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 forty-four percent (44%) 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.

After a slight leveling off in 2002 followed by a slight increase in 2003, we are predicting a continued slow growth in sales tax for 2006. Consumer confidence in the economy has been gradually increasing and consumer spending has rebounded recently. With cautious optimism as our guide, our projections for 2006 ($12,800,000) predict slight growth over the actual 2004 receipts ($12,415,986).

The County-wide sales tax of one percent was approved in a November, 1994 election and became effective in 1995. We are projecting $8,080,000 in revenue for 2006 from the City's share of the county-wide sales tax, which represents a slight decrease over the $8,324,319 receipts for 2004. Assumptions behind this projection are related to a conservative approach to this somewhat unpredictable revenue source.

Property Tax

Twenty percent (20%) of the 2005 General Fund revenues are estimated to come from ad valorem property taxes. A graph depicting General Fund property tax revenue from 1983-2003 is shown below. To generate the $11,500,000 in property tax revenue needed for the 2006 budget, a mill levy of 15.018 is required. This mill levy is a 0.759 mill decrease in comparison to the mill levy required for the 2005 budget. The 2006 assessed valuation is $777,237,474, which represents a 8.3% increase over last year. This increase is similar to the 7-8% growth in the assessed valuation that Lawrence has experienced in previous years.

The mill levy revenue for the General Fund will provide funding for three new positions for the City (a webmaster position to improve external communications for the organization, a maintenance worker position for public safety facilities, and a new code enforcement manager position to assist with zoning code enforcement in the Neighborhood Resources department). Additionally, the hiring of staff for Fire Station #5 (to be constructed in 2005) is included in the 2006 budget and has a significant impact on the 2006 General Fund budget, along with the expiration of grant funding for several positions within the Police Department.
Fund 001 - GENERAL OPERATING

Major Revenue Sources - Description, Assumptions, and Trends

Fines and Forfeits
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. The graph shows the relative volatility of this revenue source and illustrates the up and down trend for the past twenty years.

There are predictions for an increase in interest rates during 2005 however, 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 2006 revenues ($400,000) that basically mirror 2004 actual receipts ($369,078).

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.

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 2006 revenue ($3,847,000) over the 2004 actual ($3,684,941) 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.

The graph of the last twenty years shows this revenue source has more than tripled from $707,562 in 1995 to $2,321,690 in 2004. This recent history of steady increases has prompted projections for 2006 ($2,175,000) that are higher than 2005 ($2,020,800). These predictions are based on the addition in 2002 of a 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 appear also to have impacted the revenue for this fund in recent years.

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. The graph shows the relative volatility of this revenue source and illustrates the up and down trend for the past twenty years.

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Fund 001 - GENERAL OPERATING

Major Revenue Sources - Description, Assumptions, and Trends

Licenses and Permits/Inspections Revenue
A fee increase for building permits was approved by the City Commission and was phased in over a three year period. The third phase went into effect in 2004. Our revenue projections for 2006 reflect a conservative approach, given the recent economic downturn and its potential effect on the building community. Although the graph that illustrates the trends for this revenue source over the past two decades indicates steady increases from 1983 through 1993, revenues have fluctuated considerably since 1993. That fluctuation has prompted us to project a slight increase in 2006 for business licenses and revenue from permits in 2006 compared to the 2005 budget.

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 2006 due to the fact that the state eliminated demand transfers in 2003. The graph below depicts 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.