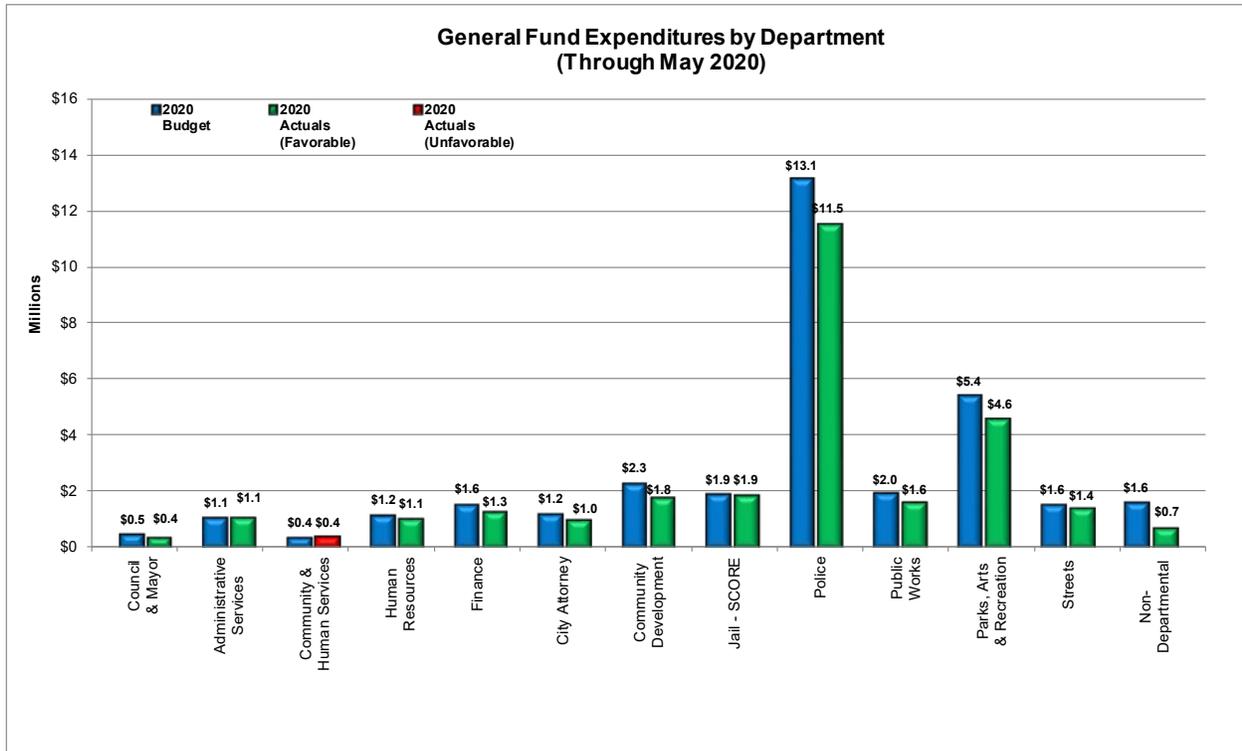
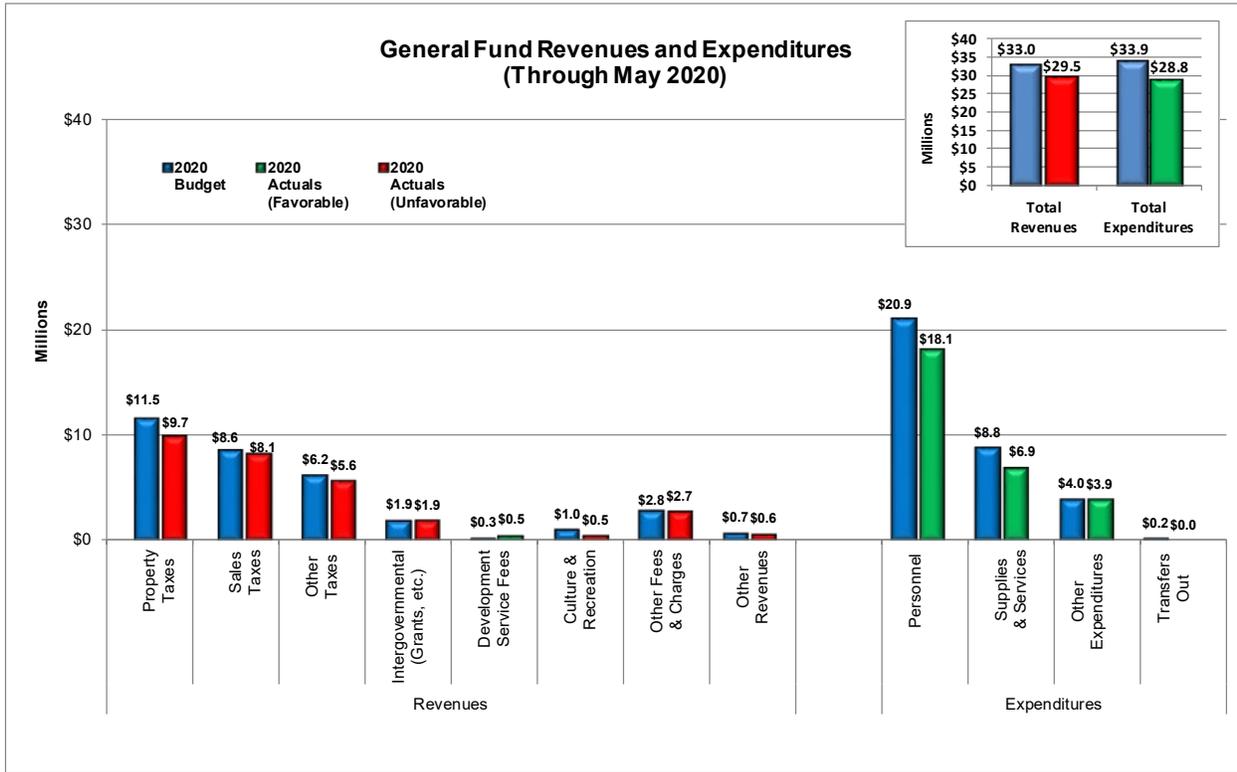




## AGENDA BILL APPROVAL FORM

<b>Agenda Subject:</b> Financial Report Through May 2020		<b>Date:</b> June 15, 2020
<b>Department:</b> Finance	<b>Attachments:</b> Financial Report through May	<b>Budget Impact:</b> \$0
<b>Administrative Recommendation:</b> For discussion only.		
<p><b>Background Summary:</b></p> <p>The financial report summarizes the general state of Citywide financial affairs and highlights significant items or trends that the City Council should be aware of. The attachment provides the year-to-date through May 2020 status report based on financial data available as of June 11, 2020. Due to the fiscal impacts of the COVID-19 pandemic, this financial report is being presented through May in order to provide the most current information possible. <b>Please note:</b> the fiscal books for the month of May 2020 are not yet complete, therefore the final month end revenues and expenditures may differ slightly from what is reflected in this report. Sales tax information represents business activity that occurred through March 2020.</p>		
		<b>Staff:</b> Thomas
<b>Meeting Date:</b> June 22, 2020		<b>Item Number:</b>

### General Fund Summary



General Fund Summary of Sources and Uses	Page Ref	2020			2019	2020 YTD Budget vs. Actual	
		Annual Budget	YTD Budget	YTD Actual	YTD Actual	Favorable (Unfavorable) Amount	Percentage
<b>Operating Revenues</b>							
Property Tax	3, 7	\$ 22,000,000	\$ 11,460,300	\$ 9,690,349	\$ 11,487,227	\$ (1,769,951)	(15.4) %
Retail Sales Tax	8-9	18,826,200	7,640,200	7,056,076	7,492,866	(584,124)	(7.6) %
Affordable Housing Sales Tax Credit		-	-	47,800	-	47,800	N/A
Sales Tax - Pierce County Parks		110,800	44,400	42,551	44,659	(1,849)	(4.2) %
Sales Tax - Annexation Credit		-	-	-	-	0	N/A
Criminal Justice Sales Tax	9	2,227,000	884,500	924,799	959,834	40,299	4.6 %
Brokered Natural Gas Tax		131,000	61,400	81,323	100,835	19,923	32.4 %
City Utilities Tax		4,123,000	1,655,400	1,241,158	1,628,155	(414,242)	(25.0) %
Admissions Tax	10	406,000	194,667	157,180	188,010	(37,486)	(19.3) %
Electric Tax		3,593,700	1,979,100	1,901,617	1,940,402	(77,483)	(3.9) %
Natural Gas Tax		1,018,100	693,200	693,884	628,650	684	0.1 %
Cable Franchise Fee		969,500	484,750	452,191	467,805	(32,559)	(6.7) %
Cable Utility Tax		1,040,400	525,098	480,751	489,453	(44,347)	(8.4) %
Cable Franchise Fee - Capital		65,000	32,500	31,363	32,416	(1,137)	(3.5) %
Telephone Tax		832,000	373,500	405,695	409,814	32,195	8.6 %
Solid Waste Tax (external)		134,400	56,000	66,461	59,119	10,461	18.7 %
Leasehold Excise Tax		51,000	12,750	13,813	173,176	1,063	8.3 %
Gambling Excise Tax	11	253,600	105,667	75,986	179,034	(29,680)	(28.1) %
<b>Taxes sub-total</b>		<b>\$ 55,781,700</b>	<b>\$ 26,203,432</b>	<b>\$ 23,362,999</b>	<b>\$ 26,281,456</b>	<b>\$ (2,840,432)</b>	<b>(10.8) %</b>
Business License Fees	12	\$ 410,000	\$ 175,100	\$ 130,259	\$ 102,696	\$ (44,842)	(25.6) %
Building Permits	4, 13	1,070,000	444,200	299,559	424,284	(144,641)	(32.6) %
Other Licenses & Permits		758,800	275,400	340,293	365,842	64,893	23.6 %
Intergovernmental (Grants, etc.)	3-4, 14-15	5,543,910	1,938,439	1,887,652	2,364,512	(50,787)	(2.6) %
Charges for Services:	4, 13-17						
General Government Services		3,166,520	1,139,042	1,177,785	1,079,073	38,743	3.4 %
Public Safety	15-16	1,009,600	420,667	427,524	526,782	6,857	1.6 %
Development Services Fees	13	830,000	288,000	512,350	388,121	224,350	77.9 %
Culture and Recreation	4, 16-17	2,414,880	1,013,900	464,235	1,119,176	(549,665)	(54.2) %
Fines and Penalties		863,800	374,650	293,645	375,013	(81,005)	(21.6) %
<b>Fees/Charges/Fines sub-total</b>		<b>\$ 16,067,510</b>	<b>\$ 6,069,397</b>	<b>\$ 5,533,302</b>	<b>\$ 6,745,500</b>	<b>\$ (536,095)</b>	<b>(8.8) %</b>
Interest and Investment Earnings	3, 17	\$ 318,600	\$ 132,750	\$ 192,636	\$ 209,393	\$ 59,886	45.1 %
Rents and Leases	17	850,800	372,800	210,129	423,370	(162,671)	(43.6) %
Contributions and Donations	17	25,000	7,700	4,550	15,460	(3,150)	(40.9) %
Other Miscellaneous	17	230,800	118,167	94,562	187,444	(23,605)	(20.0) %
Transfers In		4,081,527	75,882	81,527	85,906	5,645	7.4 %
Insurance Recoveries - Capital & Operating		150,000	10,500	49,863	87,962	39,363	374.9 %
<b>Other Revenues sub-total</b>		<b>\$ 5,656,727</b>	<b>\$ 717,798</b>	<b>\$ 633,266</b>	<b>\$ 1,009,535</b>	<b>\$ (84,532)</b>	<b>(11.8) %</b>
<b>Total Operating Revenues</b>		<b>\$ 77,505,937</b>	<b>\$ 32,990,627</b>	<b>\$ 29,529,568</b>	<b>\$ 34,036,491</b>	<b>\$ (3,461,060)</b>	<b>(10.5) %</b>
<b>Operating Expenditures</b>							
Council & Mayor		\$ 1,140,946	\$ 498,200	\$ 405,957	\$ 437,852	\$ 92,243	18.5 %
Administration		2,872,071	1,102,800	1,097,956	927,824	4,844	0.4 %
Human Resources		1,818,604	762,300	676,035	323,142	86,265	11.3 %
Municipal Court & Probation		3,079,211	415,588	378,493	639,019	37,095	8.9 %
Finance		3,729,078	1,567,700	1,322,924	1,423,469	244,776	15.6 %
City Attorney		2,934,072	1,232,200	1,003,237	1,056,051	228,963	18.6 %
Community Development		5,700,488	2,322,300	1,823,467	1,647,000	498,833	21.5 %
Community & Human Services (Comm Devel)		1,092,384	366,900	391,544	358,923	(24,644)	(6.7) %
Jail - SCORE		4,601,000	1,917,083	1,902,125	2,067,672	14,958	0.8 %
Police		31,185,874	13,123,500	11,464,480	11,916,382	1,659,020	12.6 %
Public Works		4,655,541	1,953,700	1,626,551	1,611,523	327,149	16.7 %
Parks, Arts & Recreation		13,754,666	5,413,800	4,612,482	4,915,495	801,318	14.8 %
Streets		4,067,677	1,556,700	1,429,787	1,414,887	126,913	8.2 %
Non-Departmental		3,787,133	1,629,125	710,756	720,721	918,369	56.4 %
<b>Total Operating Expenditures</b>		<b>\$ 84,418,745</b>	<b>\$ 33,861,896</b>	<b>\$ 28,845,795</b>	<b>\$ 29,459,962</b>	<b>\$ 5,016,102</b>	<b>14.8 %</b>

**Executive Summary**

This report provides an overview of the City's overall financial position for the fiscal period ending May 31, 2020, reflecting financial data available as of June 11, 2020. Due to the fiscal impacts of the COVID-19 pandemic, the "quarterly" report has been extended through May to provide the most current information possible. ***Please note:*** the fiscal books for the month of May 2020 were not complete at the time this report was prepared, therefore the final month-end revenues and expenditures may be slightly different from what is reflected in this report.

