

## AGENDA BILL APPROVAL FORM

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**Agenda Subject:**

1st Quarter 2023 Financial Report (Thomas) (20 Minutes)

**Date:**

May 31, 2023

**Department:**

Finance

**Attachments:**

[Financial Report through March 2023](#)  
[Q1 2023 Financial Report Update](#)

**Budget Impact:**

**Administrative Recommendation:**

For discussion only.

**Background for Motion:**

**Background Summary:**

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 year-to-date financial activity through March 31, 2023, based on financial data as of May 10, 2023.

**Reviewed by Council Committees:**

**Councilmember:** Baldwin

**Staff:** Thomas

**Meeting Date:** June 12, 2023

Item Number:

This report provides an overview of the City’s overall financial position for the fiscal period ending March 31, 2023, reflecting financial data available as of May 10, 2023. References to budget, actual and prior year amounts reflect year-to-date numbers, unless otherwise stated. Year-to-date budget expectations are generally based on the two prior years of data.

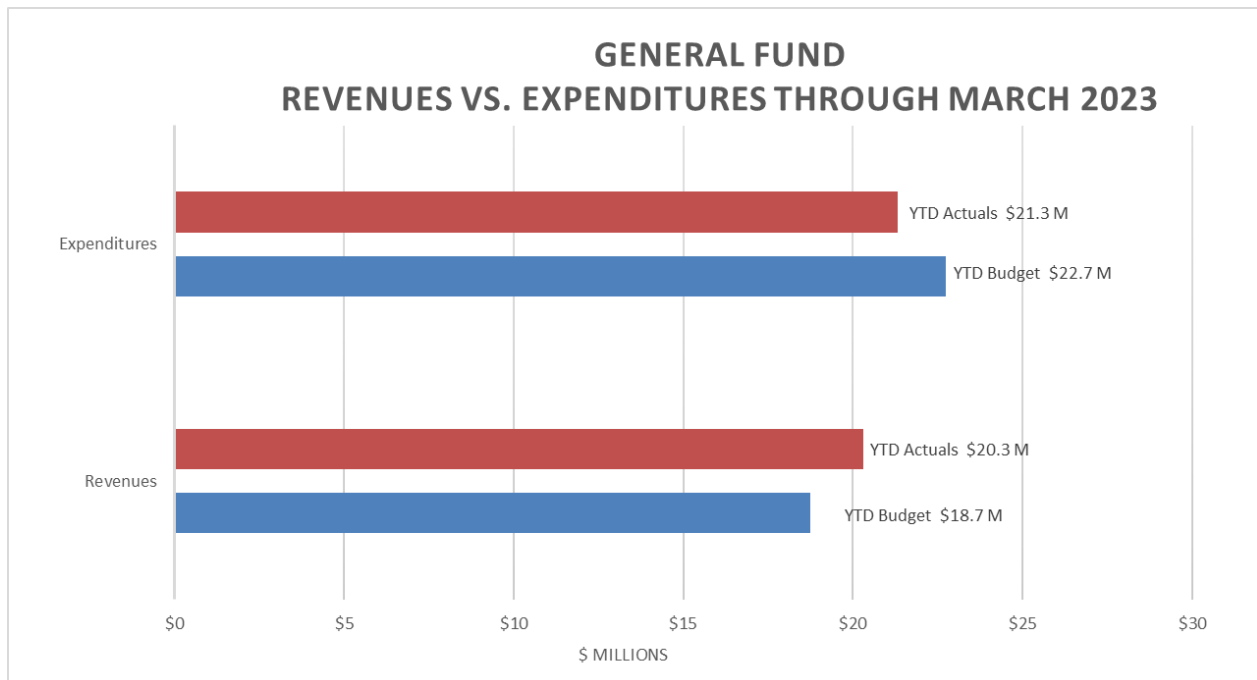
**General Fund Overview**

Coming off a robust 2022 fiscal year, the City embraces a new biennial budget cycle starting in 2023. As we have seen in prior years, General Fund revenues have generally exceeded budget expectations and largely recovered from the impact of the COVID-19 mitigation measures. The current annual budgeted revenue amount is \$91.2 million and an annual budgeted expenditure amount of \$98.1 million; a planned decrease in General Fund balance of \$7.0 million.

New in 2022, the City implemented a citywide Business and Occupation (B&O) tax, wherein the City taxes businesses based on the value of gross receipts or square footage of occupied warehousing space, subject to certain exceptions. This new revenue stream achieved a total of \$3.0 million in 2022, and has already provided \$1.7 million year-to-date in 2023. Due to a change in the renewal schedule for business licenses design to spread revenue collection more evenly over the year, the City has also seen increased business license revenue compared to last year.

Additionally, the City offers a wide range of recreational classes and access to the Auburn Golf Course. Green Fees at the Auburn Golf Course have remained a staple revenue source for the City, collecting roughly 27% of the total Culture & Recreation revenues. However, Recreational classes have significantly increased by 39% from 2022 collections. A hopeful indication that the City is returning to pre-pandemic levels.

Overall, General Fund revenues collected through Q1-2023 totaled \$20.3 million as compared to a year-to-date budget of \$18.7 million, and were \$1.6 million, or **8.6% above** budget expectations. General Fund expenditures through Q1-2023 totaled \$21.3 million compared to a year-to-date budget of \$22.7 million; resulting in a \$1.4 million or **6.2% underspend**.



Revenue: The following factors had the most significant impacts on the budget vs. actual revenue collected:

- Retail Sales Tax: The sales tax report through Q1-2023 (which is provided as an attachment to this report) reflects amounts remitted to the City of Auburn based on sales from November 2022 through January 2023. Collections through March 2023 totaled \$5.6 million, a 1.0% decrease from last year. However, compared to the year-to-date budget, sales tax has a favorable variance of \$664,700 or 13.4%. The increase resulted from multiple categories, particularly services and automotive. **[pages 5-7]**
- Utility Tax: In 2022, there was a notable change in how the interfund utility taxes were transferred between the General Fund and the City's pass-through King County Metro Sewer sub-fund. Utility tax revenues through Q1-2023, were \$175,000 favorable to budget. Factoring in an accounting adjustment in late 2022, collections are favorable by \$210,000 against prior year-to-date revenues. **[pages 7-8]**
- Building permits: Q1-2023 revenues collected totaled \$142,500, which was \$121,000 unfavorable to the year-to-date budget. While the number of permits received remain consistent with 2022, the valuation of individual permits, especially in construction permits, have decreased considerably. **[page 11-12]**
- Intergovernmental revenue: Collections through Q1-2023 were \$93,000 favorable to budget. The City received the final payment of the 2022 Muckleshoot Indian Tribe (MIT) compact, contributing to the favorable variance. However, the City has not collected any 2023 compact revenue as the current request is still pending approval. Higher Liquor and Marijuana excise taxes also provided positive gain to the favorable variance during the first quarter. **[page 13]**
- Culture and Recreation: Revenues collected through Q1-2023 totaled \$796,000 and were \$334,000 higher than budget expectations. Recreational classes, which saw an increase of \$89,000 from 2022 totals, was the main contributor to this increase. Green fees at the Auburn Golf Course and Auburn Theater tickets sales provide additional support to the variance against the budget. **[page 15]**

Expenditures: Almost all departments operated within their budgets through the first quarter of 2023, with some variances due to the timing of professional services payments, as well as expenses related to projects facilitated by ARPA funding. Of the favorable variance to budget mentioned above, \$434,000 of that is comprised of underspend professional services, as well as \$780,000 underspend in personnel costs due to position vacancies across the City. As of the compilation of this report, there were 25 vacant regular full-time positions in the City.

