Memorandum
City of Lawrence
Finance Department

TO: Diane Stoddard, Interim City Manager
FROM: Bryan Kidney, Finance Director
Date: December 23, 2015
RE: December 2015 Sales and Use Tax Distribution

The City received its December sales and use tax, along with its share of County sales and use tax distribution this week. Total received was $3,130,497. Of this amount, $3,115,156 was from sales and use taxes city-wide. The remaining $15,341 was from sales within the City’s two of the three Transportation Development Districts (TDD). One of the TDDs did not report sales taxes for December.

Sales and Use Tax Cycle
Retail sales taxes are based on taxable retail sales at the point of the transaction. Unless specifically exempted, the sale, rental, or lease of tangible personal property; labor services to tangible personal property; and admissions to entertainment places, are all subject to sales tax. Retailers collect sales tax at the time of sale. Retailers remit sales tax collections to the State on the 25th day the month after collection. Smaller retailers may remit sales taxes quarterly on the 25th day after the quarter of collection.

Use taxes are, aside from some specific exceptions, based on the location in which the tangible property will be used. Use taxes that the City receives are made up primarily of goods which were purchased outside of Lawrence, but delivered to a Lawrence address. Use taxes also include taxes for the sale of vehicles in which the seller collected less sales tax than what a retailer would have collected within Lawrence.

Typically, the State remits both sales and use tax collections to the City during the last week of the following month. Therefore the December distribution is based on retail sales which occurred on or before October 25th.

December Sales and Use Tax Collections

<table>
<thead>
<tr>
<th>Source</th>
<th>2015 Revenue</th>
<th>2015 Revised Revenue</th>
<th>Current Month</th>
<th>Year-to-date Collected 100% of Yr</th>
<th>% Collect</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$15,891,468</td>
<td>$16,688,357</td>
<td>$1,425,884</td>
<td>$16,582,980</td>
<td>99.4%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>4,767,440</td>
<td>5,006,507</td>
<td>427,765</td>
<td>4,974,894</td>
<td>99.4%</td>
</tr>
<tr>
<td>Transit Op</td>
<td>3,178,294</td>
<td>3,337,671</td>
<td>285,177</td>
<td>3,316,596</td>
<td>99.4%</td>
</tr>
<tr>
<td>Transit Exp</td>
<td>794,573</td>
<td>834,418</td>
<td>71,295</td>
<td>829,149</td>
<td>99.4%</td>
</tr>
<tr>
<td><strong>Total City Sales and Use Tax</strong></td>
<td><strong>24,631,775</strong></td>
<td><strong>25,866,953</strong></td>
<td><strong>2,210,121</strong></td>
<td><strong>25,703,619</strong></td>
<td><strong>99.4%</strong></td>
</tr>
<tr>
<td>City Share County Sales Tax</td>
<td>9,988,784</td>
<td>10,663,650</td>
<td>905,034</td>
<td>10,500,856</td>
<td>98.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34,620,559</strong></td>
<td><strong>$36,530,603</strong></td>
<td><strong>$3,115,155</strong></td>
<td><strong>$36,204,475</strong></td>
<td><strong>99.1%</strong></td>
</tr>
</tbody>
</table>
Sales Tax Trends
The 2015 sales tax receipts started the year on a high note, with above average receipts for holiday sales collected by the City in January and February of 2015. We saw June through August receipts hold to 2014 levels. September receipts (July sales) were 9% over September 2014 but October was at the same level as previous year. November receipts were 4% higher and December receipts are 9% higher than last year. These receipts bring our 2015 total to 4.4% over 2014. This is down slightly ($163,334) from our mid-year estimate of 5%.
Retail Sales Tax Distribution

Retail sales within the City are from a wide variety of retailers. The percentages of collection by industry type, shown below, do not vary materially from year to year, but do vary seasonally. As mentioned previously, the City had a large sales tax increase due to holiday sales. These were reflected mostly in the Retail Stores industry. The City also experiences a higher level of sales for food services and drinking establishments during the school year. With the exception of utilities, the overall increase in retail sales so far in 2015, are reflected across the various industries. Sales on utility services are down 3% from last year. Our largest increase in 2015 was from sales of motor vehicles and motor vehicle parts which is up over 7% from the same period last year. The second largest increase in retail sales come from sales from food services and drinking establishments. This industry increased 8% over the same period last year.

