

POPULAR ANNUAL FINANCIAL REPORT



City of Lawrence

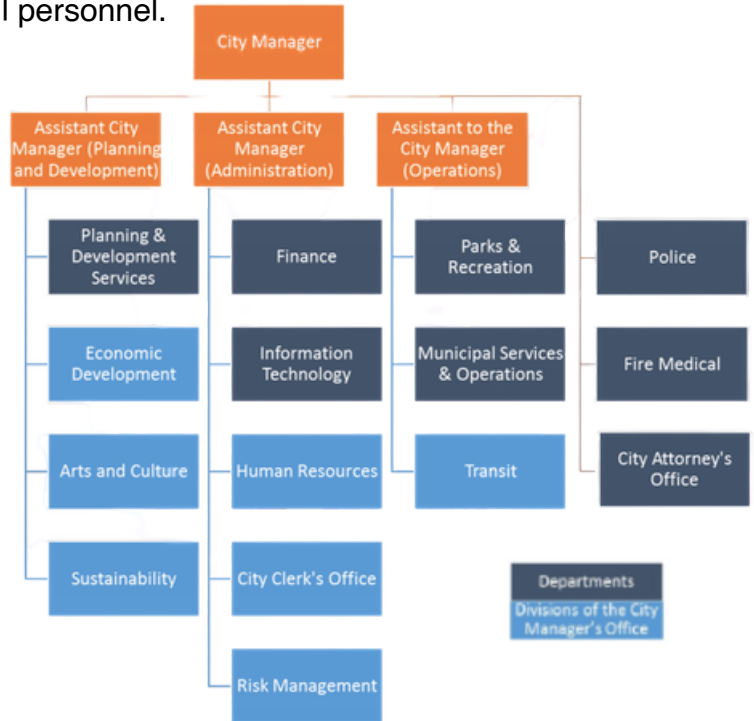
FISCAL YEAR

2019

About Lawrence

The City has operated under the Commission-City Manager form of government since 1951. The five-member Commission is elected at large to either a two- or four-year term with the two winning the most votes getting four-year terms and the one with the third most votes getting the two-year term. Each year the Commission chooses one of its members to serve as Mayor. The Commission is responsible for policy making, passing Ordinances, adopting an annual budget, appointing citizens to committees, and hiring the City Manager. The City Manager is responsible for the day-to-day operations of the City, including hiring all personnel.

List of Principal Officials (December 31, 2019)	
Mayor	Lisa Larsen
Vice Mayor	Jennifer Ananda
Commission Member	Stuart Boley
Commission Member	Matthew Herbert
Commission Member	Leslie Soden
City Manager	Craig S. Owens
Assistant City Manager	Diane Stoddard
Assistant City Manager	Casey Toomay
Assistant to the City Manager	Brandon McGuire
City Clerk	Sherri Riedemann
City Attorney	Toni Wheeler
Finance Director	Jeremy Willmoth
Fire Chief	Shaun Coffey
Information Technology Director	James Wisdom
Municipal Services and Operations Director	Dave Wagner
Parks & Recreation Director	Derek Rogers
Planning and Development Services	Amy Miller (Interim)
Police Chief	Gregory Burns



Popular Annual Financial Report (PAFR)

This report communicates the financial standing of the City of Lawrence, Kansas to the general public. The content of this report is taken from the City's Comprehensive Annual Financial Report (CAFR). The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. The PAFR takes information from the CAFR about the Primary Government, and presents it in a more user friendly format.

The City of Lawrence reports financial information from three categories of activities which include Governmental activities, Business-type activities, and Component units. The following are included within each category:

- Governmental activities - General Government, Public Safety, Public Works, Health, Social Services, Culture and Recreation, Tourism, Economic Development
- Business-type activities - Water and Sewer, Sanitation, Stormwater, Public Parking, Golf Course
- Component units - Lawrence-Douglas County Housing Authority, Lawrence Memorial Hospital, Lawrence Memorial Hospital Endowment Association, Lawrence Public Library

For the purposes of this report we have combined each category. For more information on any aspect of this report please review the full CAFR at <https://lawrenceks.org/finance/>.

