Memorandum
City of Lawrence
Finance Department

TO: Thomas Markus, City Manager
FROM: Nate Blum, Senior Accountant/Fiscal Analyst
Date: August 31, 2016
RE: August 2016 Sales and Use Tax Distribution

The City received its August sales and use tax, along with its share of County sales and use tax distribution this week. Total received was $3,203,956.19. Of this amount, $3,176,167.79 was from sales and use taxes city-wide. The remaining $27,788.40 was from sales in the two Transportation Development Districts (TDD).

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 August distribution is based on retail sales which occurred on or before June 25, 2016.

August Sales and Use Tax Collections

<table>
<thead>
<tr>
<th>Source</th>
<th>Tax Rate</th>
<th>2016 Budget</th>
<th>Current Month</th>
<th>Year-to-date Collected 67% of Year</th>
<th>% Collect</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1.00%</td>
<td>$17,189,008</td>
<td>$1,462,118</td>
<td>$11,608,418</td>
<td>68%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0.30%</td>
<td>5,156,702</td>
<td>438,636</td>
<td>3,482,526</td>
<td>68%</td>
</tr>
<tr>
<td>Transit Op</td>
<td>0.20%</td>
<td>3,437,802</td>
<td>292,424</td>
<td>2,321,685</td>
<td>68%</td>
</tr>
<tr>
<td>Transit Exp</td>
<td>0.05%</td>
<td>859,450</td>
<td>73,106</td>
<td>580,422</td>
<td>68%</td>
</tr>
<tr>
<td>Total City Sales and Use Tax</td>
<td>1.55%</td>
<td>26,642,962</td>
<td>2,266,284</td>
<td>17,993,051</td>
<td>68%</td>
</tr>
<tr>
<td>City Share County Sales Tax</td>
<td></td>
<td>10,983,559</td>
<td>909,885</td>
<td>7,232,088</td>
<td>66%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$37,626,521</td>
<td>$3,176,169</td>
<td>$25,225,139</td>
<td>67%</td>
</tr>
</tbody>
</table>
Sales Tax Trends

August 2016 sales tax receipts were $87,356 (3.9%) above the same period in 2015. Collections are roughly 6.2% over 2015 levels and are above our 3.7% projection for the 2016 budget.
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.

The increase in 2016 sales taxes year-to-date over 2015 is attributed to three key industries:

- 26% increase in sales from building material,
- 6% increase in sales from Motor Vehicle and Parts
- 6% increase in sales from food and beverage stores.

Even though overall there are increases in sales taxes led by the above industries, there are three industries that have less retail sales than the same period last year:

- 9% decrease in sales from utility services.
- 1% decrease in wholesale trade
- 4% decrease in Information Services

Distribution of Sales Taxes within the City

We have multiple funds where sales taxes are received. The following flowchart breaks down the August sales tax received and where the funds are used by the City:
August 2016 Sales and Use Tax

Consumer Purchases $146,211,871

Kansas Department of Revenue $13,232,174

State of Kansas $9,503,772

Douglas County $552,234
Other Cities and County Portion*

City of Lawrence $2,266,284

Douglas County $837,640 Within City*
$72,245 Outside City*
$909,885 Total

City of Lawrence $2,266,284

City received $72,245 for Share of Sales outside city limits*

Sales Tax Reserve Fund

2016 Budget:
(30% of City Portion of County Sales)
$272,966

Recreation Fund

2016 Budget:
(20% of City Portion of County Sales)
$181,977

General Fund

2016 Budget:
(50% City Portion of County Sales)
$454,942
$1,462,119 City Sales
$1,917,061 Total

Transit Operational Fund

$292,424

Transit Expansion Fund

$73,106

Infrastructure Reserve Funds

$438,636

*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.

- 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

City received $72,245 for Share of Sales outside city limits*
August 25, 2016

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 08/30/2016. The details are as follows:

<table>
<thead>
<tr>
<th>Detail Description</th>
<th>County</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 2016 Transportation Dev Dist Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawrence Transportation</td>
<td>Douglas</td>
<td>17,469.73</td>
</tr>
<tr>
<td>Lawrence 9thnh Transport</td>
<td>Douglas</td>
<td>10,318.67</td>
</tr>
<tr>
<td><strong>Total for Aug 2016 Transportation Dev Dist Tax:</strong></td>
<td></td>
<td><strong>$27,788.40</strong></td>
</tr>
<tr>
<td>Aug 2016 Compensating Use Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>192,688.76</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>89,140.98</td>
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<tr>
<td><strong>Total for Aug 2016 Compensating Use Tax:</strong></td>
<td></td>
<td><strong>$281,829.74</strong></td>
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<tr>
<td>Aug 2016 Sales Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>2,073,594.29</td>
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<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>820,743.76</td>
</tr>
<tr>
<td><strong>Total for Aug 2016 Sales Tax:</strong></td>
<td></td>
<td><strong>$2,894,338.05</strong></td>
</tr>
<tr>
<td><strong>Grand Total Amount:</strong></td>
<td></td>
<td><strong>$3,203,956.19</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