Distribution of Sales Taxes within the City

We have multiple funds where sales taxes are received. The following flowchart breaks down the November sales tax received and where the funds are used by the City:
December 2015 Sales and Use Tax

Consumer Purchases $142,588,452

9.05%

Douglas County $520,850
Other Cities and County Portion*

1.00%

Kansas Department of Revenue $12,904,255

6.50%

State of Kansas $9,268,249

1.55%

City of Lawrence $2,210,121

1.00%

Douglas County $819,665 within City*
$ 85,369 Outside City*
$905,034 Total

1.00%

Sales Tax Reserve Fund

2015 Budget: (30% of City Portion of County Sales) $271,510

- Used for governmental purposes, including but not limited to: Parks and Rec Building Maintenance
- Parks and Rec Capital Improvements
- Recreation Center Debt

Recreation Fund

2015 Budget: (20% of City Portion of County Sales) $181,006

- Subsidy of Recreation Programs
- Subsidy of Aquatic Center Operations

General Fund

2015 Budget: (50% City Portion of County Sales)
$ 452,518
$1,425,885 City Sales
$1,878,403 Total

- Funding of Public Safety, Public Works and General Operational Expenditures

Transit Operational Fund

$285,177

- Public Transit Operations

Transit Expansion Fund

$71,294

- Reserve for Future Public Transit Facility

Infrastructure Reserve Funds

$427,765

- Capital Street Improvements
- Residential Street Maintenance
- Capital Stormwater Improvements
- Bike/Pedestrian Improvements
- Fire Apparatus

*County sales tax portion split between Douglas County and Lawrence per state statute and based on population and valuation. Proportions adjust every six months – City allocates amounts for each fund during annual city budget process.

City received $85,369 for Share of Sales outside city limits*
December 22, 2015

Dear Ms Lonnberg

This is notice of a distribution from the State Treasurer for Lawrence, City Of. Our system sends email notices as soon as a distribution has been completed. You may have the emails sent to as many contacts as you like. Please call Lucinda at 785.296.4151 to add or modify email addresses for your notifications.

You will receive an EFT to settle 12/28/2015. The details are as follows:

<table>
<thead>
<tr>
<th>Detail Description</th>
<th>County</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2015 Transportation Dev Dist Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawrence Transportation</td>
<td>Douglas</td>
<td>14,762.22</td>
</tr>
<tr>
<td>Lawrence 9thhh Transport</td>
<td>Douglas</td>
<td>578.93</td>
</tr>
<tr>
<td><strong>Total for Dec 2015 Transportation Dev Dist Tax:</strong></td>
<td></td>
<td><strong>$15,341.15</strong></td>
</tr>
<tr>
<td>Dec 2015 Compensating Use Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>190,517.33</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>86,987.54</td>
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<tr>
<td><strong>Total for Dec 2015 Compensating Use Tax:</strong></td>
<td></td>
<td><strong>$277,504.87</strong></td>
</tr>
<tr>
<td>Dec 2015 Sales Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>2,019,604.07</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>818,046.74</td>
</tr>
<tr>
<td><strong>Total for Dec 2015 Sales Tax:</strong></td>
<td></td>
<td><strong>$2,837,650.81</strong></td>
</tr>
<tr>
<td><strong>Grand Total Amount:</strong></td>
<td></td>
<td><strong>$3,130,496.83</strong></td>
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Additional information can be found at http://kansasstatetreasurer.com/prodweb/dist or contact Lucinda Anstaett at 785.296.4151 or lucinda@treasurer.state.ks.us.

Sincerely,

Lucinda Anstaett
Director Of Cash Management