Memorandum
City of Lawrence
Finance Department

TO: Thomas Markus, City Manager
FROM: Nate Blum, Senior Accountant/Fiscal Analyst
Date: November 28, 2016
RE: November 2016 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 $3,317,369.19. Of this amount, $3,278,372.63 was from sales and use taxes city-wide. The remaining $38,996.56 was from sales in the three 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 November distribution is based on retail sales which occurred on or before September 25, 2016.

November 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</th>
<th>% Collect</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1.00%</td>
<td>$17,189,008</td>
<td>$1,501,593</td>
<td>$16,152,950</td>
<td>94%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0.30%</td>
<td>5,156,702</td>
<td>450,478</td>
<td>4,845,886</td>
<td>94%</td>
</tr>
<tr>
<td>Transit Op</td>
<td>0.20%</td>
<td>3,437,802</td>
<td>300,319</td>
<td>3,230,592</td>
<td>94%</td>
</tr>
<tr>
<td>Transit Exp</td>
<td>0.05%</td>
<td>859,450</td>
<td>75,079</td>
<td>807,648</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Total City Sales and Use Tax</strong></td>
<td><strong>1.55%</strong></td>
<td><strong>26,642,962</strong></td>
<td><strong>2,327,469</strong></td>
<td><strong>25,037,076</strong></td>
<td><strong>94%</strong></td>
</tr>
</tbody>
</table>

| City Share County Sales Tax | 10,983,559 | 950,904 | 10,067,742 | 92% |
| Total                     | $37,626,521 | $3,278,373 | $35,104,818 | 93% |
Sales Tax Trends
November 2016 sales tax receipts were $87,966 (4.0%) above the same period in 2015. Collections are roughly 6.6% 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:
- 25% increase in sales from building material
- 7% increase in sales from motor vehicles 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 two industries that have less retail sales than the same period last year:
- 3% decrease in sales from information services
- 2% decrease in sales from utilities

![Pie chart showing the distribution of retail sales by industry for November 2016 within the City of Lawrence. The chart highlights the following industries:
- Retail Stores: 20%
- Food and Beverage Store: 13%
- Building Material: 7%
- Motor Vehicle and Parts: 14%
- Food Services and Drinking Places: 12%
- Accommodations: 2%
- Information Services: 4%
- Other Service: 5%
- Utilities: 6%
- Wholesale Trade: 4%
- Other: 13%]

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 2016 Sales and Use Tax

Consumer Purchases $150,159,290

Douglas County $550,689
- Other Cities and County Portion*

Kansas Department of Revenue $13,589,416

State of Kansas $9,760,354

City of Lawrence $2,327,469

Douglas County $860,255 Within City*
- $90,649 Outside City*
- $950,904 Total

Other Cities and County Portion*

Sales Tax Reserve Fund
- 2016 Budget: (30% of City Portion of County Sales) $285,271
  - 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) $190,181
  - Subsidy of Recreation Programs
  - Subsidy of Aquatic Center Operations

General Fund
- 2016 Budget: (50% City Portion of County Sales)
  - $475,452
  - $1,501,593 City Sales
  - $1,977,045 Total
  - Funding of Public Safety, Public Works and General Operational Expenditures

Transit Operational Fund
- $300,318
  - Public Transit Operations

Transit Expansion Fund
- $75,080
  - Reserve for Future Public Transit Facility

Infrastructure Reserve Funds
- $450,478
  - 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 23, 2016

Dear Mr. Blum

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 11/29/2016. The details are as follows:

<table>
<thead>
<tr>
<th>Detail Description</th>
<th>County</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 2016 Transportation Dev Dist Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawrence Transportation</td>
<td>Douglas</td>
<td>21,662.25</td>
</tr>
<tr>
<td>Lawrence 2 Transportation</td>
<td>Douglas</td>
<td>6,659.13</td>
</tr>
<tr>
<td>Lawrence 9thnh Transport</td>
<td>Douglas</td>
<td>10,675.18</td>
</tr>
<tr>
<td><strong>Total for Nov 2016 Transportation Dev Dist Tax:</strong></td>
<td>$38,996.56</td>
<td></td>
</tr>
</tbody>
</table>

| Nov 2016 Compensating Use Tax       |          |            |
| City Tax File                       | Douglas  | 264,468.52 |
| City Share From County Tax          | Douglas  | 113,686.81 |
| **Total for Nov 2016 Compensating Use Tax:** | $378,155.33 |

| Nov 2016 Sales Tax                  |          |            |
| City Tax File                       | Douglas  | 2,063,000.50|
| City Share From County Tax          | Douglas  | 837,216.80 |
| **Total for Nov 2016 Sales Tax:**   | $2,900,217.30 |
| **Grand Total Amount:**             | $3,317,369.19 |

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