%	\$878,173	78.9%	\$781,594	72.2%
Revenue over Expenditures	\$101,389		\$ 42,851		(\$2,746)	

Revenues. Public Golf Course Fund revenue decreased by \$142,176, or 15.4%, compared to 2009 and represent 76.4% of 2010 budgeted revenues. Revenue collected in 2009 represented 93.9% of the 2009 budget, while 91.0% of budgeted revenues were collected in 2008.

Expenses. Public Golf Course Fund expenses in 2010 represent 72.2% of budget and decreased \$96,579, or 11.0%, from 2009. Despite reduced expenditures, expenses in 2010 exceeded revenues by \$2,746.