### Enterprise Funds Overview

The City's enterprise funds account for operations with revenues primarily provided from user fees, charges or contracts for services. Significant for 2023, the City's cash and investment balance increased significantly compared to the same quarter last year. As a result, interest earnings across all funds increased materially, totaling \$570,000 more in the enterprise operating funds than in Q1-2022. Another factor contributing to higher interest earnings was increased interest rates for money market accounts compared to last year.

The **Water Fund** ended Q1-2023 with operating income of about \$948,000, which was approximately \$91,000 above the same period last year. Nearly half of the increase in operating revenue was due to increased interest earnings. **[page 21]**

The **Sewer Fund** ended Q1-2023 with operating income of about \$989,000 versus \$417,000 in the same period last year. Operating expenses decreased \$363,000 which was about 19% in this quarter compared to the same quarter of last year. **[page 22]**

The **Stormwater Fund** ended Q1-2023 with operating income of about \$920,000 compared to \$756,000 in the same period last year. The increase in revenues (primarily from charges for storm service and interest earnings) were higher than the increase in expenditures, resulting in a 22% higher operating income this quarter than the same quarter last year. **[page 22]**

### Internal Service Funds Overview

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 Q1-2023. **[page 22]**

General Fund Details

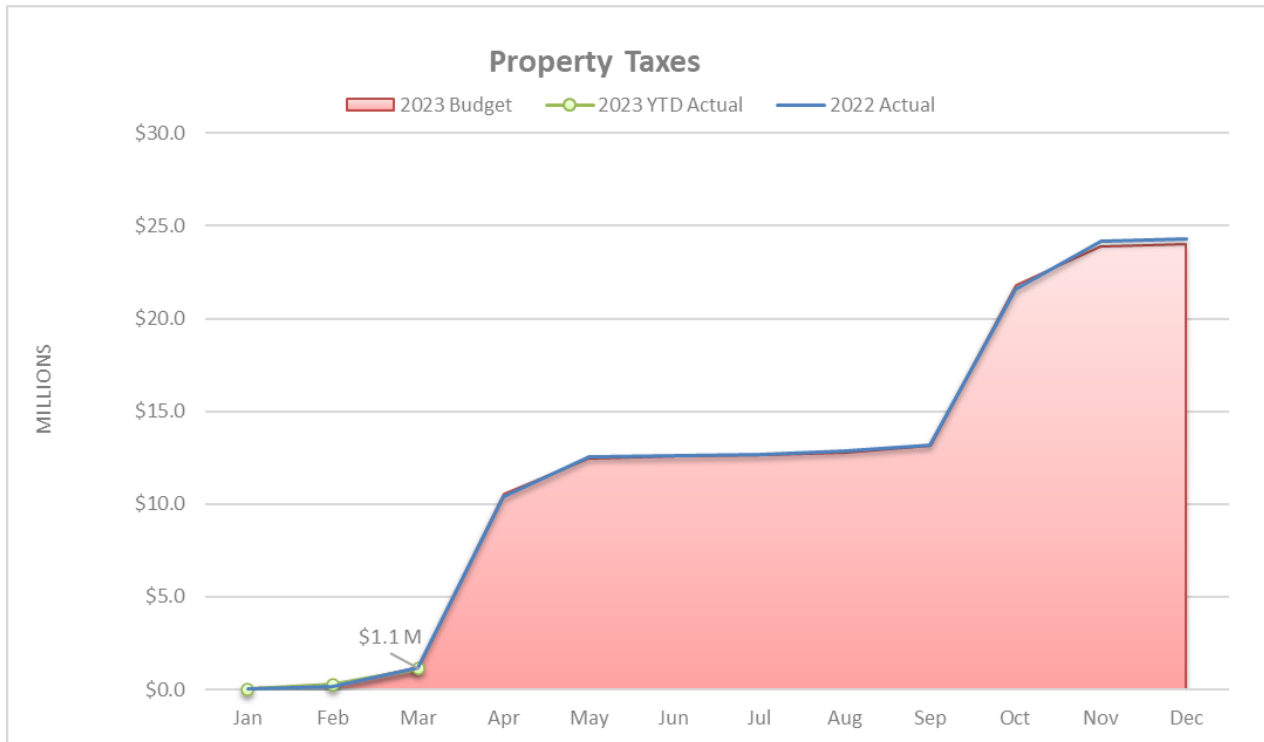
The following chart is a detailed breakdown of the General Fund's different sources of revenue and expenditures, broken down by department:

