

City of Lawrence Quarterly Financial Report

Quarter ending June 30, 2020

Prepared by the Finance Department



City of Lawrence

2020 2nd Quarter Report


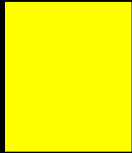
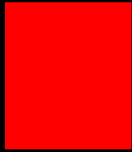
The information contained in this report is unaudited. Only Funds with Appropriations of \$500,000 or more are reviewed.

The report focuses on five key indicators:

- ✓ Revenues
- ✓ Expenditures
- ✓ Reserve Policy
- ✓ Debt Management
- ✓ Investments

2020 2nd Quarter Report

Each key revenue indicator is rated compared to the prior year on the following scale:

Rating Scale		Revenue
	Positive Outlook	All positive growth and any indicator within (+/-) 2% compared to the prior year
	Area of Concern	2% through 5% reduction compared to the prior year
	Negative Outlook	Greater than 5% reduction compared to the prior year

2020 2nd Quarter Report

From January through June 2020, the City's key revenues increased by \$2.79 million (3.21%) compared with revenue collections for the same period in 2019.

2020 2nd Quarter Report

Revenue Indicators

Status	Indicator	Comments
Green	Property Taxes	2.98% higher than the prior year.
Yellow	Sales Taxes – City	2.45% lower than the prior year due to COVID-19.
Green	Use Tax – City	4.36% higher than the prior year.
Yellow	Sales Taxes – County	2.48% lower than the prior year due to COVID-19.
Green	Use Tax County	8.26% higher than the prior year.
Green	Franchise Fees - Electric	3.15% higher than last year.
Red	Franchise Fees – Natural Gas	-17.83% lower than the prior year. Current Year Budget has been adjusted.

2020 2nd Quarter Report

Revenue Indicators

Status	Indicator	Comments
Red	Franchise Fee – Communications	-5.26% lower than the prior year. Current Year Budget has been adjusted.
Green	Gasoline Tax	1.55% higher than the prior year.
Yellow	Transient Guest Tax	3.91% Lower than the prior year.
Green	Liquor Tax	1.21% lower than the prior year.
Green	Water/Sewer Fees	0.28% higher than the prior year.
Green	Solid Waste Fees	4.09% higher than the prior year.
Red	Roll Off Fees	19.51% lower than the prior year due to June billing not occurring until July.

2020 2nd Quarter Report

Revenue Indicators

Status	Indicator	Comments
	Storm Water Fees	3.35% higher than the prior year.
	Douglas County EMS Fees	130% Higher than the prior year. This revenue has wide timing variances throughout the year.

2020 2nd Quarter Report

Revenue Discussion

Collections for the City's key revenues increased \$2.79 million (3.21%) from Jan-June 2020 compared to the same period in 2019.

Sales Taxes were lower by \$301 thousand (-1.52%) due to COVID-19.

Natural Gas Franchise tax collections were lower by \$111 thousand (-17.83%). The decrease is due to a milder winter than originally anticipated. The 2020 budget has been revised accordingly.

Communications Franchise tax collections were lower by \$24 thousand (-5.26%). The 2020 budget has been revised accordingly.

2020 2nd Quarter Report

Revenue Discussion (Con't)

Transient Guest Taxes were lower by \$13 thousand (-3.91%) due to COVID-19.

Roll Off Dumpster fees were lower by \$196 thousand (-19.51%). The decrease is due to the June billing not being submitted until July. We anticipate these revenues will be collected so no budget adjustment is being recommended.