Economic Activity	
Activity	% of Sales Tax
Retail Sales	21%
Food & Beverage Stores	12%
Food Service & Drinking Establishments	12%
Largest Employers in Lawrence	
Employer	Employees
The University of Kansas	9,994
Lawrence Public Schools	1,920
LMH Health	1,800
Amarr Garage Doors	1,583
Maximus	1,100
City of Lawrence	860
Hallmark Cards Inc.	772
Berry Global	750
Douglas County	521
SS&C	359
Unemployment (2019)	
Lawrence	2.6%
Kansas	3.3%
National	3.5%



KEY ACTIVITIES FOR 2019

- Beginning January 1, 2019, staff merged together the previous Public Works Department and Utility Department into the Municipal Services and Operations Department.
- 2019 was the first full year that Planning & Development Services and Municipal Court were located at City Hall-Riverfront, providing more city services in one centralized location.
- This was the first year that the affordable housing sales tax was collected and used to support residential development of 42 rental units and six townhomes.
- First full year the Wakarusa Wastewater Treatment Plant was fully operational, this is the City's second wastewater treatment plant in operation.
- Implementation of Priority Based Budgeting in alignment with City's strategic plan.
- The Van Trust Industrial Building was the first recipient to use the City's new Catalyst Industrial Incentive program and the first building located at Lawrence Venture Park, the City's newest Business Park.
 - Lawrence Venture Park is located on the site of a former Farmland Industries nitrogen plant facility. The site was acquired by the City of Lawrence in 2010 and includes 463.5 acres in Northeast Lawrence. The City has made significant investments to the site to provide additional industrial and business park expansion opportunities. The site does require remediation efforts; however, an estimate of the environmental remediation liability is not yet known.



Statement of Net Position

The Statement of Net Position presents information on all the City’s assets and liabilities, deferred outflows, and deferred inflows with the difference between the two reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Based on this criteria, the City’s financial position continues to improve.

Net Position at December 31, over the last three years (in thousands)			
Year	2019	2018	2017
Assets			
Current	\$290,902	\$251,735	\$236,636
Capital	\$610,462	\$615,219	\$576,749
Total assets	\$901,363	\$866,954	\$813,384
Deferred outflows of resources	\$14,975	\$13,497	\$15,545
Total	\$916,338	\$880,451	\$828,929
Liabilities			
Current	\$50,579	\$43,164	\$40,254
Non-current	\$402,725	\$382,507	\$376,172
Total liabilities	\$453,304	\$425,671	\$416,426
Deferred inflows of resources	\$42,061	\$35,689	\$37,610
Total	\$495,365	\$461,360	\$454,036
Total Net Position	\$420,972	\$419,090	\$374,894

In 2019, the Total Net Position for the City of Lawrence was \$420,972,000 compared to \$419,090,000 in 2018. As mentioned before, increases in net position show that the financial health of the city is improving. Additionally, between 2017 and 2018 the net position improved by approximately \$45 million dollars.

Deferred Inflows and Outflows of Resource -

Deferred inflows and outflows of resources represent activities recorded now, that will be reported as an expense or revenue at a future date. These activities have already been paid for but will not be recognized in the financial statements until a future event occurs. Because the money has already been allocated, they are recorded as deferred outflows or inflows of resources. For example, the property and vehicle tax revenues remain as a deferred inflow of resources and will become an inflow in the year for which the taxes are levied. The largest source of deferred outflow of resources is the City's pension and other post-employment benefits.

As noted earlier, Net Position may serve over time as a useful indicator of the City’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by about \$421 million at December 31, 2019. The City’s net position increased by \$9.4 million. Governmental activities increased net position by \$6 million while business-type activities increased net position by \$3.3 million in 2019.

Capital Assets -

Capital assets are land, buildings and systems, improvements, construction in progress, machinery and equipment, park and recreation facilities, storm sewers, roads, bridges, water, and sewer lines. The City’s net investment in capital assets for the year ended December 31, 2019 was \$330 million.

Top 5 Capital Asset Investments	2019 Cost	Total Project Estimate
Fire station #1 renovation	\$3,668,559	\$7,100,000
Police headquarters construction began	\$3,862,910	18,840,000
19th Street reconstruction (Iowa to Naismith) and Tunnel	\$6,207,347	\$6,996,000
23rd Street Geometric Improvements (Louisiana St. to Massachusetts St.)	\$1,684,948	\$2,510,000
Street Mill Overlay and Concrete Maintenance	\$1,946,073	\$3,540,000



Municipalities can issue debt called general obligation (GO) bonds to pay for public improvement projects. The issuing municipality assures the bonds will be paid back based on their ability to raise funds, including through taxation. The City of Lawrence has issued three different general obligation bonds in 2019 including:

- \$3,880,000 in GO Bonds, series 2019
- \$28,655,000 in GO Temporary Notes, series 2019-I
- \$8,970,000 in GO Temporary Notes, series 2019-II

The proceeds from each of these bond issuances will be used for streets, public building and facilities, storm sewer systems and other public improvements within the City.



The City of Lawrence is currently in the conceptual and preliminary design phase for a new Field Operations Campus project, which would create new working headquarters for a large number of City of Lawrence employees in the Municipal Services & Operations.

