

Memorandum

City of Lawrence

City Manager's Office

DATE: 4/27/2012
 TO: David L. Corliss, City Manager
 FROM: Casey Toomay, Budget Manager
 CC: Cynthia Wagner, Assistant City Manager
 Diane Stoddard, Assistant City Manager
 Jonathan Douglass, Assistant to the City Manager / City Clerk
 RE: Preliminary Financial Information on the General Fund for 2011

The following is a brief summary of 2011 revenues and expenditures in the City's General Fund. The City's financial audit is not yet complete however, so these numbers are still subject to change.

Revenues

General Fund Revenues	Actual 2009	Actual 2010	Budget 2011	Estimated 2011	% of 11 Budget	% change
Property Taxes	14,605,157	14,979,348	14,825,644	15,459,093	104.3%	3.2%
Franchise Fees	5,872,925	6,300,184	6,120,000	6,408,974	104.7%	1.7%
Sales/ Use Taxes	27,025,710	29,499,359	30,090,000	30,835,166	102.5%	4.5%
Intergovernmental Revenue	856,758	829,366	775,000	832,375	107.4%	0.4%
Licenses & Permits	810,916	880,852	869,592	950,503	109.3%	7.9%
Fines	2,487,983	2,957,151	2,950,000	2,829,328	95.9%	-4.3%
Service Charges	692,646	789,043	657,837	856,552	130.2%	8.6%
Interest	38,545	109,899	250,000	38,499	15.4%	-65.0%
Miscellaneous Revenue	4,079,180	4,185,605	4,458,000	4,118,906	92.4%	-1.6%
Transfers	3,312,883	3,675,128	3,589,874	3,690,034	102.8%	0.4%
Total Revenue	\$59,782,703	\$64,205,935	\$64,585,947	\$66,019,430	102.2%	2.8%

The table above shows how total revenues in the general fund collected in 2011 exceeded budget by 2.2%, or \$1,433,483. Additional information about each category of revenues is provided below.

- **Property Tax.** Property taxes revenues collected exceeded budget by \$633,449. Collections grew 3.2%, or \$479,745, compared to 2010. This was slightly more than the increase in 2010, when collections were 2.6% higher than the previous year.
- **Sales Tax.** Sales taxes collected in 2011 were \$1,335,807 more than were collected in 2010. This represents growth of 4.5% over 2010. This is less growth over prior year than in 2010, when collections grew 9.2% over 2009. However, the sales taxes approved by the voters in 2008 didn't go into effect until April of that year. Sales tax collections in 2011 exceeded budget by 2.5%, or \$745,166. In 2010, only 96% of budget was collected while in 2009, only 99% of budget was collected.
- **Franchise Fees.** Revenue from franchise fees in 2011 increased just 1.7%, or \$108,790, over franchise fee revenue in 2010. In 2010, franchise fee revenue grew 7.3% over prior year. Revenues in 2011 exceeded budget by 4.7% compared to 2010 when revenues collected exceeded budget by 9.2%.
- **Intergovernmental Revenues.** State highway funds and liquor tax proceeds are the two largest items in this category. Although revenues received in 2011 exceeded budget by 7.4%, or \$57,375, revenues received in 2011 were up less than 1% over 2010 revenue.

- **Licenses and Permits.** Revenue from licenses and permits collected in 2011 grew 7.9% over 2010 and exceed 2011 budget by 9.3%, or \$80,911.
- **Fines.** Revenue from officer tickets and court fines and fees in 2011 was 4.1%, or \$120,672, below budget in 2011. Revenues were 4.3%, or \$127,823, less in 2011 than in 2010.
- **Service Charges.** Revenues from service charges in 2011 exceeded budget by 30.2% and were up 8.6%, or \$67,509, over 2010.
- **Interest.** Revenue from interest in 2011 was down 65%, or \$71,400, from 2010. Only 15.4% of the 2011 budget was collected. This compares to 2010 when 18% of the budget was collected.
- **Miscellaneous Revenues.** Miscellaneous revenues in 2011 were down 1.6% from 2010. Revenues in 2011 were 7.6% below budget.
- **Transfers.** Revenue transferred into the General Fund from other City funds was 102.8% of budget in 2011. This was \$14,906, or 0.4%, more than the amount transferred in 2010.

Overall, total revenues collected in 2011 grew 2.8%, or \$1,813,495, over 2010. In 2010, revenues grew 7.4% over 2009. This slower growth rate should be considered when developing the 2013 budget.