2020 2nd Quarter Report

General Fund ONLY


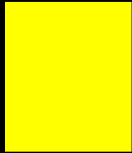
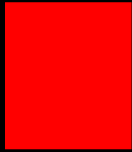
Revenue Type	FY 2020 Budget	Revenues as of 6/30/2020	Amount of Budget Remaining	% of Budget Remaining
Property Taxes	\$ 23,996,000	\$21,733,236	\$ 2,262,764	9.43%
Sales Taxes	30,443,000	14,559,651	15,883,349	52.17%
Franchise Fees	7,999,000	3,328,839	4,670,161	58.38%
Licenses & Permits	2,133,000	626,323	1,506,677	70.64%
Intergovernmental	1,332,000	555,461	776,539	58.30%
Charges for Services	7,883,000	3,930,689	3,952,311	50.14%
Fines & Penalties	2,000,000	496,689	1,503,311	75.17%
Interest income	192,000	108,130	83,870	43.68%
Miscellaneous	427,000	257,294	169,706	39.74%
Transfers from other funds	4,770,000	2,385,000	2,385,000	50.00%
General Fund	\$ 81,175,000	\$47,981,312	\$33,193,688	40.89%

All Major Funds

Fund	FY 2020 Budget	Revenues as of 6/30/2020	Amount of Budget Remaining	% of Budget Remaining
General	\$ 81,175,000	\$ 47,981,312	\$ 33,193,688	40.89%
Water/Sewer	52,152,000	18,957,033	33,194,967	63.65%
Solid Waste	14,904,000	6,909,141	7,994,859	53.64%
Bond & Interest	13,286,000	12,082,990	1,203,010	9.05%
Capital Improvement Reserve	9,466,000	4,514,644	4,951,356	52.31%
Public Transportation	5,005,000	2,216,035	2,788,965	55.72%
Recreation	5,925,000	1,366,352	4,558,648	76.94%
Central Maintenance	5,154,000	2,010,487	3,143,513	60.99%
Administrative Charges	4,880,000	2,580,617	2,299,383	47.12%
Library	4,782,000	4,386,595	395,405	8.27%
Water/Sewer Nonbonded Const	3,000,000	1,632,175	1,367,825	45.59%
Outside Agency Grants	4,264,750	1,610,358	2,654,392	62.24%
Stormwater	3,434,000	1,726,152	1,707,848	49.73%
Special Gas	2,899,000	786,317	2,112,683	72.88%
Equipment Reserve	790,000	670,012	119,988	15.19%
Economic Development Funds	2,563,000	1,984,604	578,396	22.57%
Public Parking	2,224,000	478,454	1,745,546	78.49%
Guest Tax	1,814,000	320,415	1,493,585	82.34%
Farmland Escrow	10,000	16,116	(6,116)	-61.16%
Housing Trust	1,275,000	812,302	462,698	36.29%
Public Golf Course	1,017,000	312,848	704,152	69.24%
Special Recreation	828,000	400,847	427,153	51.59%
Special Alcohol	826,000	399,828	426,172	51.59%
Comm. Dev. Block Grant	817,000	571,951	245,049	29.99%
Major Funds	<u>\$ 222,490,750</u>	<u>\$ 114,727,585</u>	<u>\$ 107,763,165</u>	<u>48.43%</u>

2020 2nd Quarter Report

Each key expenditure indicator is rated compared to the prior year on the following scale:

	Rating Scale	Expenditure
	Positive Outlook	Any indicator within (+/-) 2% compared to the prior year
	Area of Concern	2% through 5% increase compared to the prior year
	Negative Outlook	Greater than 5% increase compared to the prior year

2020 2nd Quarter Report

From January through June 2020, the City's key expenditures increased by \$19.32 million (23.27%) compared with expenditures for the same period in 2019.

2020 2nd Quarter Report

Expenditure Indicators

Status	Indicator	Comments
	Personnel Services	3.26% higher than the prior year and are on target with the budget.
	Contractual Services	5.99% lower than the prior year but is within budget.
	Internal Services	New program developed in 2020.
	Commodities	18.32% higher than the prior year and are on target with the budget.
	Capital Outlay	166% higher than last year and are on target with the budget.
	Other	740% higher than last year.
	Debt Service	39.31% higher than the prior year but is within budget.
	Transfers to other funds	46.28% higher than the prior year and are on target with the budget.