**General Fund:**

Through May 2020, General Fund revenues totaled \$29.5 million and were \$3.4 million (10.5%) unfavorable to budget expectations and \$4.5 million (13.2%) less than revenues collected through May 2019. The \$3.4 million revenue shortfall in General Fund revenues are largely due to the COVID-19 pandemic when the Governor issued a "Stay Home, Stay Healthy" order that ultimately closed all non-essential businesses.

In April 2020, the state discontinued SST (Streamlined Sales Tax) payments, which the City of Auburn had anticipated receiving through Q2-2021. This represents a loss of \$460,000 in revenue to the City of Auburn in 2020.

The City estimates that the revenue loss to the General Fund due to COVID-19 will be between \$6.0 million and \$9.0 million in 2020, which is at least partially dependent on when Pierce and King counties are allowed to progress through the reopening phases set forth by the Governor. To help close the revenue gap, the City implemented the following policy changes:

- Diverting interest earnings for most funds to the General Fund (retroactive to January 2020).
- No longer allocating a portion of Motor Vehicle Fuel Tax (MVFT) monies to the Arterial Street Fund (and therefore that portion of revenues from the state will stay in the General Fund). This funding source for the Arterial Street Fund is being replaced with REET funds for 2020.
- Retaining all utility tax revenues entirely in the General Fund (previously, a portion of these tax revenues were diverted to the Arterial Street Preservation Fund). This funding source for the Arterial Street Preservation Fund is being replaced with REET funds for 2020.

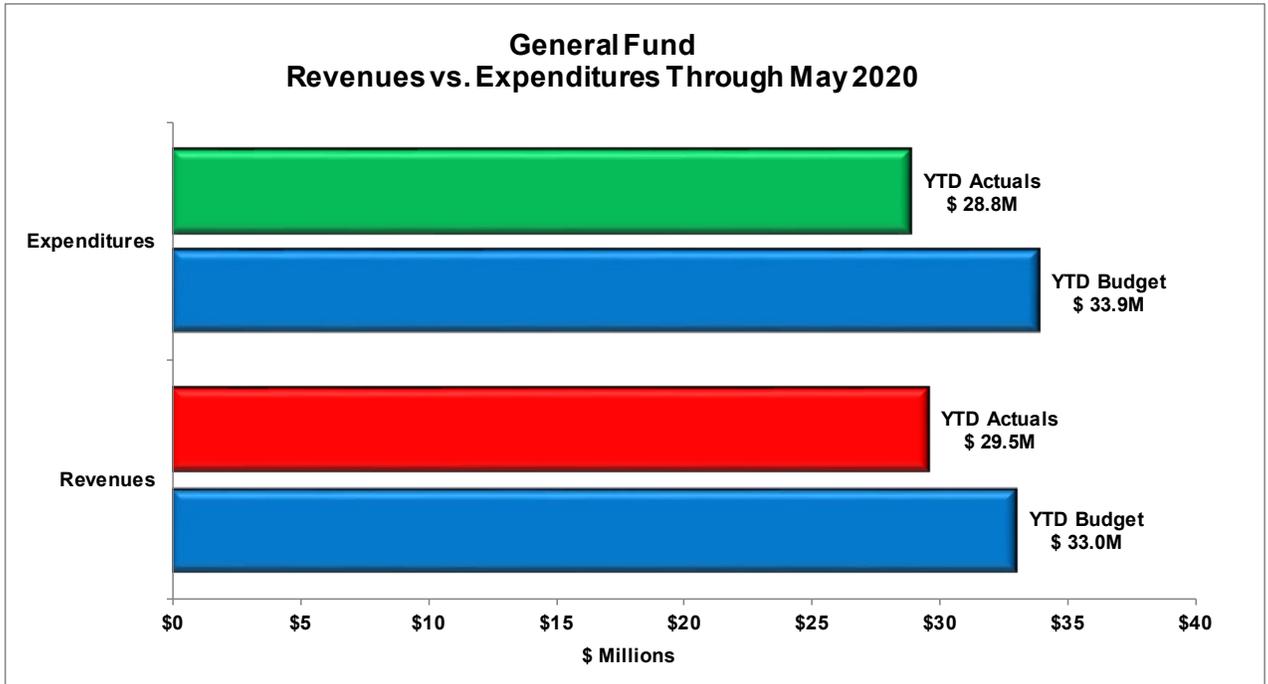
Some notable variances to budget through May 2020 include:

- **Property Tax:** Property tax collections through May totaled \$9.7 million compared to a budget of \$11.5 million. Both King and Pierce counties issued notices that they extended the property tax deadline. Typically the first half of the annual property tax bills are due in April, but the deadline has been extended to June. This change is not expected to be a revenue loss to the City, although it does affect the timing for when those revenues will be received. **[page 7]**
- **Sales Tax:** The sales tax report through May 2020 reflects amounts remitted to the City of Auburn based on sales from November 2019 through March 2020, which includes a partial month of the "Stay Home, Stay Healthy" order. Revenue loss was seen in several categories, most notably in the automotive, manufacturing, and services sectors. In the sales tax report for sales taxes from the month of March 2020 (which is when the "Stay Home, Stay Healthy" order was enacted), the City of Auburn received \$428K, or 25.9% less revenue compared to the same period last year. **[pages 8-9]**

- Building permit revenues collected through May 2020 totaled \$300,000 and were \$145,000, or 32.6%, unfavorable to budget. While the total number of building permits issued year-to-date is comparable to last year's numbers, there were some a few notable large projects permitted over the last few months including Legacy Plaza and the Pioneer Elementary School Replacement Project. **[page 13]**
- Intergovernmental revenues through May 2020 were \$51,000, or 2.6% unfavorable to budget. While revenues through May were fairly strong considering COVID-19, it is expected that this revenue category will have a larger revenue gap as the year progresses primarily due to the SST distributions ending in June 2020 (see discussion above). **[pages 14-15]**
- Culture and recreation revenues collected through May were \$550,000, or 54.2% unfavorable to budget. This is a direct result of the COVID-19 pandemic whereby the City of Auburn essentially closed the majority of all Parks, Arts and Recreation activities effective March 6, 2020. This reduced revenue also reflects refunds for cancelled events including theater shows, camps, special events, etc. **[pages 16-17]**

2020 General Fund expenditures through May 2020 totaled \$28.8 million compared to a budget of \$33.9 million, representing a \$5.0 million, or 14.8%, favorable variance to budget. Due to the significant impact the COVID-19 pandemic has already had and will continue to have on General Fund revenues, the City has implemented several mitigation strategies to close the gap for the projected revenue shortfall. Some of these strategies include partial employee furloughs, hiring freezes on fifteen positions, voluntary early retirements, temporary benefit cuts, lay-offs of temporary and seasonal employees, participation in the Shared Work Program for employees whose workload has slowed down, and specific departmental expenditure reductions in the areas of travel, training, and some service contracts. Some of these expenditure cuts are already reflected in this financial report whereas other budget cuts will be reflected in future reports.

The majority of the expenditure savings through May was seen in salary and benefit costs, which were underspent by \$1.5 million and \$1.3 million respectively. Savings in salaries were primarily related to position vacancies resulting, in large part, from the hiring freezes, layoffs, and participation in the Shared Work Program as noted above. Savings in benefit expenditures were due in part to position vacancies and also to the fact that the actual cost of providing medical benefits in 2020 are less than budgeted.



Street Funds:

The City’s three street funds are special revenue funds wherein the revenue sources and expenditures are legally restricted. These funds are used for street capital construction projects, as well as local and arterial street repair and preservation projects. Historically, the majority of expenditures in all three street funds occur during the second half of the year when weather conditions are optimal for pavement construction. Variances in budget and actuals between years are generally due to the schedule and level of activity on projects in the fund, and the timing of grant reimbursements and other funding.

Through May 2020, **Arterial Street Fund** revenues totaled \$249,000 as compared to collections of \$934,000 in the same period of 2019, while expenditures totaled \$344,000 as compared to expenditures of \$991,000 in 2019. **[pages 20–21]**

**Local Street Fund** revenues of \$598,000 are slightly higher than budget expectations, and compare to collections of \$619,000 through May 2019. Expenditures through May were \$386,000 as compared with \$121,000 in 2019. **[pages 22–23]**

Lastly, **Arterial Street Preservation Fund** revenues totaled \$983,000 through May 2020, compared to collections of \$1.2 million through May 2019. Expenditures totaled \$522,000 versus \$461,000 last year. **[pages 24–25]**

Enterprise Funds:

The City's enterprise funds account for operations with revenues primarily provided from user fees, charges or contracts for services.

All City utilities transitioned from bimonthly to monthly usage billing starting in January 2019. Additionally, a new utility fee schedule also went into effect in January 2019.

The **Water Fund** ended May 2020 with operating income of \$1.6 million, compared to \$1.7 million last year. **[page 27]**

The **Sewer Fund** finished May 2020 with operating income of \$911,000 versus \$1.3 million in 2019. This variance is primarily due to a one-time refund from the Department of Revenue last year. **[page 28]**

Through May 2020 the **Stormwater Fund** had operating income of \$1.4 million compared to \$1.3 million in 2019. **[page 28]**

The **Solid Waste Fund** finished May 2020 with operating income of \$1.3 million compared to \$219,000 in the same period last year. This variance is due to the timing of payment for May services to the City's primary solid waste vendor, and is expected to be in line with 2019. **[pages 28-29]**

The **Airport Fund** experienced operating income of \$251,000 through May 2020, compared to \$204,000 through May 2019. This variance is largely attributable to the purchase and sale of aviation fuel, an activity that was not previously directly managed by the City. **[page 30]**

The **Cemetery Fund** had operating income of \$7,000, compared to \$90,000 in through May 2019. **[page 30]**

Internal Service Funds:

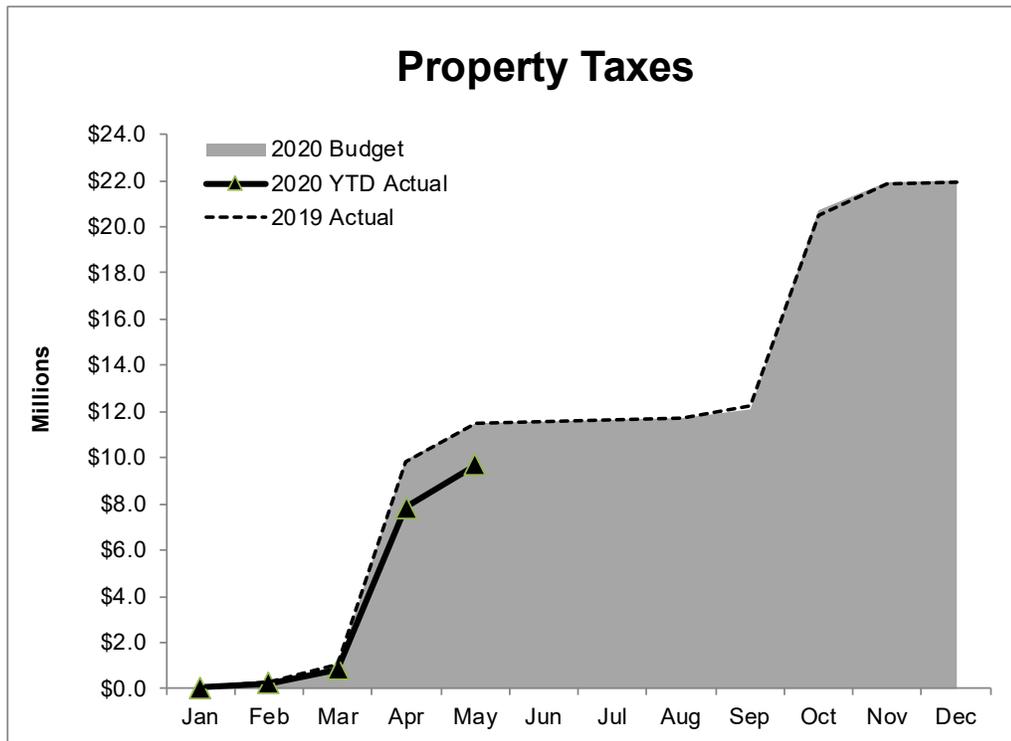
Internal service funds provide services to other City departments and include functions such as Insurance, Worker's Compensation, Facilities, Innovation & Technology, and Equipment Rental. No significant variances were reported in these funds during the period ending May 31, 2020. **[page 31]**

**General Fund**

**Revenues**

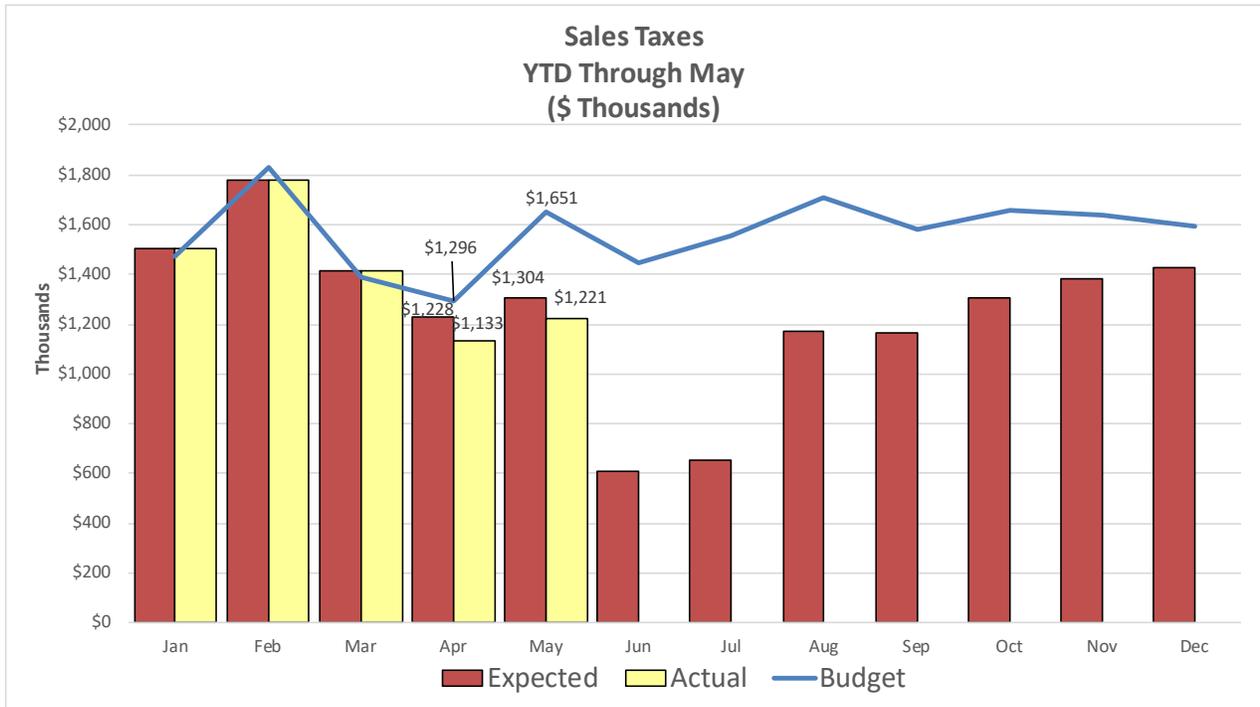
The combined total of property, sales/use, utility, gambling, and admissions taxes provides 75% to 80% of all resources supporting general governmental activities. The following section provides additional information on these sources.