General Fund Summary of Sources and Uses	2023			2022	2023 YTD Budget vs. Actual	
	Annual Budget	YTD Budget	YTD Actual	YTD Actual	Favorable (Unfavorable) Amount	Percentage
<b>Operating Revenues</b>						
Property Tax	\$ 24,016,247	\$ 1,204,700	\$ 1,103,605	\$ 1,153,604	\$ (101,095)	(8.4) %
Retail Sales Tax	20,344,500	4,952,000	5,616,703	5,673,725	664,703	13.4 %
Affordable Housing Sales Tax Credit	174,963	43,741	48,202	47,274	4,461	10.2 %
Sales Tax - Pierce County Parks	125,000	29,700	32,886	32,427	3,186	10.7 %
Criminal Justice Sales Tax	2,441,300	571,100	775,552	721,192	204,452	35.8 %
Brokered Natural Gas Tax	150,000	40,300	144,350	51,479	104,050	258.2 %
City Utilities Tax	6,776,697	1,476,300	1,445,233	1,633,844	(31,067)	(2.1) %
Business & Occupation Tax	5,480,960	1,370,240	1,688,685	-	318,445	23.2 %
Admissions Tax	308,740	84,500	114,096	61,772	29,596	35.0 %
Electric Tax	4,357,031	1,076,400	1,041,482	999,584	(34,918)	(3.2) %
Natural Gas Tax	1,638,857	208,900	348,245	296,575	139,345	66.7 %
Cable Franchise Fee	897,035	224,259	-	232,704	(224,259)	(100.0) %
Cable Utility Tax	949,064	237,266	280,942	245,342	43,676	18.4 %
Cable Franchise Fee - Capital	52,484	13,121	16,289	14,723	3,168	24.1 %
Telephone Tax	500,974	140,994	81,478	144,011	(59,516)	(42.2) %
Solid Waste Tax (external)	60,462	8,221	21,426	8,948	13,204	160.6 %
Leasehold Excise Tax	246,514	14,000	17,790	12,823	3,790	27.1 %
Gambling Excise Tax	293,300	52,190	103,877	48,423	51,687	99.0 %
<b>Taxes sub-total</b>	<b>\$ 68,814,128</b>	<b>\$ 11,747,932</b>	<b>\$ 12,880,841</b>	<b>\$ 11,378,450</b>	<b>\$ 1,132,909</b>	<b>9.6 %</b>
Business License Fees	\$ 450,000	\$ 110,300	\$ 204,050	\$ 80,118	\$ 93,750	85.0 %
Building Permits	933,364	263,500	142,518	297,012	(120,982)	(45.9) %
Other Licenses & Permits	1,128,000	356,300	320,956	282,915	(35,344)	(9.9) %
Intergovernmental (Grants, etc.)	6,162,537	1,393,249	1,486,422	1,433,379	93,174	6.7 %
Charges for Services:						
General Government Services	4,466,944	1,116,736	1,091,757	875,399	(24,979)	(2.2) %
Public Safety	910,000	227,500	237,189	268,255	9,689	4.3 %
Development Services Fees	1,130,517	293,200	214,228	374,593	(78,972)	(26.9) %
Culture and Recreation	2,481,335	463,454	796,244	584,763	332,790	71.8 %
Fines and Penalties	422,975	116,900	103,818	96,314	(13,082)	(11.2) %
<b>Fees/Charges/Fines sub-total</b>	<b>\$ 18,085,672</b>	<b>\$ 4,341,138</b>	<b>\$ 4,597,182</b>	<b>\$ 4,292,749</b>	<b>\$ 256,044</b>	<b>5.9 %</b>
Interest and Investment Earnings	\$ 366,700	\$ 91,675	\$ 248,841	\$ 89,509	\$ 157,166	171.4 %
Rents and Leases	1,109,234	371,000	300,463	303,178	(70,537)	(19.0) %
Contributions and Donations	21,000	5,250	434	3,821	(4,816)	(91.7) %
Other Miscellaneous	203,000	63,127	192,895	280,254	129,768	205.6 %
Transfers In	2,565,692	2,089,000	2,015,000	724,000	(74,000)	(3.5) %
Insurance Recoveries - Capital & Operating	25,000	6,250	90,449	7,892	84,199	1347.2 %
<b>Other Revenues sub-total</b>	<b>\$ 4,290,626</b>	<b>\$ 2,626,302</b>	<b>\$ 2,848,082</b>	<b>\$ 1,408,653</b>	<b>\$ 221,780</b>	<b>8.4 %</b>
<b>Total Operating Revenues</b>	<b>\$ 91,190,426</b>	<b>\$ 18,715,372</b>	<b>\$ 20,326,104</b>	<b>\$ 17,079,852</b>	<b>\$ 1,610,733</b>	<b>8.6 %</b>
<b>Operating Expenditures</b>						
Council & Mayor	\$ 1,415,188	\$ 375,200	\$ 371,523	\$ 380,829	\$ 3,677	1.0 %
Administration	1,265,262	377,400	297,383	257,551	80,017	21.2 %
Human Resources	2,311,411	584,900	595,939	515,644	(11,039)	(1.9) %
Municipal Court & Probation	3,038,838	239,260	252,957	183,634	(13,698)	(5.7) %
Finance	5,048,623	1,214,200	1,150,000	843,831	64,200	5.3 %
City Attorney	6,493,752	1,271,400	1,384,348	962,960	(112,948)	(8.9) %
Community Development	8,308,843	1,706,400	1,581,490	1,472,814	124,910	7.3 %
DEI	653,213	163,200	82,631	-	80,569	49.4 %
Jail - SCORE	5,600,000	1,400,100	1,173,547	809,526	226,553	16.2 %
Police	35,506,676	9,248,700	8,495,621	8,311,313	753,079	8.1 %
Public Works	4,639,592	1,102,400	1,035,836	838,418	66,564	6.0 %
Parks, Arts & Recreation	15,503,032	3,275,700	3,427,650	3,062,746	(151,950)	(4.6) %
Streets	4,634,919	1,047,700	938,310	841,017	109,390	10.4 %
Non-Departmental	3,724,000	725,725	540,193	575,675	185,532	25.6 %
<b>Total Operating Expenditures</b>	<b>\$ 98,143,349</b>	<b>\$ 22,732,285</b>	<b>\$ 21,327,429</b>	<b>\$ 19,055,957</b>	<b>\$ 1,404,856</b>	<b>6.2 %</b>