2020 2nd Quarter Report

Expenditure Discussion

Expenditures for the City increased \$19.32 million (23.27%) from Jan-June 2020 compared to 2019.

Commodities increased \$980 thousand (18.32%) primarily due to changes to upfront costs in the raw water purchase contracts with the State of Kansas.

Capital Outlay increased \$12 million (166.02%) primarily due to the construction of the police headquarters and various water/wastewater capital projects as listed in the CIP.

2020 2nd Quarter Report

Expenditure Discussion

Other is where bad debt expenses are recorded. The bad debt expense in the Water/Wastewater Fund is \$96 thousand more than 2019. Solid Waste is \$35 thousand more than 2019.

Debt Service increased \$1.6 million (39.31%) due to increases in planned debt payments for the 2019-A General Obligation bonds. While the expenditures are higher than 2019, these were budgeted.

Transfers to other funds increased \$2.17 million (46.28%) due to increases from the General Fund to the other operating funds to help offset the first year of the internal service charges, as well as planned increased transfers from the Water/Wastewater Fund for CIP, and finally the grant match for the airport runway project. All of these increases were budgeted.

2020 2nd Quarter Report

General Fund ONLY

Department	FY 2020 Budget	Expenditures as of 6/30/2020	Amount of Budget Remaining	% of Budget Remaining
City Commission	\$ 974,000	\$ 469,874	\$ 504,126	51.76%
Office of the City Manager	3,079,000	1,375,383	1,703,617	55.33%
Planning & Development	3,315,000	1,425,234	1,889,766	57.01%
Finance	5,544,000	3,013,982	2,530,018	45.64%
Office of the City Attorney	2,733,000	1,190,989	1,542,011	56.42%
Police Department	27,391,000	11,039,403	16,351,597	59.70%
Fire/EMS Department	24,604,000	10,261,183	14,342,817	58.29%
Parks and Recreation	5,059,000	2,724,752	2,334,248	46.14%
MSO	9,444,000	2,474,933	6,969,067	73.79%
General Fund	<u>\$ 82,143,000</u>	<u>\$33,975,733</u>	<u>\$48,167,267</u>	<u>58.64%</u>

All Major Funds

Fund	FY 2020 Budget	Expenditures as of 6/30/2020	Amount of Budget Remaining	% of Budget Remaining
General	\$ 82,143,000	\$33,975,733	\$ 48,167,267	58.64%
Water/Sewer	52,454,000	18,635,784	33,818,216	64.47%
Solid Waste	15,711,000	5,872,107	9,838,893	62.62%
Bond & Interest	12,583,000	8,072,351	4,510,649	35.85%
Capital Improvement Reserve	10,918,000	1,258,195	9,659,805	88.48%
Public Transportation	9,237,000	1,639,930	7,597,070	82.25%
Recreation	6,220,000	2,626,818	3,593,182	57.77%
Central Maintenance	4,937,000	846,260	4,090,740	82.86%
Administrative Charges	4,878,000	2,646,399	2,231,601	45.75%
Library	4,782,000	4,454,852	327,148	6.84%
Water/Sewer Nonbonded Const	4,720,000	1,080,282	3,639,718	77.11%
Outside Agency Grants	3,529,000	2,627,281	901,719	25.55%
Stormwater	3,419,000	1,627,516	1,791,484	52.40%
Special Gas	3,182,000	1,269,471	1,912,529	60.10%
Equipment Reserve	2,626,000	1,117,253	1,508,747	57.45%
Economic Development Funds	2,563,000	1,819,358	743,642	29.01%
Public Parking	2,224,000	551,635	1,672,365	75.20%
Guest Tax	1,920,000	853,063	1,066,937	55.57%
Farmland Escrow	1,470,000	84,027	1,385,973	94.28%
Housing Trust	1,275,000	225,452	1,049,548	82.32%
Public Golf Course	970,000	443,898	526,102	54.24%
Special Recreation	883,000	194,230	688,770	78.00%
Special Alcohol	826,000	448,999	377,001	45.64%
Comm. Dev. Block Grant	752,000	625,778	126,222	16.78%
Major Funds	\$ 234,222,000	\$92,996,672	\$ 141,225,328	60.30%

2020 2nd Quarter Report

Reserve Policy Indicator

Status	Indicator	Comments
	General Fund	The current General Fund reserve balance is 26% of budgeted expenditures. This percentage exceeds the 25% target established by policy.