**Property Tax** collections through May 2020 totaled \$9.7 million and compare to a budget of \$11.5 million. While the property tax dollars collected through May are \$1.8 million (15.6%) less than budgeted, this is primarily a result of both King and Pierce counties extending the property tax deadline due to COVID-19. Typically the first half of the annual property tax bills are due in April but the deadline has been extended to June. This change is not expected to be a revenue loss to the City, although it does affect the timing for when those revenues will be received.



**Retail sales taxes** collected through May 2020 reflects taxes remitted to the City of Auburn based on sales from November 2019 through March 2020, which includes a partial month of the “Stay Home, Stay Healthy” order. Year-to-date sales tax revenues collected are \$584,000, or 7.6%, unfavorable to budget due mainly to the remittances for the month of March. While the “Stay Home, Stay Healthy” order was enacted towards the middle of March, there were numerous businesses who did not remit their sales tax revenues for that month even if they operated for a partial month. This could be due to the fact that the Department of Revenue provided relief to COVID-19 impacted businesses during the state of emergency in the form of extensions on the due date and waived interest charges. For sales taxes collected in May (representing sales in March), revenues collected were \$428K, or 25.9%, less than revenue compared to the same period last year.

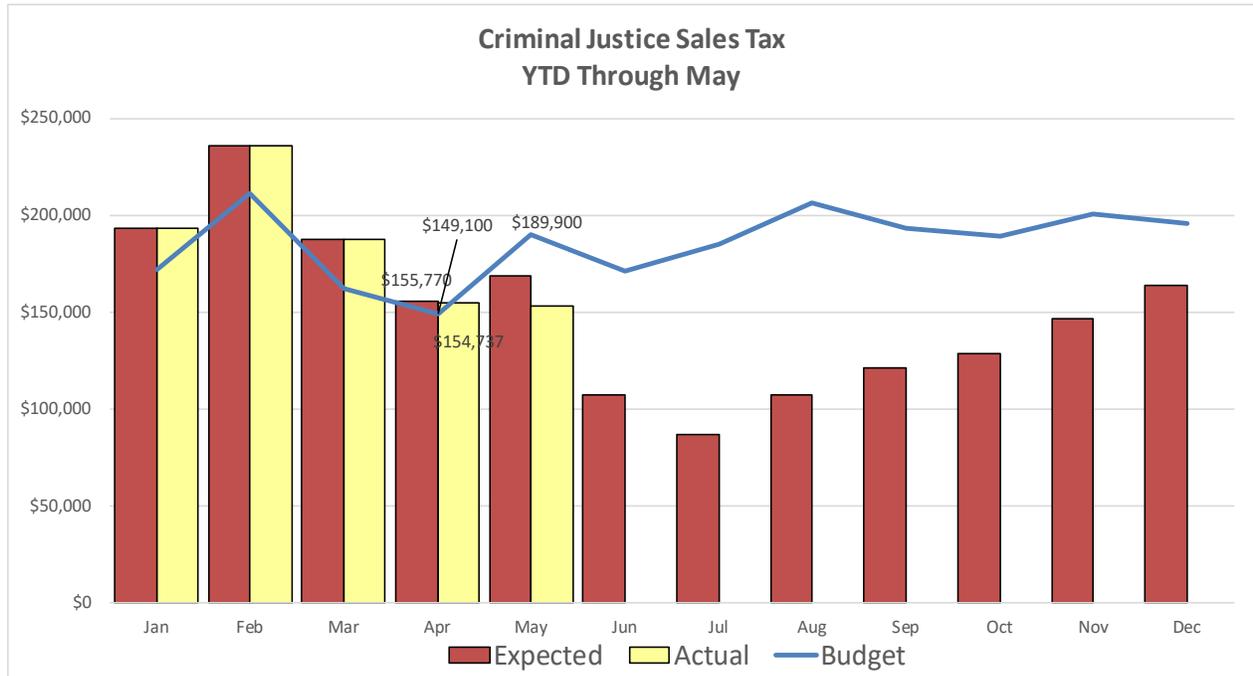
Overall, the City is expecting that an estimated \$3.3 million to \$4.5 million of the shortfall related to COVID-19 will be in the retail sales tax category.



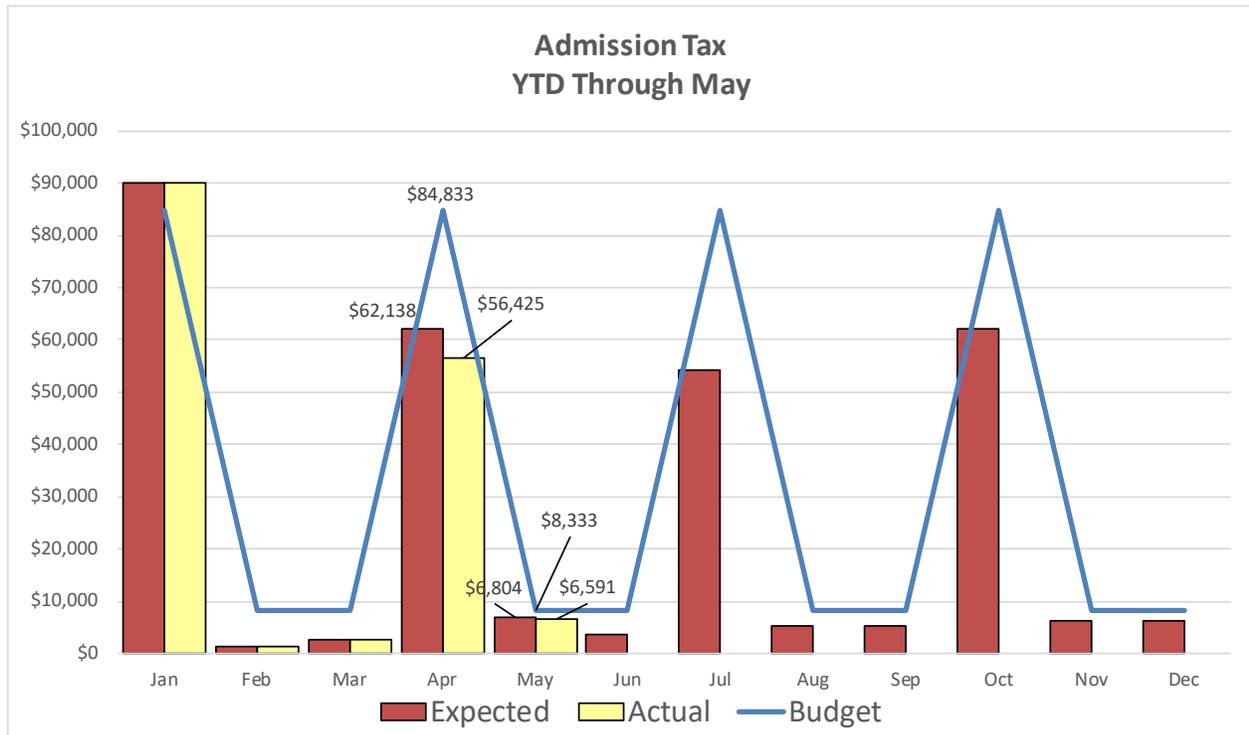
The following table breaks out the City's retail sales taxes by major business sector.

Comparison of Retail Sales Tax Collections by Group Through May				
Component Group	2019 Actual	2020 Actual	Change from 2019	
			Amount	Percentage
Construction	\$ 760,510	\$ 1,015,111	\$ 254,601	33.5 %
Manufacturing	327,620	157,323	(170,297)	(52.0) %
Transportation & Warehousing	38,325	43,899	5,574	14.5 %
Wholesale Trade	598,316	533,904	(64,412)	(10.8) %
Automotive	1,636,947	1,303,628	(333,319)	(20.4) %
Retail Trade	2,243,482	2,240,012	(3,470)	(0.2) %
Services	1,781,526	1,662,925	(118,601)	(6.7) %
Miscellaneous	106,139	99,274	(6,865)	(6.5) %
YTD Total	\$ 7,492,865	\$ 7,056,076	\$ (436,789)	(5.8) %

Criminal Justice sales tax revenues collected through May 2020 totaled \$925,000 and compares to collections of \$960,000 through the same period last year. The base for criminal justice sales tax revenue is county-wide sales. A portion of the distribution goes to the county and the remaining is distributed to cities based upon population. The remittance in May (for March sales) was \$36,700, or 19.3%, less than budgeted. This revenue stream will continue to be impacted due to COVID-19 and it is anticipated that the revenue loss in 2020 will be approximately \$425,000.



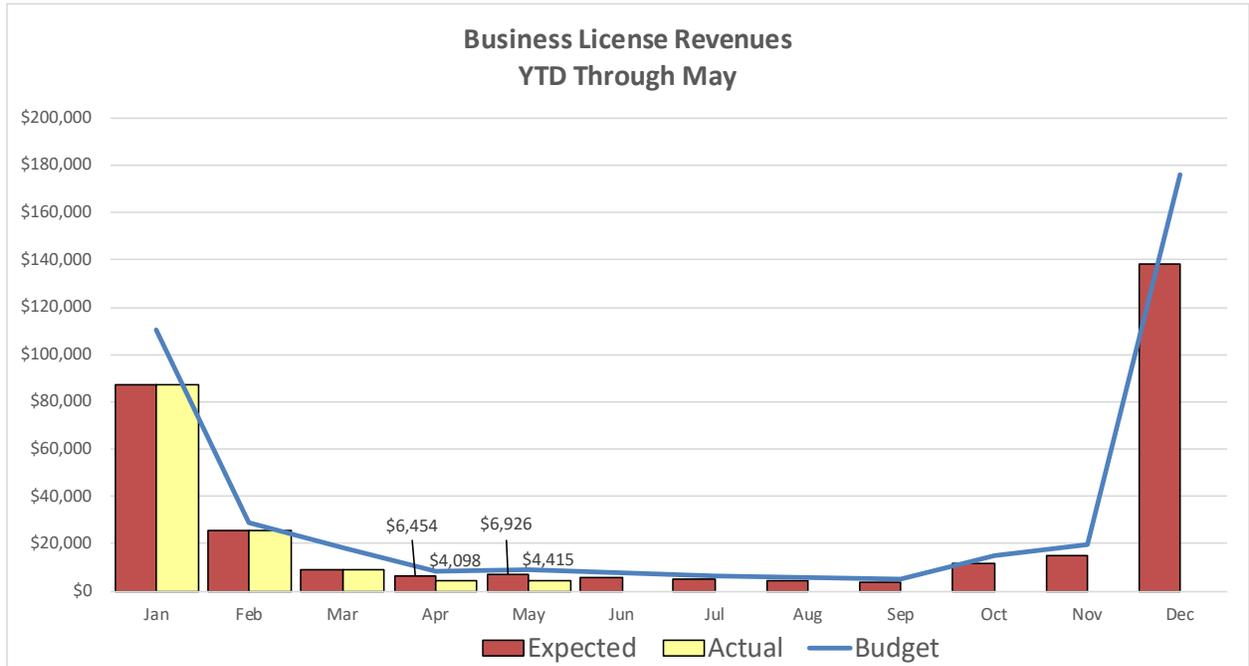
Admission tax is placed on charges for general admission, season tickets, cover charges, parking charges, etc., on which the City levies an admission tax of 5.0%. While there are only a handful of business that qualify to remit these taxes to the City, 75% of the tax revenue in this category is generated from the Regal Theater located at the Outlet Collection Mall. Due to the Governor’s orders relating to COVID-19, these revenues have dried up and will continue to be zero until group activities are permitted, and may be limited for some period thereafter. As outlined in the graphic below, April did see revenues in the amount of \$56,000 for admissions taxes collected from the Regal Theater prior to the “Stay Healthy, Stay Home” order. In addition, \$7,000 in revenues were collected in May – which was revenue generated from the Auburn Golf Course as the golf course re-opened on May 5<sup>th</sup>.