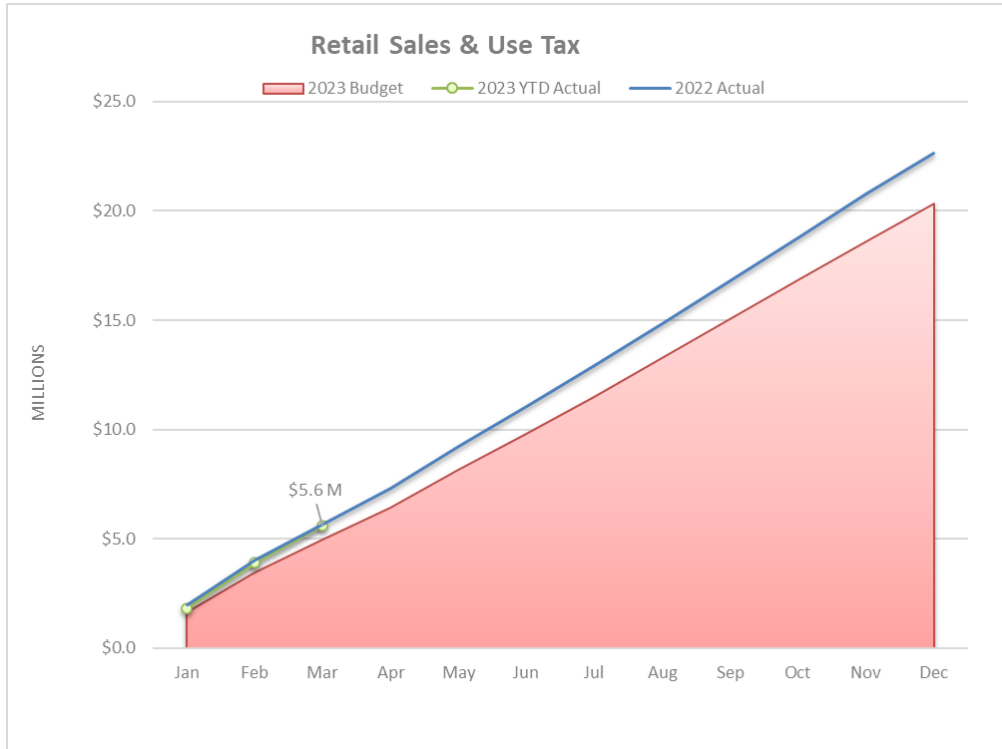
**Revenue**

The combined total of property, sales/use, utility, gambling, and admissions taxes provides over 75% of all resources supporting general governmental activities. Licenses, charges for services, intergovernmental revenue (grants, state shared revenue, etc.) and fines contribute a further 20% of total revenue to the General Fund. The remaining 5% is comprised of a combination of different sources that are considered to be one-time resources. The following section provides additional information on the most significant tax resource streams.

**Property Tax** collections in the first quarter totaled roughly \$1.1 million as compared to a first quarter budget of \$1.2 million. The City collected lower than expected revenues in January and March. However, as depicted in the graphic below, the majority of property taxes are collected during the months of April and October, coinciding with the due dates for the County property tax billings.



**Retail Sales Tax** collections through Q1-2023 totaled \$5.6 million, representing taxes remitted to the City of Auburn based on sales from November 2022 through January 2023. Overall, these revenues are on par with collections through Q1-2022, with strong performances in the automotive (+\$77,200) wholesale (+\$75,300) and services (+\$65,900) industries more than offsetting slight decreases in most of the remaining industries. The notable exception is the manufacturing industry: due to a large one-time contribution in Q1-2022, manufacturing collections are down \$207,300 (60.0%), resulting in an overall decrease of \$57,000 (1.0%) in total collections from the same period last year. Despite the small overall decrease from Q1-2022, these revenues remain favorable to budget by nearly \$665,000 through the first quarter.



**Note:** The increase in sales tax revenue from 2018 to 2019 was primarily due to a policy change whereby sales tax on construction revenue is retained in the General Fund; previously, a portion was transferred to street funds. Of the year-over-year increase in sales tax revenue depicted in the graphic above from 2018 to 2019, \$2.2 million of the \$2.9 million increase was due to this policy change.

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

Comparison of Retail Sales Tax Collections by Group				
Through March 2023				
Component Group	2022 YTD Actual	2023 YTD Actual	Change from 2022	
			Amount	Percentage
Construction	\$ 692,664	\$ 677,484	\$ (15,181)	(2.2) %
Manufacturing	345,395	138,050	(207,345)	(60.0) %
Transportation & Warehousing	84,228	56,265	(27,964)	(33.2) %
Wholesale Trade	321,255	396,540	75,285	23.4 %
Automotive	1,101,151	1,178,351	77,200	7.0 %
Retail Trade	1,739,428	1,735,724	(3,705)	(0.2) %
Services	1,307,202	1,373,134	65,933	5.0 %
Miscellaneous	82,401	61,156	(21,246)	(25.8) %
YTD Total	\$ 5,673,725	\$ 5,616,703	\$ (57,022)	(1.0) %

**Utility Taxes** consist of interfund taxes on City utilities (Water, Sewer, Storm and Solid Waste) and taxes on external utilities (Electric, Natural Gas, Telephone and Solid Waste). Effective January 1<sup>st</sup>, 2023, Council increased the City utility tax rate from 10.0% to 11.5%. However, the additional revenue generated from this increase was dedicated to funding City street projects, while the General Fund portion remained at its previous 9.0%.

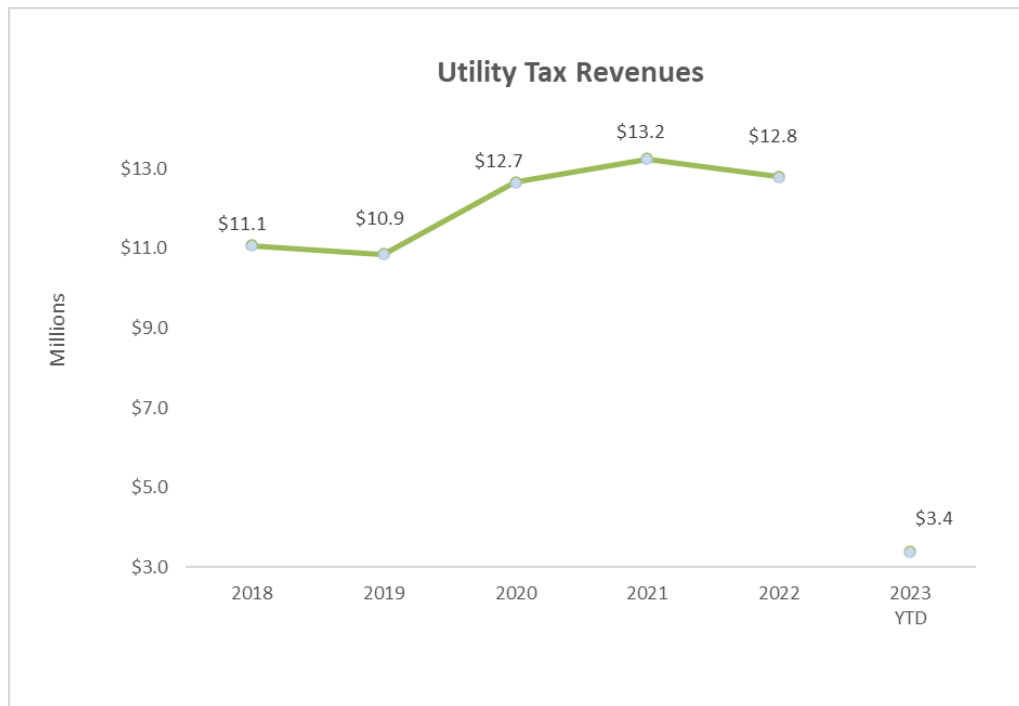
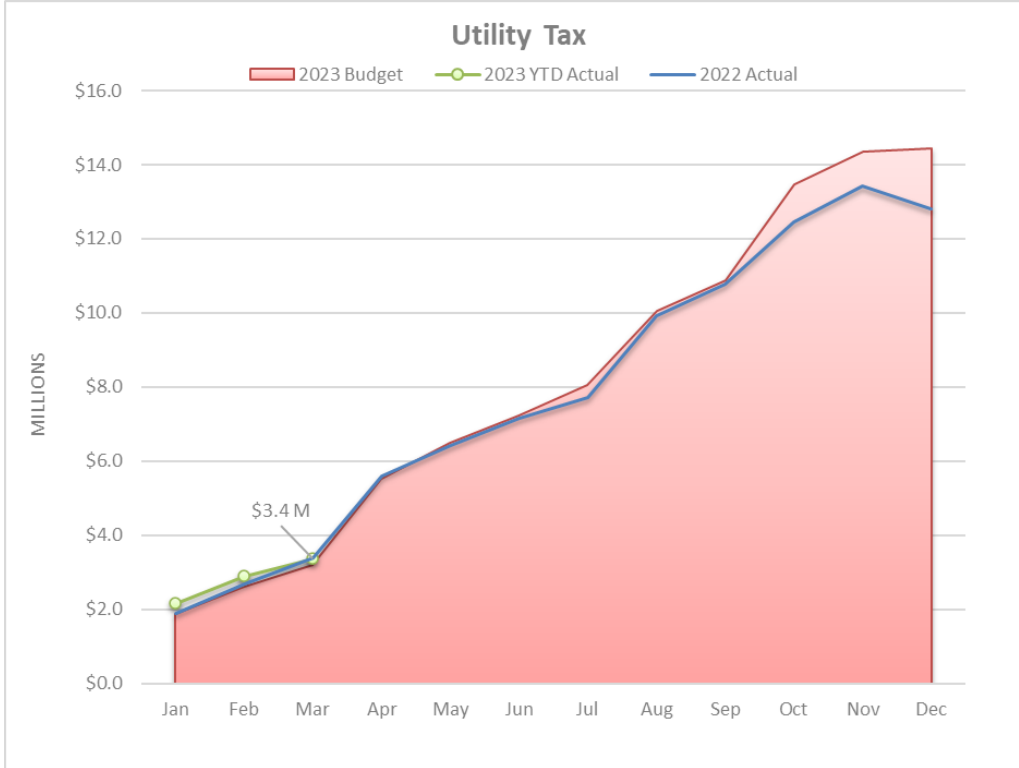
Overall, utility taxes decreased by \$17,000 or 0.5% from Q1-2022, which is primarily attributable to two factors: first, in December 2022 the City ceased charging utility tax on the pass-through revenues of the King County Metro Sewer fund. Since this change was not made until the end of the year, Q1-2022 revenues are overstated. Adjusting for this, Q1-2023 utility tax revenues surpass Q1-2022 revenues due to exceptional performance in Solid Waste and Brokered Natural Gas taxes; without the adjustment, actuals are still favorable to budget by \$188,000.