Revenues did exceed expenditures in the general fund in 2011, but by just \$9,500. In 2010, revenues exceeded expenditures by \$182,807 while in 2009, revenues exceeded expenditures by \$340,580. This will also be important to consider when developing the 2013 budget.

Expenditures

General Fund Expenditures	2009 Actual	2010 Actual	2011 Budget	2011 Estimated	% of 11 budget	% change
Personal Services	37,225,900	37,889,361	38,861,595	38,876,375	100.0%	2.6%
Contractual Services	8,973,845	9,667,940	10,147,515	10,003,868	98.6%	3.5%
Commodities	4,034,567	4,249,616	4,357,382	4,333,723	99.5%	2.0%
Capital Outlay	254,733	333,340	406,237	274,413	67.5%	-17.7%
Transfers	8,953,078	11,882,871	19,821,059	12,521,551	63.2%	5.4%
Contingency		-	26,250		0.0%	
Total	\$59,442,123	\$64,023,128	\$73,620,038	\$66,009,930	89.7%	3.1%

In 2011, general operating expenditures totaled \$66,009,930, which represents 89.7% of budget. When adjusted for the transfer budgeted to achieve the statutory limit on fund balance, 100.1% of budget was expended. More information on each category of expenditures is provided below.

- **Personal Services.** General fund salary and benefit expenditures grew 2.6%, or \$987,014, over 2010. Nearly half of this increase can be attributed to increased costs of the City's contribution to employee retirement systems (KPERS and KP&F.) The City spent \$451,557, or 14.0%, more on contributions from the general fund in 2011 than in 2010.

Retirement System	2011 Cost	+/-	% change
KPERS	\$ 699,129	\$ 58,717	9.2%
KP&F	2,978,776	392,840	15.2%
Total	\$ 3,677,905	\$ 451,557	14.0%

The remainder of the increase is in part due to the decision to over hire police officers in 2011. Other contributing factors include merit increases for eligible employees and a general wage adjustment for MOU covered employees, as well as increased overtime for snow removal and for North Lawrence

coverage during the work on the bridge over the Kansas River. Expenditures represent 100.0% of 2011 budget for personal services.

- **Contractual Services.** In 2011, contractual service expenses grew 3.5%, or \$335,928, over 2010. However, only 98.6% of the 2011 budget was actually spent. Some of this increase can be attributed to the Oread TIF and TDD. No proceeds were paid out to the developer in 2010, while in 2011, the City paid \$572,655 to the developer pursuant to our TIF/TDD agreement. Additional increases included an increase in the number of clients requiring legal aid. The City spent \$56,525 more for indigent defense in 2011 than in the prior year. The City also provided Grandstand Sportswear and Glassware with a one-time payment of \$25,000 to assist with their relocation and retention in Lawrence. These increases were partially offset by a decrease in prisoner care expenses. In 2011, the City spent \$278,384 less on prisoner care than in 2010.
- **Commodities.** General fund commodities spent in 2011 represent 99.5% of budget and increased 2.0%, or \$84,107, over the prior year.
- **Capital Outlay.** Capital outlay in the general fund was \$58,927, or 17.7% less in 2011 than in 2010. Only 67.5% of the 2011 budget was actually spent.
- **Transfers.** Increased sales tax revenues led to a 5.4%, or \$638,680, increase in transfers out of the general fund over prior year. This was largely due to the increase in proceeds from the sales tax, which are deposited into the general fund before being transferred out. The transfer budgeted to achieve a 5% budgeted fund balance was not made but accounts for why only 63.2% of the 2011 budget was spent.

Overall, total general fund expenditures in 2011 grew 3.1%, or \$1,986,802, over 2010. This was less growth than in 2010, when expenditures grew 7.7% over 2009. It should be noted, however, that the sales tax rate was not increased until April of 2009, so transfers out of sales tax proceeds were not as great in 2009.

While expenditures grew 3.1% over last year, revenues grew only 2.8%. In order to remain balanced, this trend cannot be sustained. The City must continue to explore ways to slow expenditure growth and increase revenue growth.

Conclusion

More information regarding the general fund will follow, however, this preliminary information should be considered as we begin discussions of the 2013 budget. Total revenue growth has slowed and is not keeping up with the rate of expenditure growth. The difference between revenues and expenditures is becoming smaller. The percent of budget actually spent exceeded 100% (when adjusted for the fund balance transfer.)

Staff must continue to find ways to grow revenues, slow expenditure growth, and ensure that expenditures stay within available revenues in the general fund.