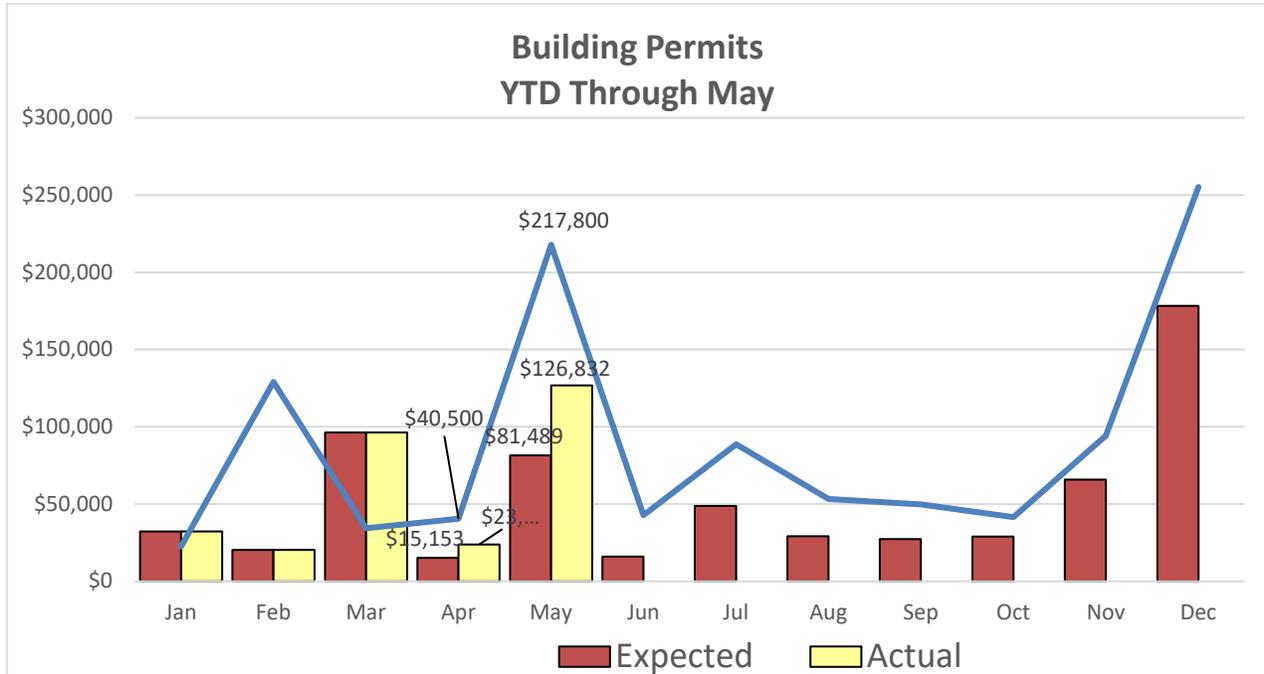
Gambling tax applies to all card games, punch board games, pull tabs, bingo games, raffles and amusement games played within City limits. Due to the Governor’s orders relating to COVID-19, these entertainment style activities are currently not permitted, therefore it is expected the revenues generated from gambling taxes this year be significantly lower than budgeted. As depicted in the graphic below, \$25,000 in gambling tax revenue was remitted to the City in May, but that was for revenue generated in the first quarter of 2020.



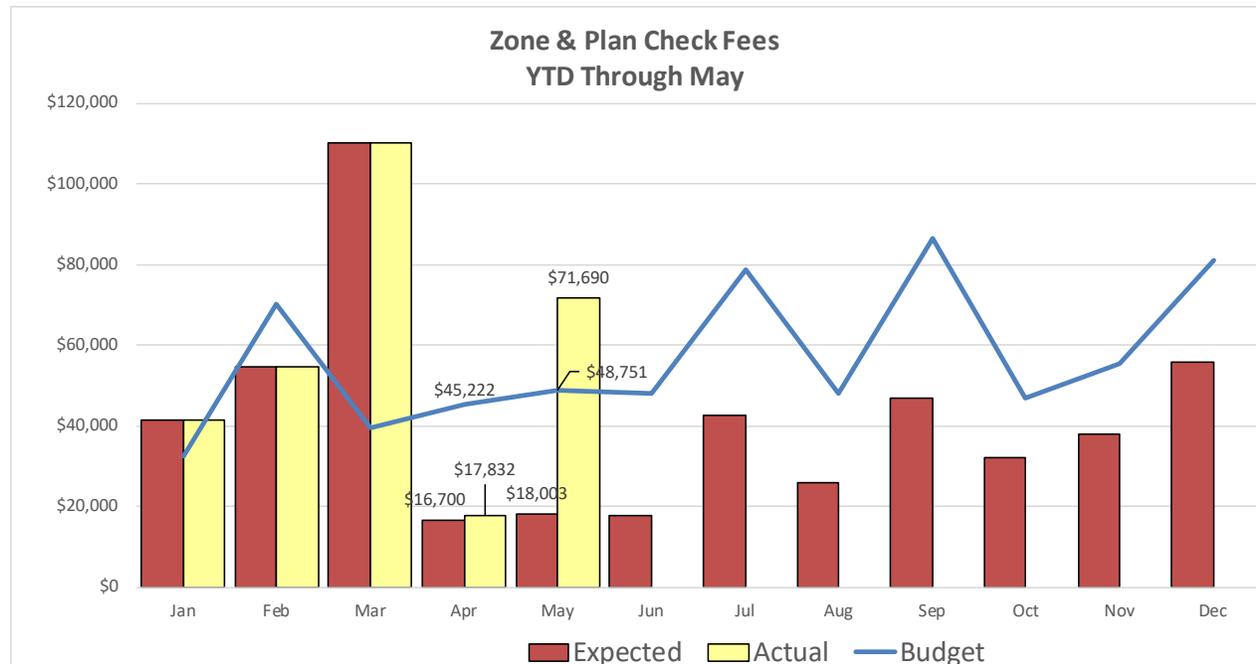
The City charges an annual fee of \$100 for a business license for each business that is located within the City. The City typically sends out the renewals for the following year around December of each year. Therefore, the majority of these revenues are collected in December for the following year or January for the current year. Through May 2020, these revenues were \$45,000 unfavorable to budget and it is anticipated that, due to COVID-19, there will be businesses that do not remit their renewals this year.



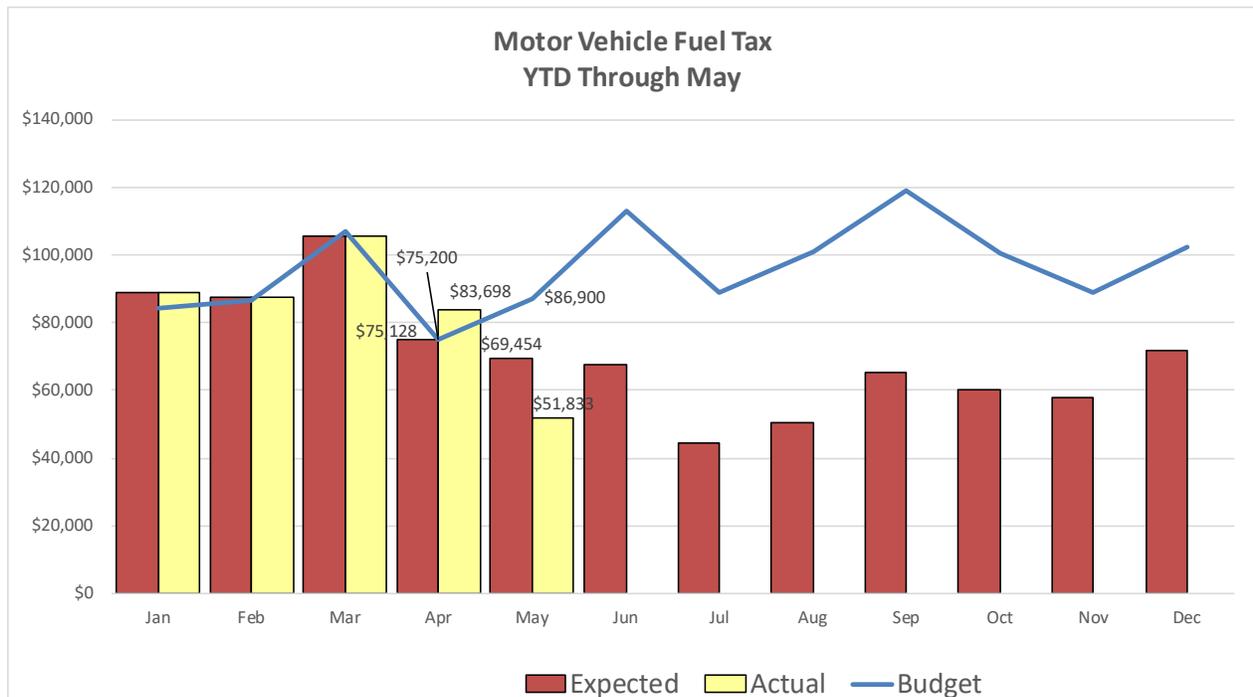
Building permit revenues collected through May 2020 totaled \$300,000 and were \$145,000, or 32.6%, unfavorable to budget. These revenues have been negatively affected by COVID-19 due to the fact that construction was halted. As reflected in the graphic below, the City did collect \$127,000 in building permit revenues in May. The majority of that revenue was related to the Pioneer Elementary School Replacement Project.



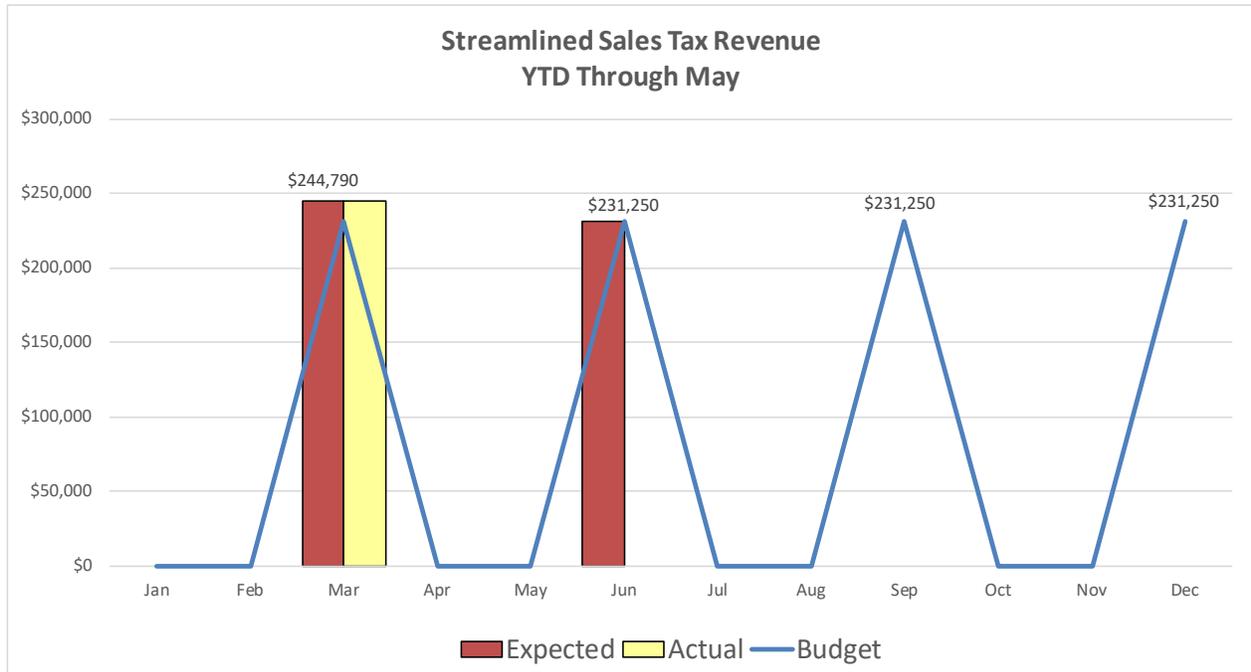
Zoning and plan check revenues are revenues that are categorized as development service fees and are paid to the City of Auburn for both zoning and subdivisions, as well as fees collected for the review of building plans. Due to COVID-19, it is expected that these revenues in 2020 will come in approximately \$180,000 under budget expectations.



Motor vehicle fuel tax revenues are state shared revenues (included in the intergovernmental revenues on page 2) and are distributed to cities based upon the population. The revenue is based on gallons sold, therefore due to COVID-19 and the “Stay Home, Stay Healthy” order - because many people have drastically reduced their driving patterns fuel consumption has and will continue to decline compared to budget expectations. The temporary policy that the City has recently implemented where motor vehicle fuel tax revenues that have historically benefited the Arterial Street Fund will now stay in the General Fund – it is expected that this revenue will end the year favorable to budget due to the policy change. The policy change had not yet been implemented as of the date this report was prepared and therefore this change is not reflected in the graphic below.



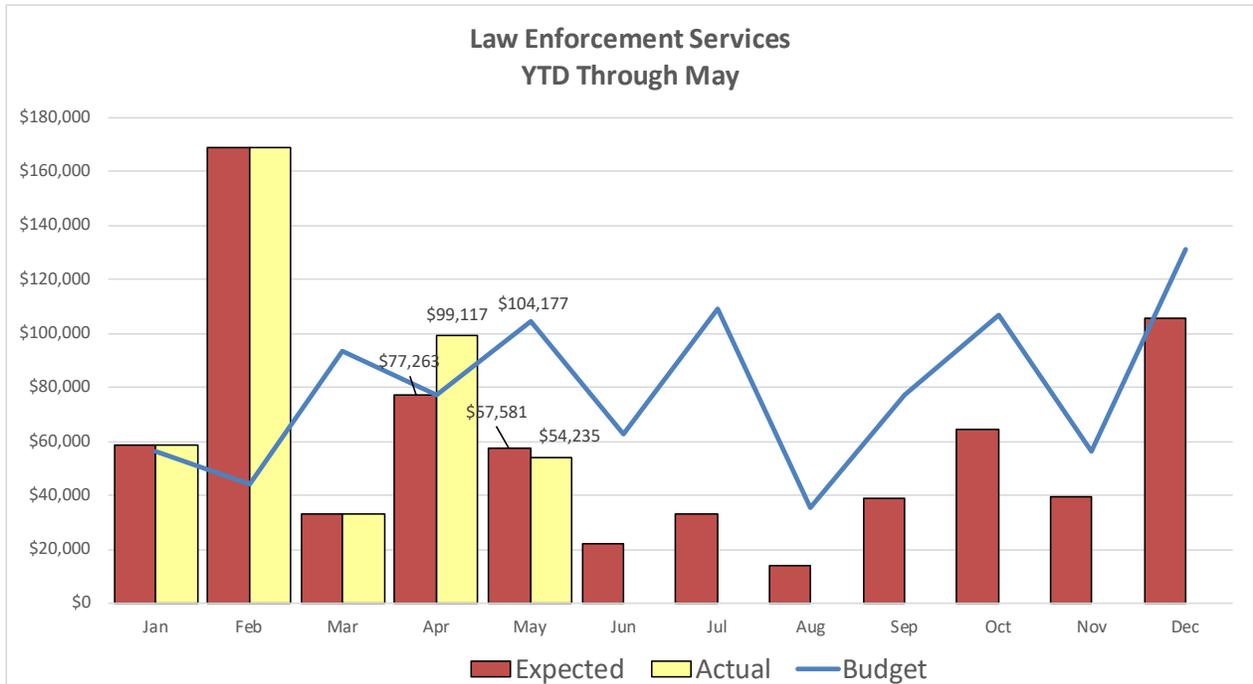
Streamlined Sales Tax (SST) revenue is a state shared revenue that was granted in 2008 as a way for cities to offset the negative fiscal impact of the Streamlined Sales and Use Tax Agreement, also known as ‘destination sourcing’. The City of Auburn had expected to receive these monies through Q2-2021. In an effort for the state to close the revenue gap due to COVID-19, in April 2020 the state discontinued any SST distributions after Q2-2020. This loss of revenue represents a loss of \$460,000 to the City of Auburn in 2020 which will be reflected in the Q3-2020 and Q4-2020 financial reports.