All Major Funds

Fund	12/31/19 Reserve Balance	Revenues as of 6/30/2020	Expenditures as of 6/30/2020	Revenues Over / (Under) Expenditures	6/30/20 Projected Reserve Balance	Reserve % of Budget
General	\$ 24,709,340	\$ 47,981,312	\$33,975,733	\$14,005,579	\$ 38,714,919	47.13%
Water/Sewer	25,927,412	18,957,033	18,635,784	321,249	26,248,661	50.04%
Solid Waste	8,746,281	6,909,141	5,872,107	1,037,034	9,783,315	62.27%
Bond & Interest	12,491,540	12,082,990	8,072,351	4,010,639	16,502,179	131.15%
Capital Improvement Reserve	9,651,772	4,514,644	1,258,195	3,256,449	12,908,221	118.23%
Public Transportation	16,537,264	2,216,035	1,639,930	576,105	17,113,369	185.27%
Recreation	955,483	1,366,352	2,626,818	(1,260,466)	(304,983)	-4.90%
Central Maintenance	136,776	2,010,487	846,260	1,164,227	1,301,003	26.35%
Administrative Charges	-	2,580,617	2,646,399	(65,782)	(65,782)	-1.35%
Library	75,547	4,386,595	4,454,852	(68,257)	7,290	0.15%
Water/Sewer Nonbonded Const.	7,695,692	1,632,175	1,080,282	551,893	8,247,585	174.74%
Outside Agency Grants	1,788	1,610,358	2,627,281	(1,016,923)	(1,015,135)	-28.77%
Stormwater	4,695,574	1,726,152	1,627,516	98,636	4,794,210	140.22%
Special Gas	2,779,245	786,317	1,269,471	(483,154)	2,296,091	72.16%
Equipment Reserve	2,660,570	670,012	1,117,253	(447,241)	2,213,329	84.29%
Economic Development Funds	674,884	1,984,604	1,819,358	165,246	840,130	32.78%
Public Parking	558,264	478,454	551,635	(73,181)	485,083	21.81%
Guest Tax	671,621	320,415	853,063	(532,648)	138,973	7.24%
Farmland Escrow	2,584,217	16,116	84,027	(67,911)	2,516,306	171.18%
Housing Trust	1,090,562	812,302	225,452	586,850	1,677,412	131.56%
Public Golf Course	(301,778)	312,848	443,898	(131,050)	(432,828)	-44.62%
Special Recreation	414,040	400,847	194,230	206,617	620,657	70.29%
Special Alcohol	274,996	399,828	448,999	(49,171)	225,825	27.34%
Comm. Dev. Block Grant	256,717	571,951	625,778	(53,827)	202,890	26.98%
Major Funds	\$123,287,807	\$114,727,585	\$92,996,672	\$21,730,913	\$145,018,720	61.92%

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Debt Management Indicators

Status	Indicator	Comments
	Ratio of budgeted debt service to total expenses	The ratio of debt service to total expenditures is 13.60% for the 2020 budget (this percentage is considered favorably by the credit rating agencies - target is 15% or less).
	Ratio of direct general obligation (g.o.) debt to appraised valuation	The ratio of city g.o. debt to appraised valuation is 1.16%. This is considered very manageable by the credit rating agencies.

2020 2nd Quarter Report

Debt Management Discussion

As of December 31, 2019 the City has \$101.5 million in outstanding general obligation (g.o.) Debt, and \$174.6 million in revenue bonded debt.