Second, beginning in January 2023, external utility taxes are collected on either a quarterly or annual basis, rather than monthly. Although there have been collections in January and February, the City anticipates a change to the timing of these revenues in 2023, which will affect year-over-year performance comparisons for the remainder of the year and into 2024.

The table and below demonstrates the various utility tax revenues and shows actual revenues compared to budget.

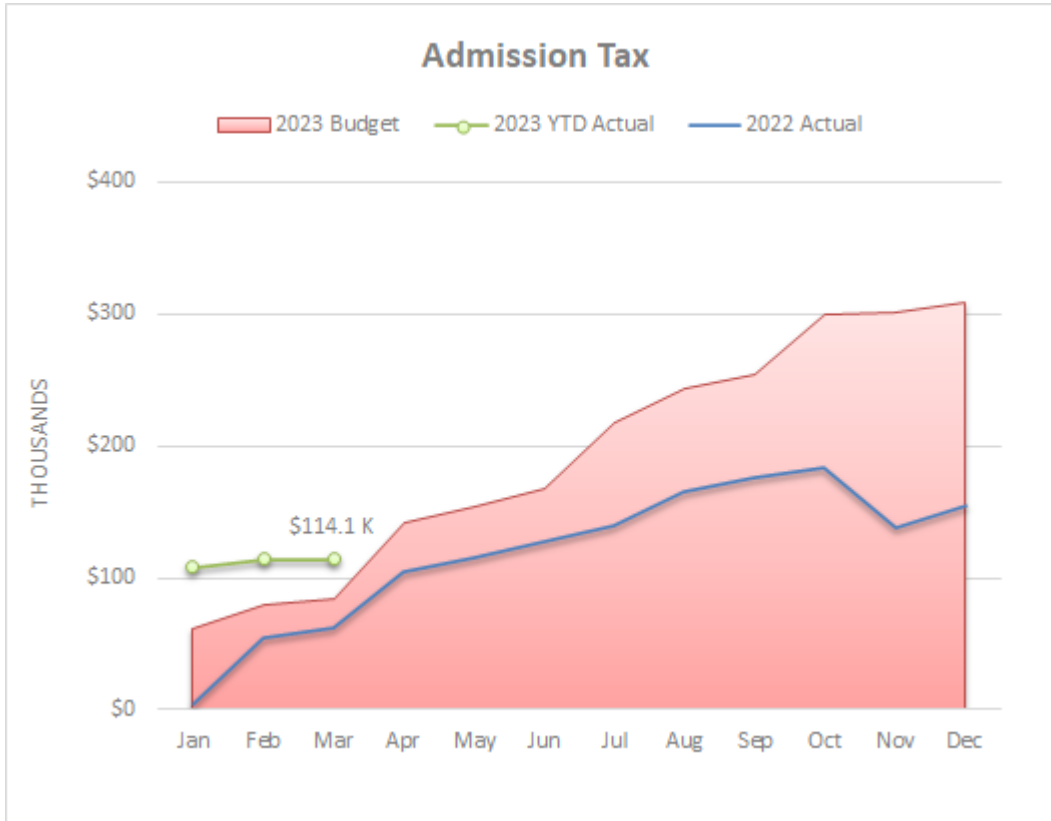
Utility Tax by Type							
Through March 2023							
Utility Tax Type	2022 YTD Actual	2023 YTD Budget	2023 YTD Actual	2023 vs. 2022 Actual		2023 vs. Budget	
				Amount	Percentage	Amount	Percentage
City Interfund Utility Taxes	\$ 1,633,844	\$ 1,476,300	\$ 1,445,233	\$ (188,611)	(11.5) %	\$ (31,067)	(2.1) %
Electric	999,584	1,076,400	1,041,482	41,898	4.2 %	(34,918)	(3.2) %
Natural Gas	296,575	208,900	348,245	51,669	17.4 %	139,345	66.7 %
Telephone	144,011	140,994	81,478	(62,533)	(43.4) %	(59,516)	(42.2) %
Solid Waste (external)	8,948	8,221	21,426	12,478	139.4 %	13,204	0.0 %
Brokered Natural Gas	51,479	40,300	144,350	92,871	180.4 %	104,050	258.2 %
Cable	245,342	224,259	280,942	35,600	14.5 %	56,683	25.3 %
YTD Total	\$ 3,379,783	\$ 3,175,374	\$ 3,363,155	\$ (16,628)	(0.5) %	\$ 187,781	5.9 %