**Charges for Services** consist of general governmental service charges, public safety charges, development service fees, and culture and recreation fees. Total charges for services collected through May 2020 totaled \$2.6 million and were \$280,000, or 9.8%, under budget expectations.

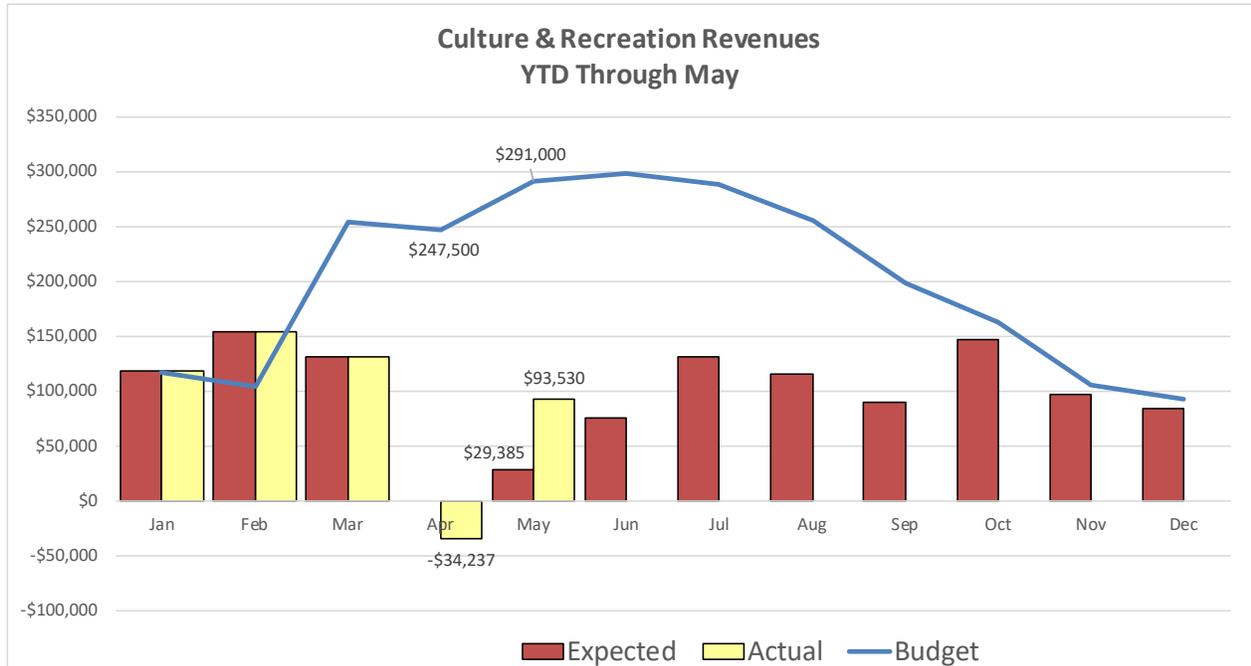
Charges for Services by Type Through May 2020							
Revenue	2019 YTD Actual	2020 YTD Budget	2020 YTD Actual	2020 vs. 2019 Actual		2020 vs. Budget	
				Amount	Percentage	Amount	Percentage
General Government	\$ 1,079,073	\$ 1,139,042	\$ 1,177,785	\$ 98,712	9.1 %	\$ 38,743	3.4 %
Public Safety	526,782	420,667	427,524	(99,258)	(18.8) %	6,857	1.6 %
Development Services	388,121	288,000	512,350	124,229	32.0 %	224,350	77.9 %
Culture & Recreation	1,119,176	1,013,900	464,235	(654,941)	(58.5) %	(549,665)	(54.2) %
YTD Total	\$ 3,113,153	\$ 2,861,608	\$ 2,581,894	\$ (531,259)	(17.1) %	\$ (279,714)	(9.8) %

Public safety revenues primarily consist of revenues for law enforcement services. Law enforcement services include revenues received for extra duty security services, whereby police officers are contracted for and reimbursement is made by the hiring agency. This also includes reimbursements from the Muckleshoot Indian Tribe (MIT) for a full-time dedicated police officer and associated expenditures as well as monies collected from the Auburn School District and the Criminal Justice Training Commission (CJTC) for services rendered. While law enforcement service revenues collected through May 2020 met budget expectations, it is anticipated that this revenue will end the year unfavorable to budget expectations as some businesses who utilize these services will not require security services due to business closures.



The majority of culture and recreation revenues are derived from greens fees and pro shop sales at the Auburn Golf Course, recreational classes, ticket sales at the Auburn Avenue Theater, senior programs and special events. Due to COVID-19, all of these activities were suspended effective March 6<sup>th</sup> when the City of Auburn closed facilities and activities as a result of the Governor’s orders. Therefore, culture and recreation revenues collected through May 2020 totaled \$464,000 and were \$550,000 less than budget expectations.

Revenues in this category in January and February exceeded budget expectations but, due to COVID-19, March revenues fell considerably short due to facility closures. As the graphic indicates, April reported negative revenues which was a function of processing refunds to customers for pre-paid activities like theater shows, special events, recreation classes, and camps. Due to guidance from the Governor, the Auburn Golf Course reopened for business – with restrictions – on May 5<sup>th</sup>. While revenues generated at the Auburn Golf Course in May totaled \$142,000, this was offset by approximately \$50,000 in refunds in this revenue category. The Parks, Arts and Recreation Department is still processing refunds and it is expected that those will continue through at least June.

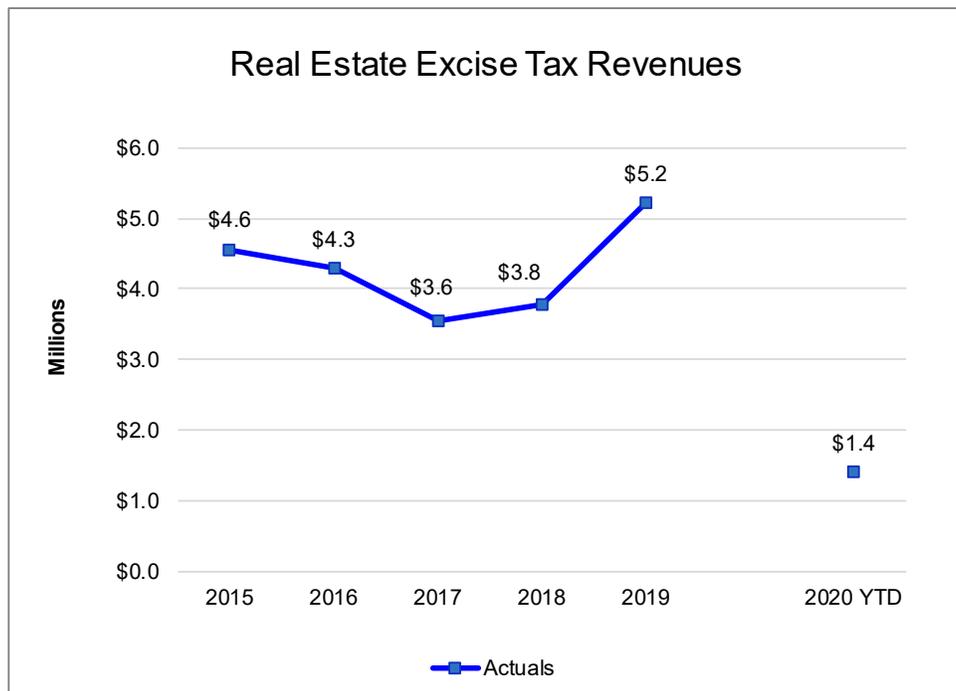
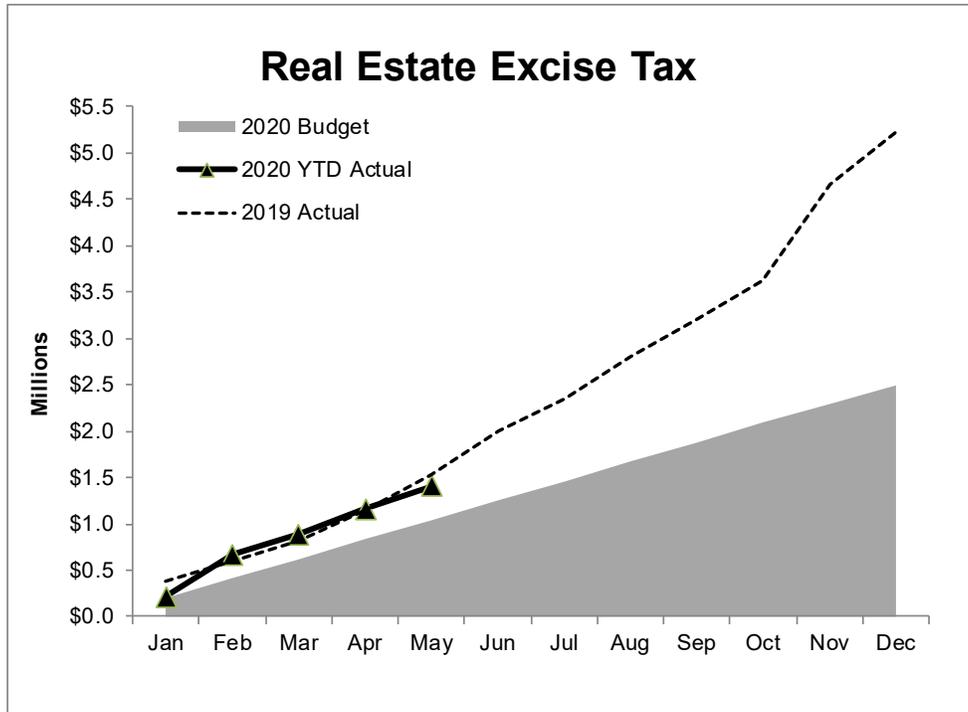


**Miscellaneous revenues** consist of investment earnings, income from facility rentals, revenue collected on golf cart rentals at the Auburn Golf Course, contributions and donations, and other income including the quarterly purchasing card (P-card) rebate monies. Revenues collected through May 2020 in this category totaled \$502,000 and were under budget expectations by \$130,000, or 20.5%. The majority of the unfavorable variance to budget was in the rents and leases category for facility rentals and includes refunds on facilities that were reserved prior to COVID-19. This also includes the fact that there no rental revenue was generated for golf carts at the Auburn Golf Course as it was closed for the majority of March and all of April.

Miscellaneous Revenues by Type Through May 2020							
Month	2019 YTD Actual	2020 YTD Budget	2020 YTD Actual	2020 vs. 2019		2020 vs. Budget	
				Amount	Percentage	Amount	Percentage
Interest & Investments	\$ 209,393	\$ 132,750	\$ 192,636	\$ (16,757)	(8.0) %	\$ 59,886	45.1 %
Rents & Leases	423,370	372,800	210,129	(213,241)	(50.4) %	(162,671)	(43.6) %
Contributions & Donations	15,460	7,700	4,550	(10,910)	(70.6) %	(3,150)	(40.9) %
Other Miscellaneous Revenue	187,444	118,167	94,562	(92,883)	(49.6) %	(23,605)	(20.0) %
YTD Total	\$ 835,667	\$ 631,417	\$ 501,876	\$ (333,791)	(39.9) %	\$ (129,540)	(20.5) %

**Real Estate Excise Tax (REET)** revenue is receipted into the Capital Improvement Projects Fund and is used for governmental capital projects. REET revenue represents taxes on the sale of both commercial properties and single-family residences. REET revenues collected through May 2020 totaled \$1.4 million and exceeds budget expectations by \$362,000. Sales activity through this reporting period includes the sale of several warehouses, multi-family complexes and single family homes.

Real Estate Excise Tax Revenues							
May 2020							
Month	2019 Actual	2020 Budget	2020 Actual	2020 vs. 2019		2020 vs. Budget	
				Amount	Percentage	Amount	Percentage
Jan	\$ 387,084	\$ 208,500	\$ 214,936	\$ (172,147)	(44.5) %	\$ 6,436	3.1 %
Feb	208,857	208,500	455,986	247,129	118.3 %	247,486	118.7 %
Mar	232,233	208,500	214,029	(18,204)	(7.8) %	5,529	2.7 %
Apr	318,475	208,500	273,949	(44,526)	(14.0) %	65,449	31.4 %
May	375,246	208,500	245,815	(129,431)	(34.5) %	37,315	17.9 %
Jun	481,934	208,500					
Jul	352,378	208,500					
Aug	452,068	208,500					
Sep	400,173	208,500					
Oct	414,124	208,500					
Nov	1,046,103	208,500					
Dec	553,301	208,900					
YTD Total	\$ 1,521,895	\$ 1,042,500	\$ 1,404,716	\$ (117,179)	(7.7) %	\$ 362,216	34.7 %



**Street Funds**

This section provides a financial overview of the City’s three street funds for the period ending May 31, 2020. The City’s three street funds include the Arterial Street Fund (Fund 102), the Local Street Fund (Fund 103), and the Arterial Street Preservation Fund (Fund 105).