The City's total debt service in FY 2020 is \$32 million or 13.60% of expenditures. This is considered to be manageable by the credit rating agencies (generally, the rating agencies prefer ratios of 15% or lower).

The ratio of g.o. debt to appraised value (estimated market value) is 1.16% - the rating agencies consider this to be very manageable and is what is helping keep the City's bond rating at Aa1 (rated "highest quality" by Moody's).

2020 2nd Quarter Report

Investment Indicators

Status	Indicator	Comments
	Portfolio distribution compared to policy parameters	The portfolio value by investment type is within the limits established by the city's investment policy.
	Current return vs. portfolio rate of return benchmark	Current investment return of 0.88% is ahead of our benchmark with the 90 day Treasury of 0.49%.

2020 2nd Quarter Report



City of Lawrence

QUARTERLY PORTFOLIO REPORT QUARTER ENDING JUNE 30, 2020

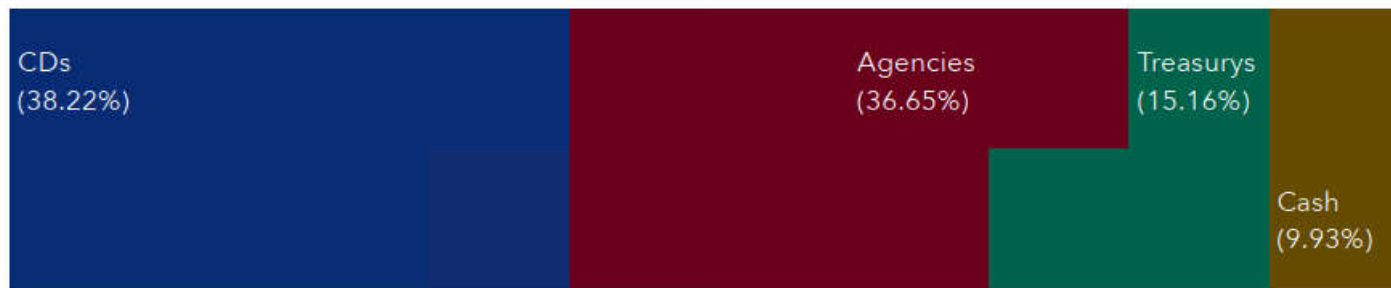
The City of Lawrence manages its investment portfolio in accordance with key state statutes, including K.S.A. 12-1675, K.S.A. 12-1677b and K.S.A. 10-131. Kansas law requires most idle funds to be first bid to Lawrence banks before investment in Treasuries, Agencies, or Municipal Bonds.

TOTAL ASSETS	\$224,297,653	12-MONTH FORWARD INCOME PROJECTION	\$2,182,022
CHANGE FROM PRIOR YEAR	-\$6,313,362 ↓	CHANGE FROM PRIOR YEAR	-\$2,351,369 ↓
PORTFOLIO YTM	0.54%	1-YEAR TREASURY YIELD	0.16% ↓
CHANGE FROM PRIOR YEAR	-1.56% ↓	2-YEAR TREASURY YIELD	0.16% ↓

Reporting Period	Market Value	Yield to Mat	Yield to Call	Current Yield	12-Month Income
As of June 30, 2020	\$ 224,297,653	0.54%	0.97%	1.00%	\$ 2,182,022
As of June 30, 2019	\$ 230,611,015	2.10%	1.40%	2.00%	\$ 4,533,391

2020 2nd Quarter Report

PORTFOLIO HOLDINGS HEAT MAP



TOP BANK HOLDINGS

Holding	Market Value	% of Total
Intrust Bank	\$ 46,229,925	20.61%
Capitol Federal Savings	\$ 42,000,000	18.73%
US Bank	\$ 20,405,223	9.10%
TOTAL	\$ 108,635,148	48.43%

BENCHMARK PERFORMANCE

	Year-to-Date	Inception-to-Date
Portfolio Returns	0.88%	5.89%
90d Treasury Benchmark Returns	0.49%	5.34%

Questions?



City of Lawrence