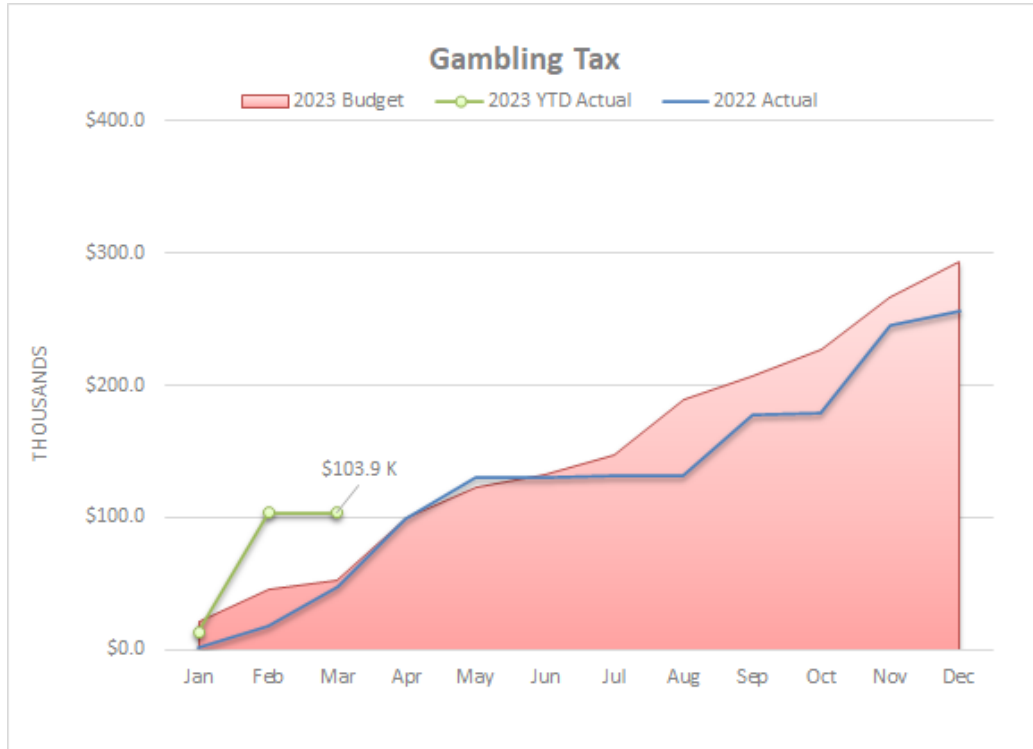
**Note:** Of the total utility tax levied, 2.5% of Water/Sewer/Storm/Solid Waste tax and 1.0% of other utility tax is allocated to City streets funds and is not reflected in the General Fund’s portion discussed here. The large increase from 2019 (\$10.9 million) to 2020 (\$12.7 million) is attributed to the City’s decision mid-2020 to reallocate 1.0% previously dedicated to the Arterial Street Preservation Fund to support General Fund operations, due to the uncertainty of the economic impacts of COVID-19. The Arterial Street Preservation Fund’s 1.0% was reinstated in 2021, but 2021 collections continued to increase due to an increase in the City’s internal utility tax rate from 7.0% to 10.0% effective in 2021.

An **Admission Tax** of 5.0% is placed on charges for general admission, season tickets, cover charges, etc. Revenues from Admission taxes are generally collected on a quarterly basis. Admission tax revenues of \$52,000 collected through March 2023 were significantly higher than Q1-2022. This is partially due to lingering effects of the COVID-19 pandemic in the early part of the year, resulting in generally lower admissions in early 2022. The City projects Admission taxes will return to pre-pandemic levels over the biennium. As of Q1-2023, admission tax revenues are favorable to budget by roughly \$29,600.



**Note:** The decrease in admission tax revenues in November 2022 was due to a change in accounting wherein admissions tax ceased to be charged to the City's Golf Course operations.

**Gambling Tax** applies to all card games, punch board games, pull tabs, bingo games, raffles and amusement games played within City limits. The majority of the gambling tax revenues are collected from amusement games and card games. As with admission tax, the City projects increased collections from 2022 totals. Through the first quarter, collections are \$32,000 higher than 2022 year-to-date totals and report a \$52,000 or 99.0% favorable variance to budget. This revenue source historically has significant variance from year to year: excluding 2021, first-quarter revenue has been as high as \$164,000 (2016) and as low as \$35,000 (2018).