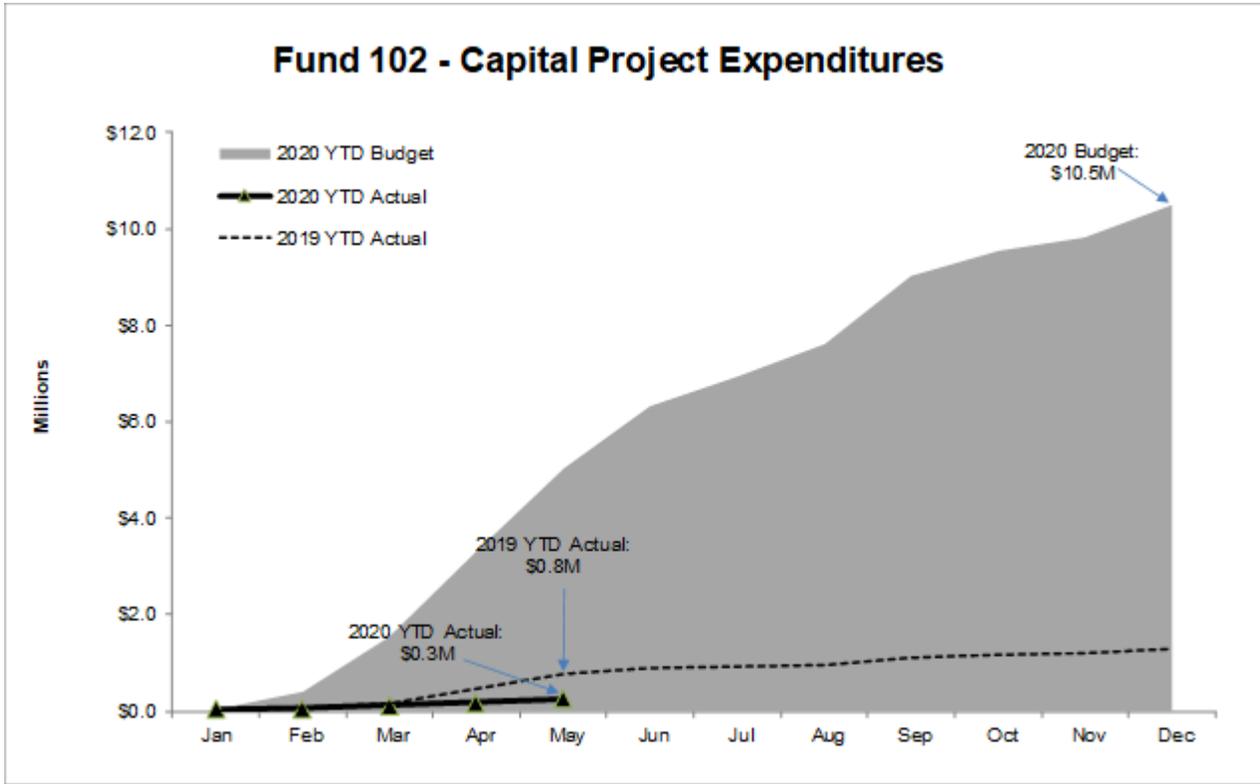
**Fund 102 – Arterial Street Fund**

The Arterial Street Fund is a special revenue fund that is funded by transportation grants, traffic impact fees, a portion of the City’s gas tax receipts, Public Works Trust Fund loans, developer contributions, and other sources. As of May 31, 2020 there were 26 separate street projects budgeted in this fund.

Through May 2020, revenues collected totaled \$249,000 as compared to collections of \$934,000 through May last year. Total expenditures through May were \$344,000 as compared to \$991,000 expended through May 2019. Variances in revenues and expenditures are largely due to the timing of capital expenditures and any subsequent reimbursement via grants and/or operating transfers. Expenditure timing is generally determined by the current phase of each individual capital project; expenditures tend to increase as projects move from design phase into construction.

Fund 102 - Arterial Street  Summary of Sources and Uses  Report Period: May 2020	2020			2019	2020 YTD Budget vs. Actual	
	2020 Budget	2020 YTD Budget	2020 YTD Actual	2019 YTD Actual	Favorable (Unfavorable)	
					Amount	Percentage
<b>Revenues</b>						
Federal Grants	\$ 5,535,770	\$ 1,457,232	\$ -	\$ 382,510	\$ (1,457,232)	(100.0) %
State And Local Grants	730,000	216,667	-	-	(216,667)	(100.0) %
Motor Vehicle Fuel and Multimodal Taxes	620,000	226,360	212,719	222,361	(13,642)	(6.0) %
Developer Contributions	-	-	-	-	-	
Miscellaneous Revenue	-	-	14,469	-	14,469	
Operating Transfer In	2,947,194	1,101,920	13,993	310,038	(1,087,927)	(98.7) %
Investment Income	26,800	10,727	7,660	18,596	(3,067)	(28.6) %
<b>Total Revenues</b>	<b>\$ 9,859,764</b>	<b>\$ 3,129,572</b>	<b>\$ 248,841</b>	<b>\$ 933,506</b>	<b>\$ (2,880,731)</b>	<b>(92.0) %</b>
<b>Expenditures</b>						
Salary and Benefits	\$ 397,000	\$ 162,150	\$ 196,675	\$ 117,848	\$ (34,524)	(21.3) %
Capital Outlay	10,096,046	3,825,821	70,151	660,639	3,755,670	98.2 %
Subtotal - Capital Project Expenditures	10,493,046	3,987,971	266,826	778,487	3,721,145	93.3 %
Services and Charges	400,000	104,778	43,456	44,422	61,322	58.5 %
Interfund Payments for Services	80,100	33,375	33,375	32,542	-	0.0 %
Debt Service Principal and Interest	207,600	123,329	-	123,720	123,329	100.0 %
Operating Transfer Out	-	-	-	12,094	-	
<b>Total Expenditures</b>	<b>\$ 11,180,746</b>	<b>\$ 4,249,453</b>	<b>\$ 343,657</b>	<b>\$ 991,265</b>	<b>\$ 3,905,796</b>	<b>91.9 %</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,320,982)</b>	<b>\$ (1,119,881)</b>	<b>\$ (94,816)</b>	<b>\$ (57,759)</b>	<b>\$ 1,025,065</b>	<b>91.5 %</b>

Beg. Fund Balance, January 2020	\$ 1,578,740
Net Change in Fund Balance, 2020	(94,816)
<b>Ending Fund Balance, May 2020</b>	<b>\$ 1,483,924</b>
2020 Budgeted Ending Fund Balance	\$ 257,758



The table below presents the status of the projects with the most significant budget impact on the fund. Many capital projects are budgeted over multiple years; what is displayed below is the 2020 portion of each project’s budget and year-to-date expenditures.

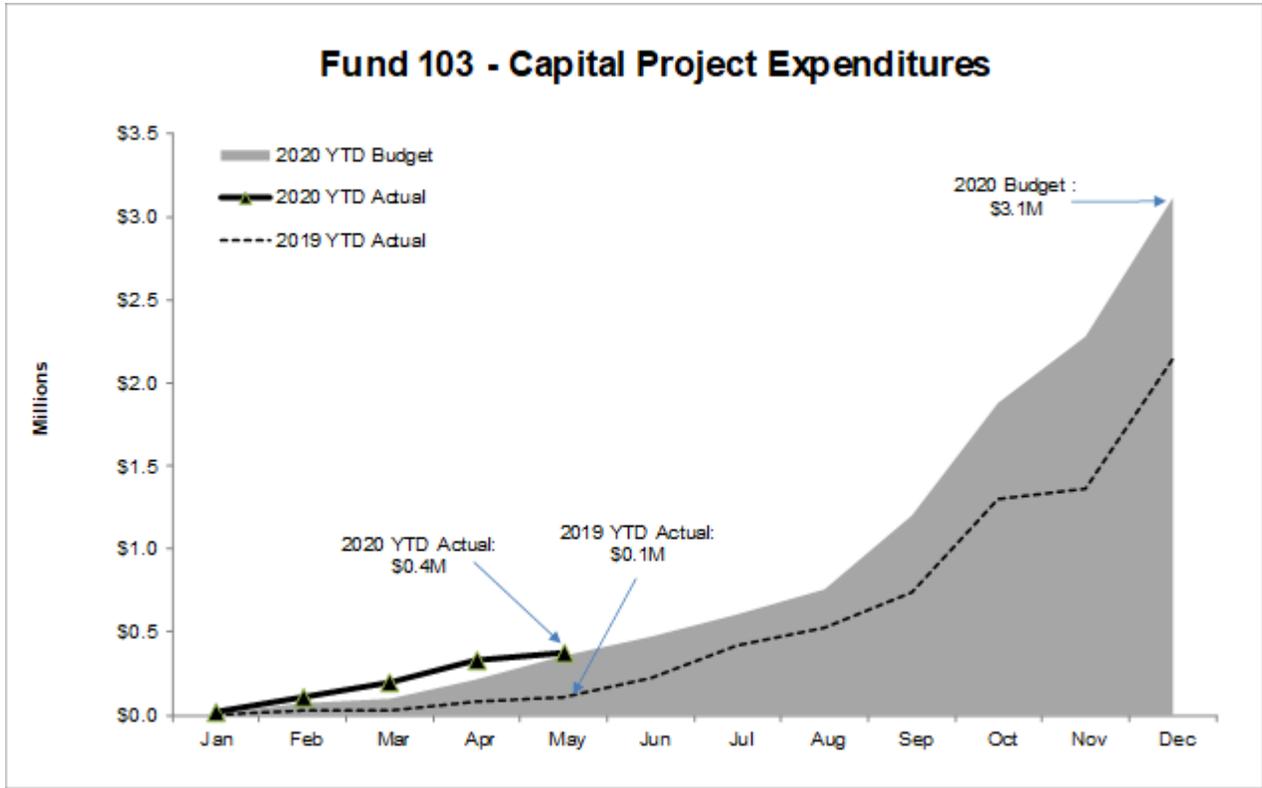
<b>Fund 102 - Arterial Street</b>			
<b>Capital Projects Status *</b>			
<b>Name</b>	<b>2020 Budget</b>	<b>YTD Actual</b>	<b>Remaining</b>
F Street SE Non-Motorized Improvements	\$3.5M	\$0.0M	\$3.5M
AWS Improvements - Hemlock St SE to Poplar St SE	\$2.2M	\$0.0M	\$2.2M
Lea Hill Safe Routes to Schools	\$1.4M	\$0.0M	\$1.4M
All Other Projects (23 Others Budgeted)	\$3.3M	\$0.2M	\$3.1M
<b>Total</b>	<b>\$10.5M</b>	<b>\$0.3M</b>	<b>\$10.2M</b>

**Fund 103 – Local Street Fund**

The Local Street Fund is a special revenue fund used for local street preservation. Effective January 1, 2019 through 2020 this fund is funded at a specific annual amount by real estate excise tax (REET 2) whereas, previously, the funding source was sales tax on construction. Through May 2020, revenues in this fund totaled \$598,000, which is slightly higher than budget expectations due to strong performance in interest earnings. This compares to collections of \$619,000 through May 2019. Expenditures through May were \$386,000 and compare to expenditures of \$121,000 in the same period last year. Several inclement weather situations during Q1-2019 were not conducive to street construction. Highlighted in the table below and shown in the following graph are the fund’s total expenditures related to capital projects.

Fund 103 - Local Street Fund Summary of Sources and Uses Report Period: May 2020	2020			2019	2020 YTD Budget vs. Actual	
	2020 Budget	2020 YTD Budget	2020 YTD Actual	2019 YTD Actual	Favorable (Unfavorable) Amount	Percentage
<b>Revenues</b>						
Sales Tax on Construction	\$ -	\$ -	\$ -	\$ -	\$ -	
Operating Transfer In	1,900,000	587,500	\$ 587,500	587,500	-	0.0 %
Interest Earnings	2,000	788	\$ 10,301	31,431	9,513	1206.7 %
<b>Total Revenues</b>	<b>\$ 1,902,000</b>	<b>\$ 588,288</b>	<b>\$ 597,801</b>	<b>\$ 618,931</b>	<b>\$ 9,513</b>	<b>1.6 %</b>
<b>Expenditures</b>						
Capital Salary and Benefits	162,391	54,510	52,953	9,807	1,557	2.9 %
Capital Outlay	2,950,143	330,122	318,134	97,604	11,988	3.6 %
Subtotal - Capital Project Expenditures	3,112,534	384,633	371,087	107,411	13,545	3.5 %
Admin Salary and Benefits	-	-	8,430	7,314	\$ (8,430)	
Admin Services and Charges	700	192	301	297	(109)	(56.7) %
Interfund Payments for Services	15,600	6,500	6,500	6,333	-	0.0 %
Operating Transfer Out	-	-	-	-	-	
<b>Total Expenditures</b>	<b>\$ 3,128,834</b>	<b>\$ 391,325</b>	<b>\$ 386,319</b>	<b>\$ 121,356</b>	<b>\$ 5,006</b>	<b>1.3 %</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,226,834)</b>	<b>\$ 196,964</b>	<b>\$ 211,483</b>	<b>\$ 497,575</b>	<b>\$ 14,519</b>	<b>7.4 %</b>

Beg. Fund Balance, January 2020	\$ 2,419,115
Net Change in Fund Balance, 2020	211,483
<b>Ending Fund Balance, May 2020</b>	<b>\$ 2,630,598</b>
2020 Budgeted Ending Fund Balance	\$ 1,192,281



The table below presents the status of the projects with the most significant budget impact on the fund. Many capital projects are budgeted over multiple years; what is displayed below is the 2020 portion of each project’s budget and year-to-date expenditures.

