



City of Lawrence

FINANCE

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July 14, 2017

Chad Lawhorn
Managing Editor
Lawrence Journal World
645 New Hampshire
Lawrence, KS 66044

Dear Mr. Lawhorn,

An editorial published in the Lawrence Journal World July 13, 2017, raised concerns about the proposed property tax mill increase given the growth in assessed valuation. Those concerns need to be addressed in order for your readers and all City taxpayers to understand the 2018 recommended budget. Additional explanation, corrections, and clarifications to the content of the editorial, are provided below.

The statement that, "the city is scheduled to receive \$1.8 million in property tax revenues in 2018 that the city leaders weren't expecting when they put this budget together" is incorrect. The budget as presented in May assumed a conservative two percent (2%) in property tax growth. A portion of the \$1.8 million cited in the editorial was expected and was already being used to balance the budget.

The editorial implies that the City has a total increase in the 2018 recommended budget of \$1,700,000 in revenues in the General Fund from the May projection to the June projection. This is incorrect.

As shown below, the general fund revenue from the May to June estimates was a net increase of \$485,000. Not an increase of \$1,700,000 as the Journal World calculated.

Revenue	Increase (Decrease)
Property Tax	1,043,000
Grants	59,000
Licenses and Permits	150,000
County Medical Contract	64,000
Franchise fees	(241,000)
Sales/use tax estimates	(590,000)
Net change in estimates	485,000



The editorial states "...sales tax revenues are growing faster than budgeted, which means the general fund is projected to receive about \$600,000 in additional sales tax proceeds." This is misleading. The editors are confusing two separate fiscal years. The increase in sales taxes noted are projected to occur in 2017, and as staff explained to representatives of the Journal World, the 2018 sales tax estimates are already based on those increases.

The 2018 sales tax projection does not continue the same large rate of increases into the future. Staff has explained to the Journal World several times that the majority of the increases in 2017 were due to specific retail industries. The Journal World has noted these specifics before in previous staff blogs. When projecting sales taxes, it would be unreasonable to assume the same rate in growth as in the current year when there has been no indication that there is a similar increase in the retail footprint within the City. As shown on the table above, the net decrease in estimated 2018 sales taxes was \$590,000.

The editorial also states that "despite that unexpected amount of tax revenues, the city has taken no steps to reduce its mill levy." The City has previously detailed the steps taken to avoid increasing the mill levy. We have also met in person and over the phone with staff from the Lawrence Journal World multiple times to discuss the steps. The steps include eliminating 11 positions, reducing the amount of merit pool for some City employees from last year, and making changes to our employee healthcare plan in order to significantly reduce the increases in healthcare costs.

The editorial states, "The City, though, could consider using some of those new funds to provide a reduction in the general fund mill levy. City officials would not have to touch the bond and interest fund."

As explained above, the net increase in revenue to the general fund for 2018 is \$485,000, not the \$1.1M or \$1.7M stated in the editorial. Also, as previously explained to representatives of the Journal World, estimated expenditures were adjusted from May to June. The table below summarizes these adjustments.

Longevity	\$168,000
Economic Development	(50,000)
Humane Society	5,000
Contractual Services	(78,000)
Transfers to Capital Reserve	70,000
Transfer to Debt Service for FCIP	\$375,000
Contingency	(5,000)
Total Expenditure Change	\$485,000

It is important that taxpayers understand the City Budget and how it will impact them. We have provided these corrections and additional information with the hope that you will publish them for your readers.

It should be noted, however, that City property taxes make up less than one-quarter of the total property taxes paid by Lawrence residents. Based on the total property tax mill levy last year, the City received twenty-four percent (24%) of property taxes paid by Lawrence taxpayers. About forty-one percent (41%) of property taxes paid went to USD 497, while

roughly thirty-four percent (34%) went to Douglas County and approximately one percent (1%) went to the State of Kansas. This breakdown is expected to be the same in 2017, which means that of the \$125 increase in property taxes for the owner of a \$200,000 home referenced in the editorial, only \$29, or \$2.41 per month, will be used for services provided by the City of Lawrence.

For the increased cost in City property taxes, taxpayers will benefit from additional capital improvements including two fire apparatus, police body worn cameras, repairs to the Lawrence Arts Center, phased construction of a new police facility, improvements to the fire med training tower, personal protective equipment for public safety employees, intersection improvements, traffic calming improvements, ADA ramp improvements, riverbank stabilization, etc.

As residents of Lawrence, and taxpayers ourselves, we do not take property tax increases lightly. We have tried to minimize the impact of the increased cost of providing City services. We have also tried to increase the transparency of the City budget process. We have revised our budget document to focus on the impact to taxpayers as well as highlight the alignment of resources with the City's strategic plan.

More information about the City's budget document, including an interactive 2018 Budget Report, can be found at www.lawrenceks.org/budget/current. Citizens can also contact Assistant City Manager Casey Toomay at 832-3409 or Director of Finance Bryan Kidney at 832-3214 with any questions.

A public hearing on the 2018 Budget is scheduled for August 1 at 5:45 pm. The purpose of this hearing is to hear and answer objections of taxpayers. Citizens are encouraged to attend.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bryan Kidney".

Bryan Kidney
Director of Finance
City of Lawrence, Kansas