Memorandum
City of Lawrence
Finance Department

TO: Thomas Markus, City Manager
FROM: Nate Blum, Senior Accountant/ Fiscal Analyst
Date: September 30, 2016
RE: September 2016 Sales and Use Tax Distribution

The City received its September sales and use tax, along with its share of County sales and use tax distribution this week. Total received was $3,191,929.52. Of this amount, $3,174,622.27 was from sales and use taxes city-wide. The remaining $17,307.25 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 September distribution is based on retail sales which occurred on or before July 25, 2016.

September 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 75% of Year</th>
<th>% Collect</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1.00%</td>
<td>$17,189,008</td>
<td>$1,464,270</td>
<td>$13,072,688</td>
<td>76%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0.30%</td>
<td>5,156,702</td>
<td>439,281</td>
<td>3,921,807</td>
<td>76%</td>
</tr>
<tr>
<td>Transit Op</td>
<td>0.20%</td>
<td>3,437,802</td>
<td>292,854</td>
<td>2,614,539</td>
<td>76%</td>
</tr>
<tr>
<td>Transit Exp</td>
<td>0.05%</td>
<td>859,450</td>
<td>73,214</td>
<td>653,636</td>
<td>76%</td>
</tr>
<tr>
<td>Total City Sales and Use Tax</td>
<td>1.55%</td>
<td>26,642,962</td>
<td>2,269,619</td>
<td>20,262,670</td>
<td>76%</td>
</tr>
<tr>
<td>City Share County Sales Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>10,983,559</td>
<td>905,005</td>
<td>8,137,093</td>
<td>74%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$37,626,521</td>
<td>$3,174,624</td>
<td>$28,399,763</td>
<td>76%</td>
</tr>
</tbody>
</table>
Sales Tax Trends
September 2016 sales tax receipts were $176,358 (9.2%) above the same period in 2015. Collections are roughly 6.4% 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
- 9% increase in sales from retail stores
- 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:
- 7% decrease in sales from motor vehicles and parts
- 6% decrease in utilities
- 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 September sales tax received and where the funds are used by the City:
September 2016 Sales and Use Tax

Consumer Purchases $146,427,032

Douglas County $559,265
Other Cities and County Portion*

Kansas Department of Revenue $13,251,646

State of Kansas $9,517,757

City of Lawrence $2,269,619

Sales Tax Reserve Fund

Recreation Fund

General Fund

Transit Operational Fund

Transit Expansion Fund

Infrastructure Reserve Funds

Douglas County $ 838,873 Within City*
$  66,132 Outside City*
$  905,005 Total

2016 Budget: (30% of City Portion of County Sales) $271,502

2016 Budget: (20% of City Portion of County Sales) $181,001

2016 Budget: (50% City Portion of County Sales)
$  452,503
$1,464,270 City Sales
$1,916,773 Total

$292,854

$73,214

$439,281

*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.
September 26, 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 09/29/2016. The details are as follows:

<table>
<thead>
<tr>
<th>Detail Description</th>
<th>County</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 2016 Transportation Dev Dist Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawrence Transportation</td>
<td>Douglas</td>
<td>16,520.22</td>
</tr>
<tr>
<td>Lawrence 9thhh Transport</td>
<td>Douglas</td>
<td>787.03</td>
</tr>
<tr>
<td><strong>Total for Sep 2016 Transportation Dev Dist Tax:</strong></td>
<td></td>
<td><strong>$17,307.25</strong></td>
</tr>
<tr>
<td>Sep 2016 Compensating Use Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>222,072.73</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>93,697.02</td>
</tr>
<tr>
<td><strong>Total for Sep 2016 Compensating Use Tax:</strong></td>
<td></td>
<td><strong>$315,769.75</strong></td>
</tr>
<tr>
<td><strong>Grand Total Amount:</strong></td>
<td></td>
<td><strong>$333,077.00</strong></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
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<td>Sep 2016 Sales Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Tax File</td>
<td>Douglas</td>
<td>2,047,544.87</td>
</tr>
<tr>
<td>City Share From County Tax</td>
<td>Douglas</td>
<td>811,307.65</td>
</tr>
<tr>
<td><strong>Total for Sep 2016 Sales Tax:</strong></td>
<td></td>
<td><strong>$2,858,852.52</strong></td>
</tr>
<tr>
<td><strong>Grand Total Amount:</strong></td>
<td></td>
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