<b>Fund 103 - Local Street</b>			
<b>Capital Projects Status*</b>			
<b>Name</b>	<b>2020 Budget</b>	<b>YTD Actual</b>	<b>Remaining</b>
Local Street Improvement Program	\$1.9M	\$0.0M	\$1.9M
2019 Local Street Reconstruction	\$0.8M	\$0.3M	\$0.6M
2020 Local Street Reconstruction	\$0.4M	\$0.1M	\$0.2M
All Other Projects (2 Others Budgeted)	\$0.0M	\$0.0M	\$0.0M
<b>Total</b>	<b>\$3.1M</b>	<b>\$0.4M</b>	<b>\$2.7M</b>

\*Components may not sum to total due to rounding.

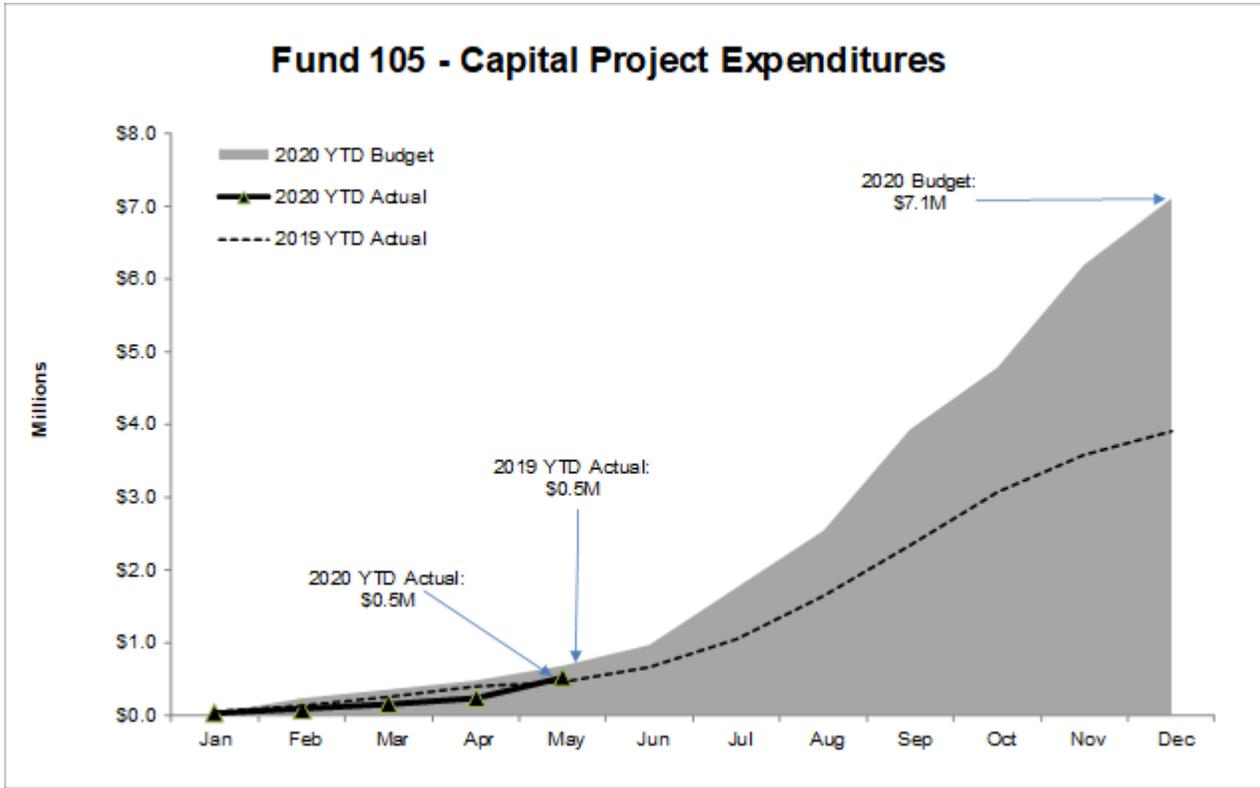
**Fund 105 – Arterial Street Preservation Fund**

The Arterial Street Preservation Fund is a special revenue fund that is primarily funded by a 1.0% utility tax that was adopted by Council in 2008; these utility tax revenues are restricted for arterial street repair and preservation projects. Major projects budgeted within the Arterial Street Preservation Fund in 2020 include Auburn Way North Preservation (Phase 2), Auburn Way North Preservation (Phase 3) and 2020 Arterial Street Preservation. Through May 2020 revenues totaled \$983,000, which is approximately \$174,000 lower than the same period last year. This is primarily due to the timing associated with construction projects and their subsequent cost reimbursements from grants and transfers-in.

Expenditures through May were \$522,000 as compared to \$461,000 through last May. Historically, the majority of this fund’s expenditures occur in the second half of each year due to the weather sensitivity of pavement construction (this work needs to be done primarily in the summer and early fall). Highlighted in the table below and shown in the following graph are the fund’s total expenditures related to capital projects.

Fund 105 - Arterial Street Preservation Summary of Sources and Uses Report Period: May 2020	2020			2019	2020 YTD Budget vs. Actual	
	2020 Budget	2020 YTD Budget	2020 YTD Actual	2019 YTD Actual	Favorable (Unfavorable) Amount	Percentage
<b>Revenues</b>						
City Utility Tax	\$ 689,100	\$ 276,833	\$ 206,860	\$ 271,359	\$ (69,973)	(25.3) %
Electric Utility Tax	718,700	387,840	380,323	388,080	(7,517)	(1.9) %
Natural Gas Utility Tax	203,600	137,867	138,777	125,730	909	0.7 %
Cable TV Tax	193,900	97,852	96,150	97,891	(1,702)	(1.7) %
Telephone Utility Tax	166,000	84,296	81,139	81,963	(3,157)	(3.7) %
Garbage Utility Tax (External Haulers)	22,400	9,333	11,077	9,853	1,744	18.7 %
Grants	3,880,589	494,521	9,514	-	(485,007)	(98.1) %
Operating Transfer In	818,020	335,586	51,950	162,761	(283,636)	(84.5) %
Interest Earnings	29,900	12,458	7,297	19,129	(5,162)	(41.4) %
<b>Total Revenues</b>	<b>\$ 6,722,209</b>	<b>\$ 1,836,587</b>	<b>\$ 983,087</b>	<b>\$ 1,156,766</b>	<b>\$ (853,500)</b>	<b>(46.5) %</b>
<b>Expenditures</b>						
Salary and Benefits	\$ 306,000	\$ 110,597	\$ 238,715	\$ 206,491	\$ (128,118)	(115.8) %
Capital Outlay	6,803,224	1,092,362	282,627	254,244	809,735	74.1 %
Subtotal - Capital Project Expenditures	7,109,224	1,202,959	521,342	460,735	681,617	56.7 %
Supplies	-	-	-	-	-	
Services and Charges	-	-	985	-	(985)	
Operating Transfer Out	-	-	-	-	-	
<b>Total Expenditures</b>	<b>\$ 7,109,224</b>	<b>\$ 1,202,959</b>	<b>\$ 522,326</b>	<b>\$ 460,735</b>	<b>\$ 680,632</b>	<b>56.6 %</b>
<b>Net Change in Fund Balance</b>	<b>\$ (387,015)</b>	<b>\$ 633,628</b>	<b>\$ 460,761</b>	<b>\$ 696,031</b>	<b>\$ (172,867)</b>	<b>(27.3) %</b>

Beg. Fund Balance, January 2020	\$ 1,211,811
Net Change in Fund Balance, 2020	460,761
<u>Ending Fund Balance, May 2020</u>	<u>\$ 1,672,572</u>
2020 Budgeted Ending Fund Balance	\$ 824,796



The table below presents the status of the projects with the most significant budget impact on the fund. Many capital projects are budgeted over multiple years; what is displayed below is the 2020 portion of each project’s budget and year-to-date expenditures.

Fund 105 - Arterial Street Preservation			
Capital Projects Status*			
Name	2020 Budget	YTD Actual	Remaining
AWN Preservation Phase 3	\$1.8M	\$0.1M	\$1.8M
AWN Preservation Phase 2	\$1.5M	\$0.0M	\$1.5M
2020 Arterial Street Preservation	\$1.1M	\$0.1M	\$1.0M
All Other Projects (4 Others Budgeted)	\$2.7M	\$0.4M	\$2.3M
<b>Total</b>	<b>\$7.1M</b>	<b>\$0.5M</b>	<b>\$6.6M</b>

\*Components may not sum to total due to rounding.

**Fund 124 – Mitigation Fees**

The Mitigation Fees fund is a special revenue fund funded from revenues from fees for new development that are assessed at the time applications are received for development activity. These revenues are used to address costs associated with City growth.

The fund houses two types of revenues: mitigation fees and impact fees. Mitigation fees are variable charges collected as a result of State Environmental Policy Act (SEPA) reviews and the City’s determination that a project must pay additional fees to compensate for a unique effect that it has on the community. Impact fees are set charges collected automatically for a variety of projects. These fees are adopted annually by the City Council based on projects anticipated in the Capital Facilities Plan over the next six years.

The City received \$568,000 in revenues in through May 2020, which is in line with budget expectations for this point in the year. Expenditures were significantly below budget due to the timing of capital projects funded by these revenues.

Fund 124 - Mitigation Fees Summary of Sources and Uses Report Period Through: May 2020	BUDGET			YTD ACTUALS		
	Revenues	Expenditures	Ending Fund Balance	Revenues	Expenditures	Ending Fund Balance
Transportation Impact Fees	\$ 800,000	\$ 2,952,194	\$ 4,006,140	\$ 234,930	\$ 13,993	\$ 7,914,451
Traffic Mitigation Fees	-	-	69,205	13,622	-	137,309
Fire Impact Fees	100,000	75,000	241,773	36,780	-	485,669
Fire Mitigation Fees	-	-	81	-	-	81
Parks Impact Fees	200,000	2,121,728	3,170,854	94,500	22,040	5,377,154
Parks Mitigation Fees	-	300,000	44,402	129,591	294,012	184,950
School Impact Admin Fees	2,000	-	60,515	1,242	-	85,493
Wetland Mitigation Fees	-	5,000	29,561	-	-	72,581
Interest and Investment Income	204,700	-	204,700	57,118	-	57,118
Fees in Lieu of Improvements	-	-	24,813	-	-	27,020
Operating Transfers-In	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,306,700</b>	<b>\$ 5,453,922</b>	<b>\$ 7,852,044</b>	<b>\$ 567,783</b>	<b>\$ 330,045</b>	<b>\$ 14,341,826</b>

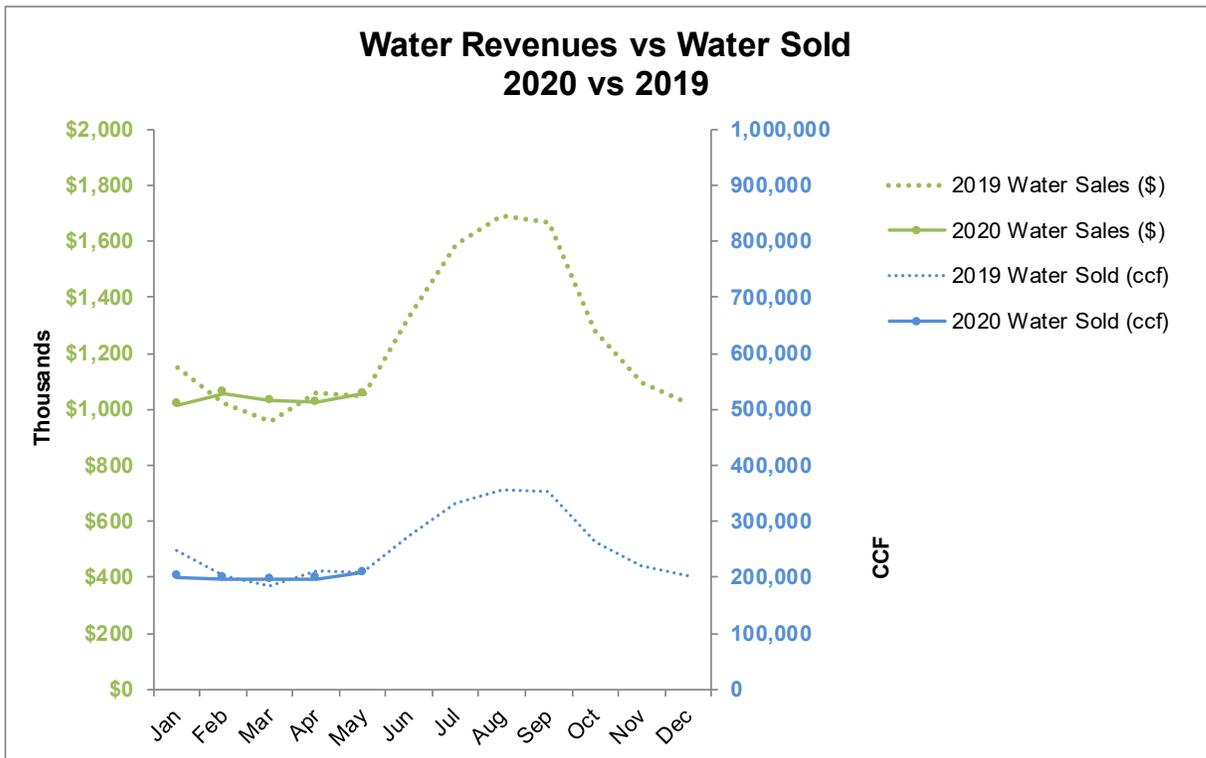
Beginning Fund Balance, January 2020	\$ 14,104,088
Net Change in Fund Balance, May 2020	237,738
<b>Ending Fund Balance, May 2020</b>	<b>\$ 14,341,826</b>
2020 Budgeted Ending Fund Balance	\$ 7,852,044

**Enterprise Funds**

Detailed income and expense statements for Enterprise and Internal Service funds can be found in an attachment at the end of this report. The attachment provides operating and – as applicable – capital fund reports for these funds showing budget, actuals, and variances. Operating funds house all the operating costs along with debt service and financing obligations. Capital funds show costs associated with capital acquisition and construction. Both the operating and capital funds have a working capital balance. This approach isolates those funds available for capital and cash flow needs for daily operations, and project managers will know exactly how much working capital is available for current and planned projects. Data presented as of June 11, 2020.

