Memorandum
City of Lawrence
Finance Department

TO: Thomas Markus, City Manager
FROM: Bryan Kidney, Finance Director
Date: April 08, 2016
RE: March 2016 Sales and Use Tax Distribution

The City received its March sales and use tax, along with its share of County sales and use tax distribution this week. Total received was $3,077,791.33. Of this amount, $3,059,045.75 was from sales and use taxes city-wide. The remaining $18,745.58 was from sales within the City’s two of the three Transportation Development Districts (TDD). The State did not distribute any taxes from one of the TDDs for March.

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 February distribution is based on retail sales which occurred on or before December 25th.

March 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 25% of Year</th>
<th>% Collect</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1.00%</td>
<td>$17,189,008</td>
<td>$1,408,715</td>
<td>$4,428,508</td>
<td>25.8%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0.30%</td>
<td>5,156,702</td>
<td>422,615</td>
<td>1,328,528</td>
<td>25.8%</td>
</tr>
<tr>
<td>Transit Op</td>
<td>0.20%</td>
<td>3,437,802</td>
<td>281,743</td>
<td>885,702</td>
<td>25.8%</td>
</tr>
<tr>
<td>Transit Exp</td>
<td>0.05%</td>
<td>859,450</td>
<td>70,436</td>
<td>221,425</td>
<td>25.8%</td>
</tr>
<tr>
<td>Total City Sales and Use Tax</td>
<td>1.55%</td>
<td>$26,642,962</td>
<td>$2,183,509</td>
<td>$6,864,187</td>
<td>25.8%</td>
</tr>
<tr>
<td>City Share County Sales Tax</td>
<td></td>
<td>10,983,559</td>
<td>875,539</td>
<td>2,761,695</td>
<td>25.1%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$37,626,521</td>
<td>$4,945,204</td>
<td>$9,642,962</td>
<td>25.6%</td>
</tr>
</tbody>
</table>
Sales Tax Trends
March 2016 sales tax receipts were $182,515 above the same period in 2015. Collections are roughly 4.1% over 2015 levels and are on track with 2016 budget estimates.

**Sales and Use Tax by Month**
City of Lawrence

**Total Sales & Use Tax by Year**

2016 YTD $6,864,187
2015 YTD $6,595,818
Increase $268,369
Percent Increase 4.1%

*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. With the exception of utilities, the overall increase in retail sales through March is reflected across various industries. As has been the case over the last several months, the City’s largest increase over last year were sales of building materials which is up roughly 26% over same period last year. The second largest increase in retail sales are from food and beverage stores. This industry increased 6% 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 February sales tax received and where the funds are used by the City:
March 2016 Sales and Use Tax

Consumer Purchases $140,871,548

City of Lawrence $2,183,509
State of Kansas $9,156,651
Kansas Department of Revenue $12,748,875

Douglas County $533,176
Other Cities and County Portion* $12,748,875

Sales Tax Reserve Fund
2016 Budget: (30% of City Portion of County Sales) $262,662
• Used for governmental purposes, including but not limited to: Parks and Rec Building Maintenance, Parks and Rec Capital Improvements, Recreation Center Debt

Recreation Fund
2016 Budget: (20% of City Portion of County Sales) $175,108
• Subsidy of Recreation Programs, Subsidy of Aquatic Center Operations

General Fund
2016 Budget: (50% of City Portion of County Sales)
$437,770 $1,408,715 City Sales
$1,846,485 Total
• Funding of Public Safety, Public Works and General Operational Expenditures

Transit Operational Fund
$281,743
• Public Transit Operations

Transit Expansion Fund
$70,436
• Reserve for Future Public Transit Facility

Infrastructure Reserve Funds
$422,615
• Capital Street Improvements, Residential Street Maintenance, Capital Stormwater Improvements, Bike/Pedestrian Improvements, Fire Apparatus

City received $68,408 for Share of Sales outside city limits*

Douglas County $807,131 Within City*
$68,408 Outside City*
$875,539 Total

1.00% 0.20% 0.05% 0.30% Sales Tax Reserve Fund
1.55% Recreation Fund
2016 Budget: (30% of City Portion of County Sales) $262,662
• Used for governmental purposes, including but not limited to: Parks and Rec Building Maintenance, Parks and Rec Capital Improvements, Recreation Center Debt

2016 Budget: (20% of City Portion of County Sales) $175,108
• Subsidy of Recreation Programs, Subsidy of Aquatic Center Operations

2016 Budget: (50% of City Portion of County Sales)
$437,770 $1,408,715 City Sales
$1,846,485 Total
• Funding of Public Safety, Public Works and General Operational Expenditures

$281,743
• Public Transit Operations

$70,436
• Reserve for Future Public Transit Facility

$422,615
• 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.
March 25, 2016

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 03/30/2016. The details are as follows:

<table>
<thead>
<tr>
<th>Detail Description</th>
<th>County</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 2016 Sales Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>1,980,116.73</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>784,456.92</td>
</tr>
<tr>
<td>Total for Mar 2016 Sales Tax</td>
<td></td>
<td>$2,764,573.65</td>
</tr>
<tr>
<td>Mar 2016 Compensating Use Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>203,390.32</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>91,081.78</td>
</tr>
<tr>
<td>Total for Mar 2016 Compensating Use Tax</td>
<td></td>
<td>$294,472.10</td>
</tr>
<tr>
<td>Mar 2016 Transportation Dev Dist Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawrence Transportation</td>
<td>Douglas</td>
<td>17,059.46</td>
</tr>
<tr>
<td>Lawrence 9thhh Transport</td>
<td>Douglas</td>
<td>1,686.12</td>
</tr>
<tr>
<td>Total for Mar 2016 Transportation Dev Dist Tax</td>
<td></td>
<td>$18,745.58</td>
</tr>
<tr>
<td>Grand Total Amount:</td>
<td></td>
<td>$3,077,791.33</td>
</tr>
</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,

Lucinda Anstaett
Director Of Cash Management