Memorandum
City of Lawrence
Finance Department

TO: Diane Stoddard, Interim City Manager
FROM: Bryan Kidney, Finance Director
Date: November 25, 2015
RE: November 2015 Sales and Use Tax Distribution

The City received its November sales and use tax, along with its share of County sales and use tax distribution this week. Total received was $3,173,957. Of this amount, $3,151,063 was from sales and use taxes city-wide. The remaining $22,894 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 November.

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 November distribution is based on retail sales which occurred on or before September 25th.

November Sales and Use Tax Collections

<table>
<thead>
<tr>
<th>Source</th>
<th>Tax Rate</th>
<th>2015 Revised Budget</th>
<th>2015 Revised Budget</th>
<th>Current Month</th>
<th>Year-to-date Collected of Year</th>
<th>% Collect</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1.00%</td>
<td>$15,891,468</td>
<td>$16,688,357</td>
<td>$1,444,840</td>
<td>$15,157,094</td>
<td>91%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0.30%</td>
<td>4,767,440</td>
<td>5,006,507</td>
<td>433,453</td>
<td>4,547,130</td>
<td>91%</td>
</tr>
<tr>
<td>Transit Op</td>
<td>0.20%</td>
<td>3,178,294</td>
<td>3,337,671</td>
<td>288,968</td>
<td>3,031,418</td>
<td>91%</td>
</tr>
<tr>
<td>Transit Exp</td>
<td>0.05%</td>
<td>794,573</td>
<td>834,418</td>
<td>72,242</td>
<td>757,852</td>
<td>91%</td>
</tr>
<tr>
<td>Total City Sales and Use Tax</td>
<td>1.55%</td>
<td>24,631,775</td>
<td>25,866,953</td>
<td>2,239,503</td>
<td>23,493,494</td>
<td>91%</td>
</tr>
<tr>
<td>City Share County Sales Tax</td>
<td></td>
<td>9,988,784</td>
<td>10,663,650</td>
<td>911,561</td>
<td>9,595,667</td>
<td>90%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$34,620,559</td>
<td>$36,530,603</td>
<td>$3,151,064</td>
<td>$33,089,161</td>
<td>91%</td>
</tr>
</tbody>
</table>
Sales Tax Trends
The year-to-date 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 were at the same level as previous year. November receipts are 4% higher than last year. These receipts bring our year-to-date total to 4.0% increase over 2014. This is down from our mid-year estimate of 5%. If December receipts hold at the same increase of 4% our total for all sales taxes would be down $258,000.

Sales and Use Tax by Month
City of Lawrence

![Graph showing sales and use tax by month for Lawrence City, 2014 vs 2015. The graph indicates that 2015 YTD $23,493,494, 2014 YTD $22,604,504, YTD Increase $888,990, Percent Increase 4%.]

Total Sales & Use Tax by Year
City of Lawrence

![Graph showing total sales and use tax by year for Lawrence City, 2010 to 2015. The graph indicates a steady increase with the following values: 2010 $20,749,748, 2011 $21,814,435, 2012 $22,908,991, 2013 $23,349,492, 2014 $24,627,520, 2015 $25,858,896. A note indicates *Projected.*]
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 continues to be sales from food services and drinking establishments up over 7% from the same period last year. The second largest increase in retail sales come from sales of motor vehicles and motor vehicle parts. This industry increased 7% 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:
November 2015 Sales and Use Tax

Consumer Purchases $144,484,065

9.05%

Douglas County $533,280
Other Cities and County Portion* $13,075,808
9.05%

Kansas Department of Revenue $13,075,808

6.50%

State of Kansas $9,391,464

City of Lawrence $2,239,503

1.00%

Douglas County $830,494 within City* $81,067 Outside City* $911,561 Total

1.00%

Sales Tax Reserve Fund

2015 Budget: (30% of City Portion of County Sales) $273,468

Recruitment Fund

2015 Budget: (50% of City Portion of County Sales) $182,312

General Fund

2015 Budget: (20% of City Portion of County Sales) $455,781 $1,444,841 City Sales $1,900,622 Total

Transit Operational Fund

$288,968

Transit Expansion Fund

$72,242

Infrastructure Reserve Funds

$433,452

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

- Subsidy of Recreation Programs
- Subsidy of Aquatic Center Operations

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

- Public Transit Operations

- Reserve for Future Public Transit Facility

- 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.
November 24, 2015

Dear Mr. Kidney

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 11/30/2015. The details are as follows:

<table>
<thead>
<tr>
<th>Detail Description</th>
<th>County</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 2015 Compensating Use Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>210,202.50</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>92,511.46</td>
</tr>
<tr>
<td><strong>Total for Nov 2015 Compensating Use Tax:</strong></td>
<td><strong>Douglas</strong></td>
<td><strong>$302,713.96</strong></td>
</tr>
<tr>
<td>Nov 2015 Sales Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>2,029,299.32</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>819,049.69</td>
</tr>
<tr>
<td><strong>Total for Nov 2015 Sales Tax:</strong></td>
<td><strong>Douglas</strong></td>
<td><strong>$2,848,349.01</strong></td>
</tr>
<tr>
<td><strong>Grand Total Amount:</strong></td>
<td></td>
<td><strong>$3,151,062.97</strong></td>
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</tbody>
</table>

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,

[Signature]

Lucinda Anstaett
Director Of Cash Management