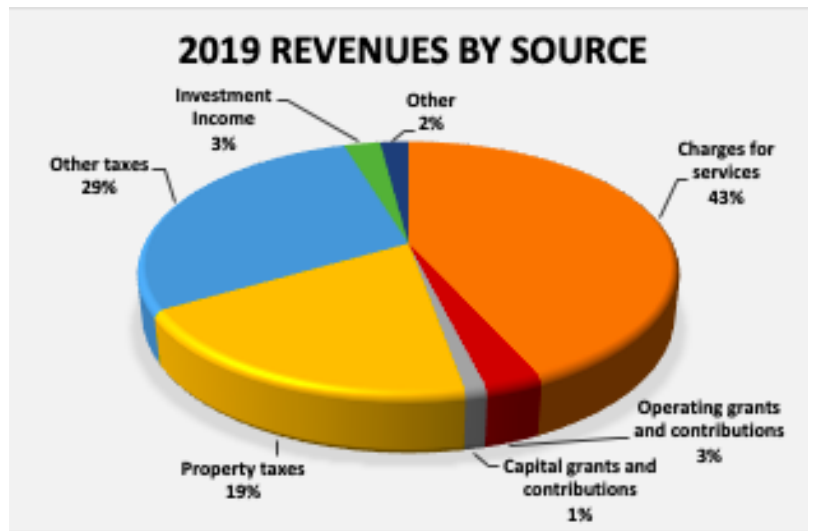
Charges for Services -

Charges for services, the largest source of revenue for the City of Lawrence, include but are not limited to user charges, fees, permits, and fines. Between 2018 and 2019 the revenue decreased \$4.4 million or 4.94% which is due mainly to weaker water sales, which was a result of a wetter 2019 summer compared to 2018.

Other Taxes -

These taxes are primarily made up of sales, franchise and motor vehicle taxes. Other taxes increased \$8.3 million or 17.38%, driven primarily by reclassifying liquor and fuel taxes as General Revenues in the 2019 CAFR.

Revenue (in thousands)			
Year	2019	2018	2017
Charges for services	\$84,742	\$89,143	\$78,219
Operating grants and contributions	\$5,676	\$11,119	\$12,026
Capital grants and contributions	\$2,178	\$1,729	\$16,915
Property taxes	\$38,054	\$37,134	\$33,415
Other taxes	\$56,336	\$47,994	\$46,595
Investment Income	\$5,163	\$2,147	\$1,296
Other	\$4,037	\$1,939	\$5,455
Total	\$196,186	\$191,205	\$193,921



Property Tax -

In 2019 property taxes increased by \$920,000 or 2.48%, due mainly to increases in assessed valuation.

Investment Income -

This revenue comes from activities like interest payments, dividends, and capital gains. This has increased by 41.5% from 2018 to 2019. This increase is largely a result of a more active approach in investing of "idle" cash.



Operating Grants -

These are grants to the city for a variety of purposes. The decrease in operating grants of \$5.4 million or 48.96%, is primarily the result of reclassifying liquor and fuel taxes as General Revenues in the 2019 CAFR.

Other -

These revenues include reimbursements, contributions, other miscellaneous revenue such as repayment of land, and Community Development Block Grants.

Capital Grants and Contributions -

These grants are made available to government entities to complete specific capital projects. Capital grants and contributions increased \$449 thousand or 25.98%, due mainly to Kansas Department Of Transportation funding of the 19th Street overpass project.

Where Does the Tax Money Come From?



Total expenses for the City were \$186.8 million in fiscal year 2019, an increase of \$28.9 million or 18.30%, when compared to fiscal year 2018. This increase is primarily due to a \$2.2 million expenditures in Public Safety, as well as a \$9 million increase in capital expenditures for road projects, and \$3 million increased expenditures in pension and a \$2 million increase Other Post Employment Benefits. Additionally, increases in maintenance expenditures for the water and sewer utility increased by \$6.8 million.

Expense (in thousands)			
Year	2019	2018	2017
General Government	\$28,631	\$23,128	\$23,994
Public safety	\$51,934	\$44,961	\$44,199
Public works	\$20,326	\$13,078	\$31,784
Community services	\$2,680	\$2,784	\$3,930
Culture and recreation	\$13,859	\$13,443	\$11,851
Economic development & tourism	\$3,721	\$1,722	\$5,118
Interest on long-term debt	\$3,442	\$3,400	\$3,440
Water and Sewer	\$45,764	\$39,048	\$37,356
Sanitation	\$12,440	\$11,333	\$11,448
Nonmajor business-type activities	\$4,031	\$5,038	\$4,773
Total	\$186,828	\$157,935	\$177,893

Where Does the Money Go?