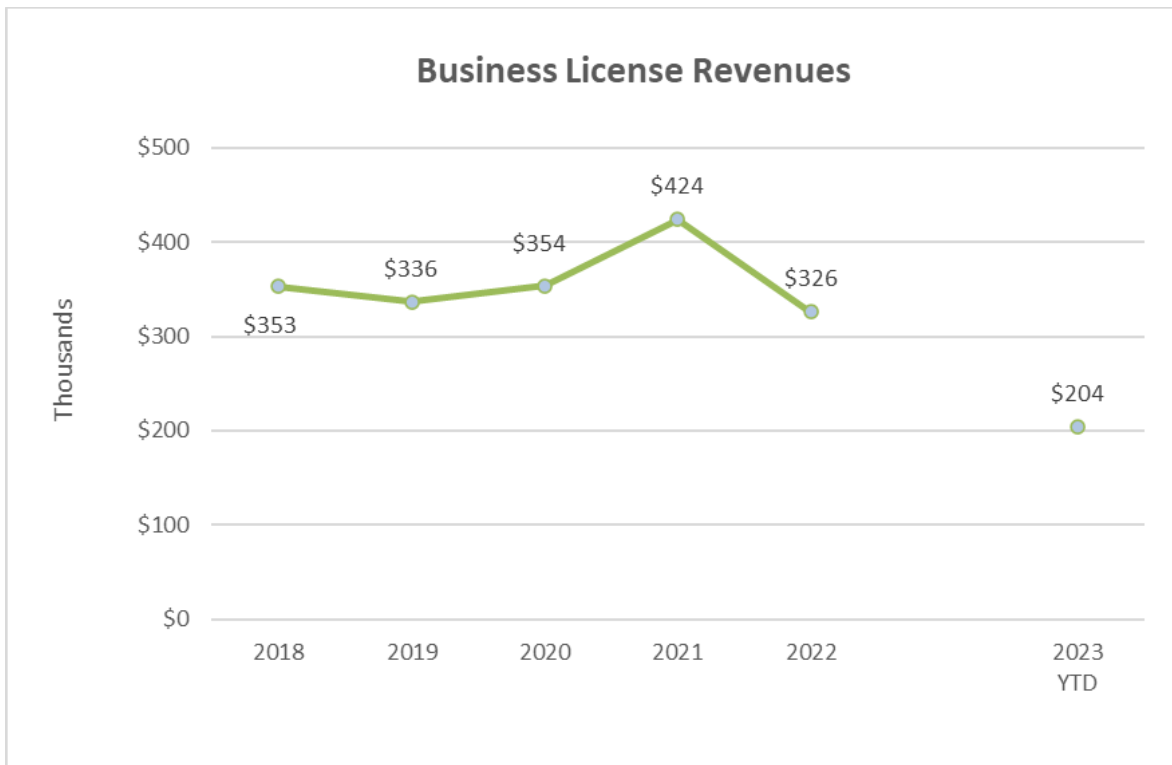
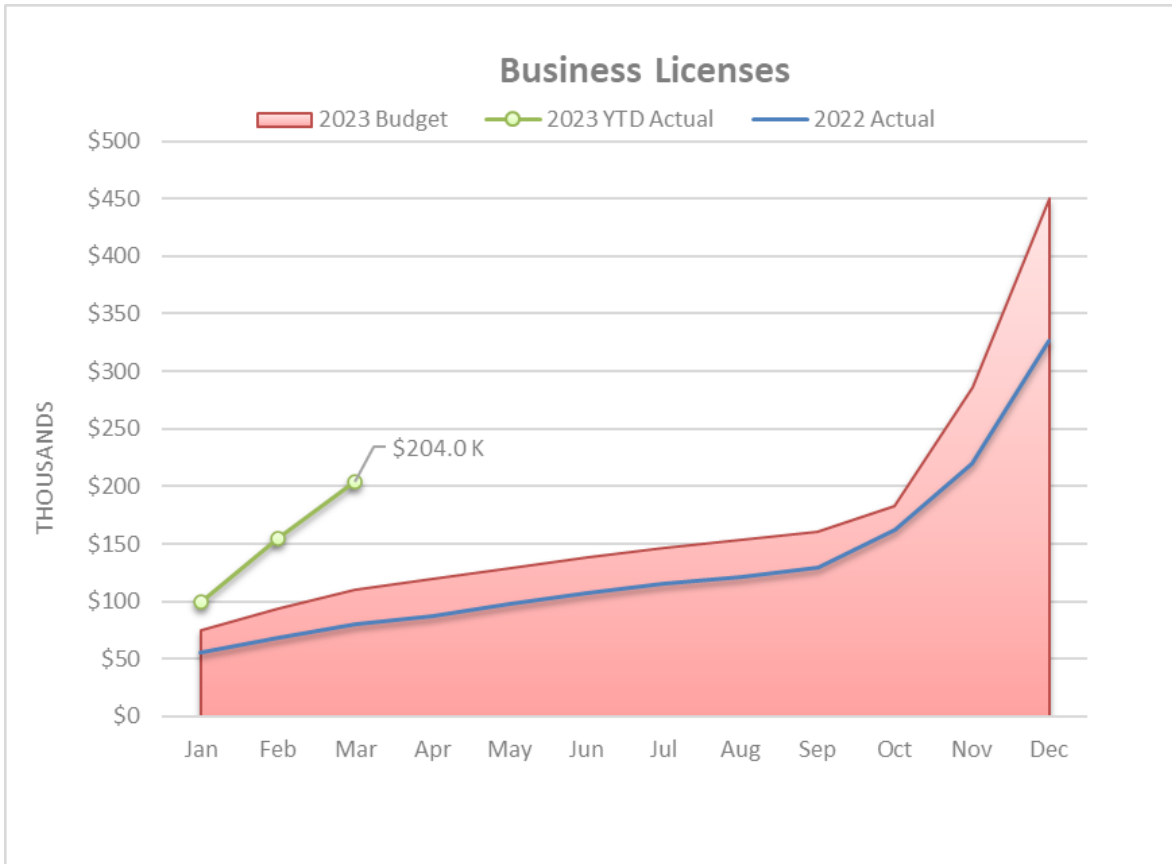


**Licenses and Permits** include business licenses, building permits, plumbing, electric and other licenses and permit fees. Building permit fees and business licenses make up approximately 70% of the annual budgeted revenue in this category.

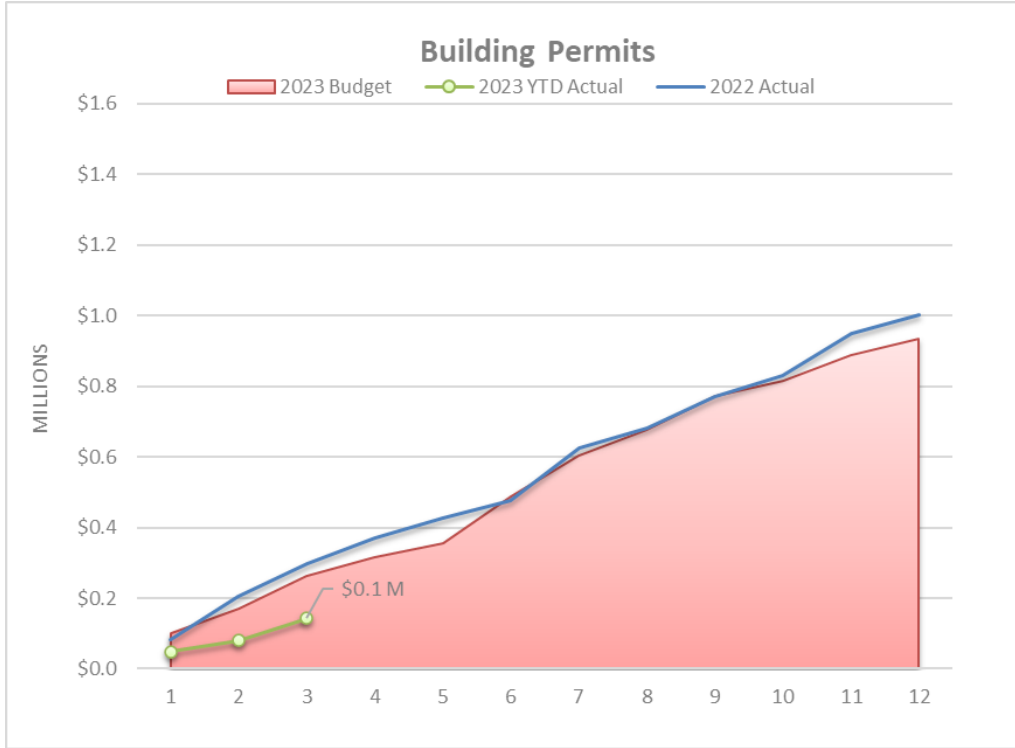
The annual **Business License** renewal fee for each business that is located within the City is \$103. Previously, all businesses were on calendar year renewal cycle, meaning that the majority of business license revenue was collected in November and December for existing businesses renewing their licenses, which is reflected in the large peak in the chart below in 2022.