Through May the **Water Utility** had operating income of \$1.6 million as compared to \$1.7 million through May 2019. Total Water Fund operating revenues were \$224,000 lower than 2019; about half of this variance is due to weaker performance in water sales. Increases in residential sales revenue were more than offset by decreases in most other categories, particularly commercial and manufacturing. Also contributing to the reduced operating income is a decrease in investment and lease income from 2019 to 2020. Operating expenditures in 2020 were down \$44,000, or 1.1% from 2019 due to decreases in supply and debt service costs.

Water sales by volume through April totaled 999,000 hundred cubic feet (ccf) as compared to 1.1 million ccf in 2019, a decrease of 5.5%. Consumption has been lower each month in 2020 compared to 2019 with the exception of the March billing for February consumption. Total consumption decreased across all customer categories except single-family and irrigation, resulting in the lowest YTD consumption in a five-year period. This is in line with a trend of decreased year-over-year consumption on a *per account* basis due largely to conservation efforts and appliance efficiency improvements, which are anticipated in the Utilities Comprehensive Plan. COVID-19 mitigation efforts contributed to the decrease in commercial and manufacturing consumption, as many businesses were required to close or operate at reduced capacity.



Through May, the **Sewer Utility** finished with operating income of \$911,000 as compared to \$1.3 million through May 2019. Last year the fund saw a one-time \$203,000 refund from the Department of Revenue for overpayment of excise tax that significantly increased YTD revenues. Consumption by volume through April 2020 is down 11.8% from 2019 due to reductions in commercial consumption, which was exacerbated by COVID-19 mitigation efforts. This resulted in a decrease of \$141,000 in sewer service revenue.

Operating expenditures in the Sewer Utility were slightly below the same period in 2019 due to the timing of intergovernmental payments.

Through May, the **Stormwater Utility** had operating income of \$1.4 million compared with \$1.3 million through May 2019. Operating revenues were up \$34,000 compared to 2019 mainly due to charges for City storm service. As most Stormwater Utility charges are flat rate, COVID-19 has not had a significant effect on service revenue.

Operating expenditures in the Stormwater Utility were down \$118,000 from 2019, contributing to the higher operating income noted above. This variance is mainly due to the timing of certain intergovernmental expenditures.

Through May 2020 the **Solid Waste Utility** Fund had \$6.2 million in operating revenues, compared to \$4.9 million in operating expenditures. Note that YTD expenditures do not reflect the payment to Waste Management for services provided in May, expected to be approximately \$1 million, which will be paid in June. The City of Auburn's Solid Waste services are outsourced to Waste Management and to Republic Services, who manages the contract for the annexed areas.

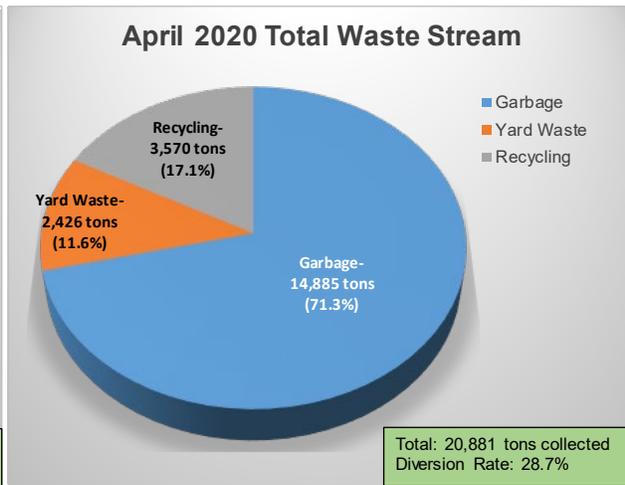
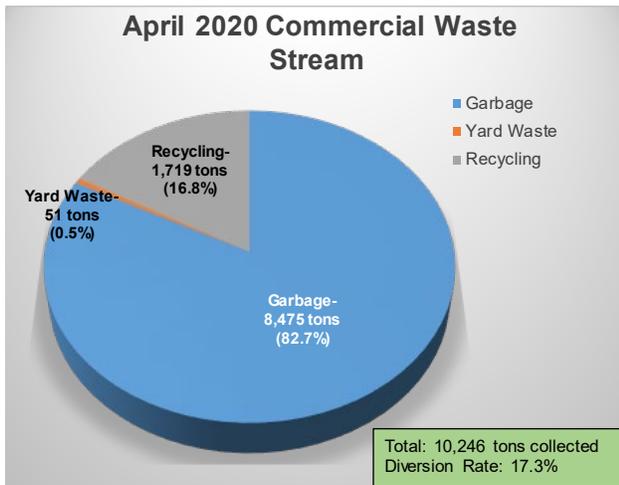
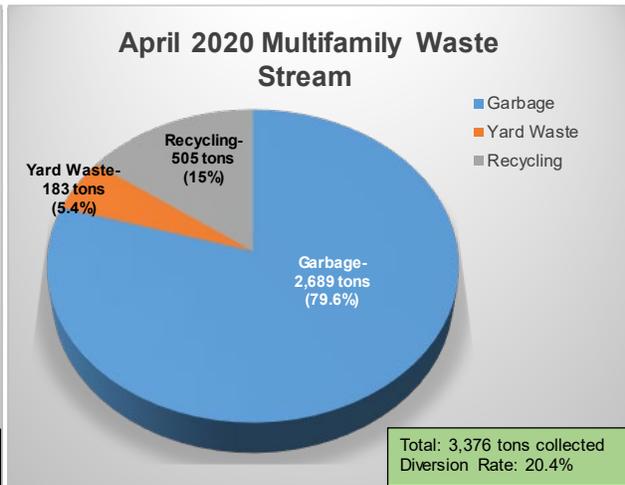
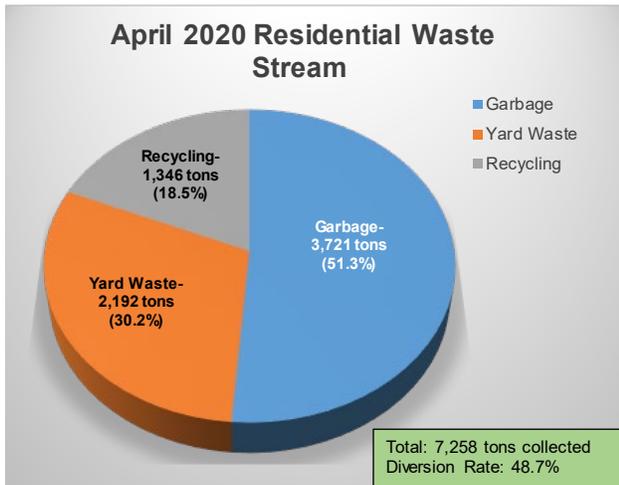
As of June 11, 2020, solid waste customer and tonnage data were not available from the City's vendors; therefore, these statistics are being reported through April in this report. Through April 2020, Waste Management serviced 15,485 customers (79% of customers) and Republic Services serviced 4,170 customers (21% of customers).

The current mix of solid waste customer account types is:

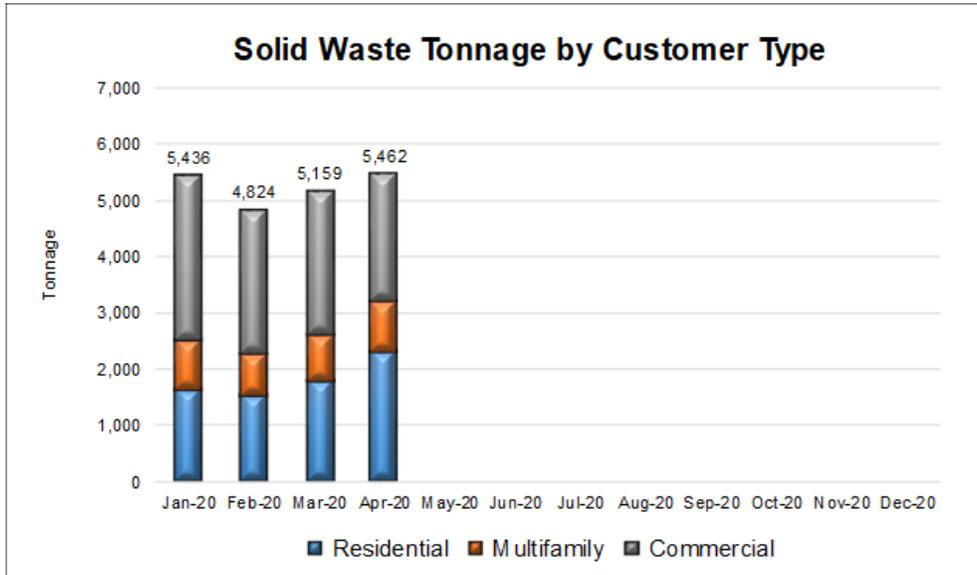
- 89.8% Residential
- 7.7% Commercial
- 2.5% Multifamily

The "diversion rate" is a measure of how much generated waste is not sent to the landfill; i.e., waste that is either recycled or collected yard waste. Through April 2020, the total diversion rate was 28.7%, which represents a total of 6,000 tons of waste that was diverted from landfills.

**2020 Tons Collected and Diversion Rates:**



Of the total tonnage collected through April, 35% was from residential customers, 16% from multifamily customers, and 49% from commercial customers, as shown in the following graph:

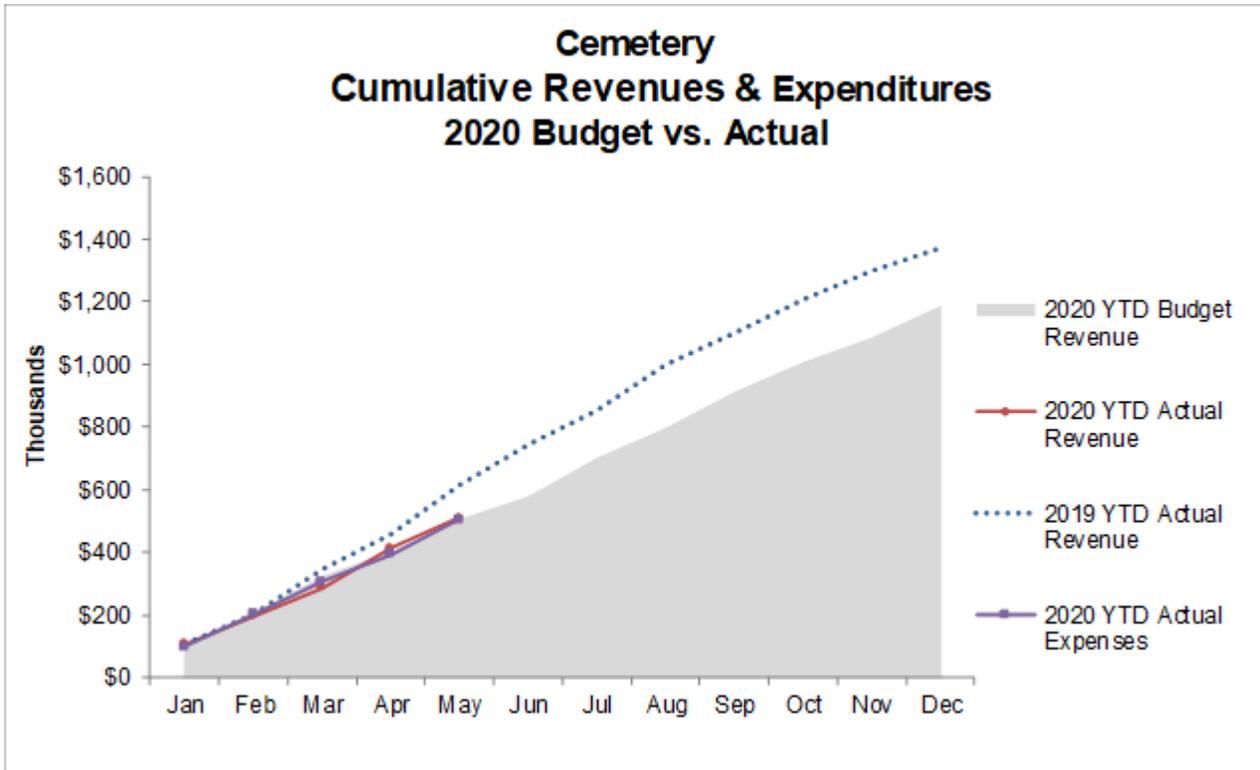


In January 2019, the Auburn Municipal Airport transitioned from contracted management services through a third-party management company, Airport Management Group (AMG), to management of the Airport by City staff.

Through May 2020, the **Airport Fund** had operating income of \$251,000 as compared with operating income of \$204,000 through May 2019. Operating revenues in the Airport Fund were \$72,000 less than the same period last year, largely due to reduced revenue for tie down and hangar rent.

Operating expenditures in the Airport Fund were \$119,000 less than the same period last year. A large portion of this decrease is due to the purchase of aviation fuel for resale in 2019; fuel purchases in 2020 have been significantly lower. The remaining variance consists largely of payroll expenditures, which have decreased due to a vacant position at the Airport.

Through May 2020, the **Cemetery Fund** experienced operating income of \$7,000 as compared with an operating income of \$90,000 through May 2019. Total sales revenue is down \$101,000, with significantly less revenues occurring in March and May of 2020 than the same period in 2019. Overall, operating revenues are down by \$105,000, or 17.2% while operating expenditures are down \$23,000 or 4.3% from last year due largely to lower expenditures for inventory purchases and repairs and maintenance.



**Internal Service Funds**

Operating expenditures within the **Insurance** Fund represent the premium cost pool that will be allocated monthly to other City funds over the course of the year. As a result, the expenditure balance gradually diminishes each month throughout the year.

No significant variances are reported in the **Workers’ Compensation, Facilities, Innovation & Technology, or Equipment Rental** Funds.

**Contact Information**

This report is prepared by the Finance Department. Additional financial information can also be viewed at our website: <http://www.auburnwa.gov/>. For any questions about this report please contact Jamie Thomas at [jdthomas@auburnwa.gov](mailto:jdthomas@auburnwa.gov).