The General Fund relies on revenues from a variety of sources to provide for the operations of the thirty departments/divisions that are budgeted from this fund. Early in the budget process, revenues for the General Fund are analyzed based on the actual receipts from the previous year. Adjustments then might be made to the current year’s revenue estimates, and projections are made for the next fiscal year. The following revenue descriptions, assumptions, and trends are provided for some of the most significant revenue sources for the General Fund.

**Sales Tax**
The City of Lawrence General Fund receives thirty-nine percent (39%) of its revenue from sales tax. The City receives revenue from two sources of sales tax: a City-wide sales tax of one percent, all of which goes to the City of Lawrence and a share of the one percent County-wide sales tax.

A city retailer’s sales tax of 0.5% was instituted July 1, 1971, followed by an additional 0.5% that went into effect October 1, 1990. This one percent city retailer’s sales tax has followed an upward swing throughout the last two decades (through 2001), as evidenced by the graph and chart following this report. However, we are predicting a continued slow down in sales tax growth and a flattening of the graph due to the economic conditions that have impacted the country during the past two years. Consumer confidence in the economy has been decreasing and consumer spending has declined. This trend of curtailed consumer spending has impacted Lawrence by reducing local sales tax collections, thus our projections for 2004 ($11,000,000) predict no growth over the actual 2002 receipts ($10,957,561).

The County-wide sales tax of one percent was approved in a November, 1994 election and became effective in 1995. We are projecting $7,100,000 in revenue for 2004 from the City’s share of the county-wide sales tax, which represents no real increase over the $7,141,572 receipts for 2002. Assumptions behind this projection are similar to those described above.

**Property Tax**
Twenty-three percent (23%) of the 2004 General Fund revenues are estimated to come from ad valorem property taxes. To generate the $10,530,000 in property tax revenue needed for the 2004 budget, a mill levy of 15.931 is required. This mill levy is a 2.67 mill increase in comparison to the mill levy required for the 2003 budget. The loss of state revenue sharing funds ($1.4M) is responsible for about 2 mills of that increase. The 2004 assessed valuation is $674,353,182, which represents a 7% increase over last year. This increase is
down from the 8-9% growth in the assessed valuation that Lawrence has experienced in previous years, but more than the 6% increase experienced in 2003. The increased mill levy for the General Fund will provide funding for no new positions for the City but will help fund the City’s share of 20 new dispatcher positions at the County. A graph and chart depicting General Fund property tax revenue from 1982-2002 follows this report.

Franchise Fees
These fees, which the City charges to allow utilities to provide services within the city and to locate within the public right-of-way have shown gradual increases over the past two decades (see attached graph and chart). The current rate for electricity is 4% of gross sales, cable is 3.25%, and telecommunications is 2%. The natural gas franchise fee is a volumetric fee, based on customer class. A modest increase in 2004 revenue ($3,280,000) over the 2003 budget ($3,250,000) is predicted based on a conservative approach to the gradual trend of modest increases experienced in this revenue source. Both electric and natural gas franchise fee revenues are very dependent upon summer and winter temperatures, adding impetus to our conservative approach in making projections for this revenue source.

Fines and Forfeits
Since 1995, this revenue source has more than doubled from $707,562 in 1995 to $1,776,155 in 2002. This recent history of steady increases has prompted projections for 2004 ($1,500,000) that are level with 2003 ($1,500,000). These predictions may be conservative, due to the addition in 2002 of a KDOT grant funded traffic unit that has been added to the Police Department. An increase in fines that was passed in 2001 coupled with an increase in court costs approved in 2002 might also impact the revenue for this fund in future years. A graph and chart of the last twenty years of receipts from this revenue source follows this report.

General Fund Interest on Investments
This revenue source has been impacted by the economic downturn of the past year. As interest rates have fallen, so has the revenue generated from the City’s investments. Short term interest rates have remained relatively low because the Federal Reserve remains concerned about the strength of the economy. Since the City primarily invests in securities with three or six month maturities, our interest earnings continue to be lower than past years. This pessimism is reflected in our projections for this revenue source, as we are estimating a 21% decrease in 2004 revenues ($500,000) over 2002 actual receipts ($637,996). The chart and graph that follows this report illustrates the up and down trend for the past twenty years and shows the relative volatility of this revenue source.
Licenses and Permits/Inspections Revenue
A fee increase for building permits was approved by the City Commission and is scheduled to be phased in over a three year period. The third phase will be in effect in 2004, however our revenue projections for 2004 reflect a conservative approach, given the economic downturn and its potential effect on the building community. Although the chart and graph that illustrates the trends for this revenue source over the past two decades indicates steady increases from 1982 through 1993, revenues have fluctuated considerably since 1993. We are projecting a modest increase in 2004 for business licenses and no increase in permits for 2004 over the 2002 actual receipts.

State Revenue Sharing
This revenue source has proven to be vulnerable the past year due to the State budget crisis. We are projecting no revenue in 2004 due to the fact that the state eliminated demand transfers in 2003. Following this report is a chart and graph depicting modest growth over the past twenty years but the current State budget deficit lead to projections that do not include restoration of the state demand transfers.