Starting in September of 2022, business are now on an annual renewal cycle that begins on the date the business had originally been granted a license. This new methodology is expected to smooth out revenue collection throughout the year, which can also be seen in the chart below as a more linear progression of year-to-date collections totaling \$204,000, compared to \$81,100 in Q1-2023.

As mentioned previously, changes in the timing of collections will affect year-over-year performance comparisons for the remainder of 2023 and into 2024. Moreover, collections in 2023 are projected to be higher in total than 2022, due to increased discovery through B&O tax collections and use of the State’s Business Licensing System (BLS).

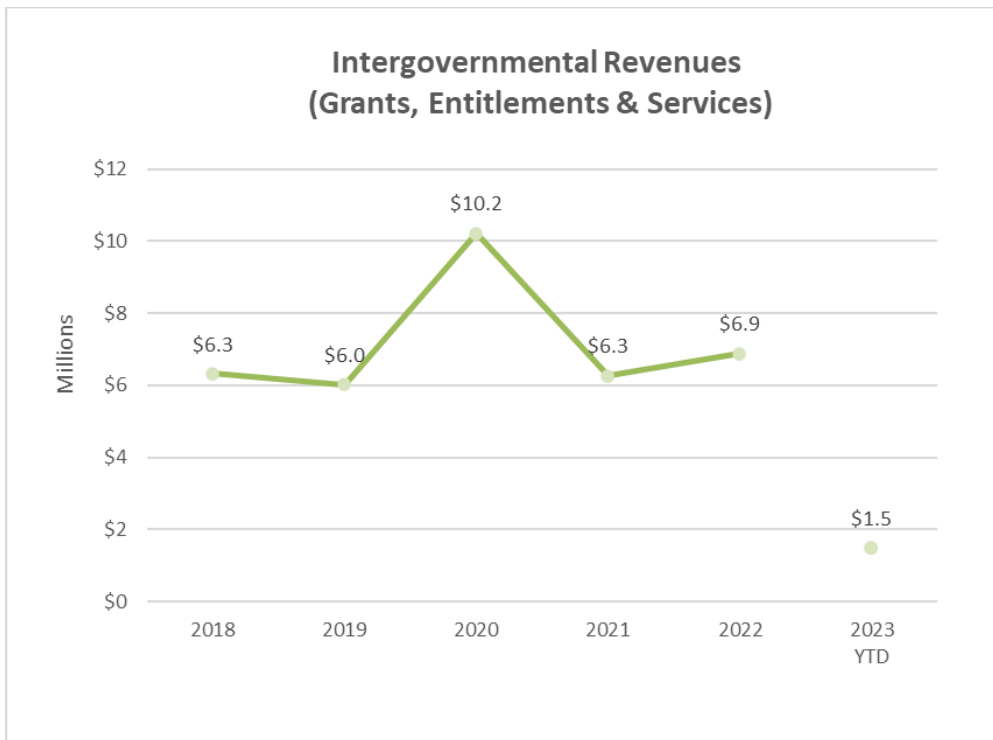


**Building Permit** revenues collected through March 2023 totaled \$143,000. Building permits are approximately \$155,000 lower than 2022 collections year-to-date and hold an unfavorable variance against the budget of \$120,000. A large contributing factor for this unfavorable variance is due to the valuation of construction permits on mixed use and subdivision builds decreasing throughout 2023, even though the number of permits generally remain the same as 2022 counts through the same period.



**Intergovernmental revenues** include grants and stimulus monies (direct and indirect federal, state, and local), revenue from the Muckleshoot Indian Tribe (MIT) compact as well as state shared revenues. Collections through Q1-2023 totaled \$1.5 million and were \$93,000 favorable to budget expectations. Much of this favorable variance is due to the final payment of the 2022 compact request made by Muckleshoot Casino in January 2023. However, the 2023 compact request is still pending MIT approval, and no 2023 revenues have been collected to date.

Intergovernmental Revenues (Grants, Entitlements & Services)							
Through March 2023							
Revenue	2022	2023	2023	2023 vs. 2022 Actual		2023 vs. Budget	
	YTD Actual	YTD Budget	YTD Actual	Amount	% Change	Amount	% Change
Federal Grants	\$ -	\$ -	\$ -	\$ -		\$ -	
State Grants	31,680	3,300	2,417	(29,263)	(92.4) %	(883)	3.0 %
Interlocal Grants	9,000	3,900	-	(9,000)	(100.0) %	(3,900)	43.3 %
Muckleshoot Casino Services	385,997	429,615	539,508	153,511	39.8 %	109,893	71.6 %
One-Time Allocation (SB 5092)	-	-	-	-		-	
State Shared Revenues:							
Streamlined Sales Tax	250,040	244,289	200,032	(50,008)	(20.0) %	(44,257)	88.5 %
Motor Vehicle Fuel Tax	276,418	275,000	263,010	(13,408)	(4.9) %	(11,990)	89.4 %
Criminal Justice - High Crime	68,320	71,206	70,856	2,536	3.7 %	(350)	(13.8) %
Criminal Justice - Population	7,332	4,900	7,760	427	5.8 %	2,860	669.2 %
Criminal Justice - Special Prog.	26,061	22,100	27,452	1,391	5.3 %	5,352	384.7 %
Marijuana Excise Tax	55,748	43,232	58,580	2,831	5.1 %	15,348	542.1 %
State DUI	3,682	3,052	108	(3,573)	(97.1) %	(2,943)	82.4 %
Fire Insurance Tax	-	-	-	-		-	
Liquor Excise	148,299	117,184	147,070	(1,229)	(0.8) %	29,885	(2431.8) %
Liquor Profit	170,802	175,471	169,631	(1,172)	(0.7) %	(5,841)	498.5 %
Total State Shared:	1,006,702	956,434	944,497	(62,205)	(6.2) %	(11,937)	19.2 %
YTD Total	\$ 1,433,379	\$ 1,393,249	\$ 1,486,422	\$ 53,043	3.7 %	\$ 93,174	6.7 %



**Note:** 2020 revenue was higher than normal due to the receipt of \$3.8 million in federal CARES grant money from the Department of Treasury.

**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 March 2023 totaled \$2.3 million and was \$239,000, or 11.4%, more than expected to date, mainly due to exceptional performance at the Auburn Golf Course.

Charges for Services by Type Through March 2023							
Revenue	2022 YTD Actual	2023 YTD Budget	2023 YTD Actual	2023 vs. 2022 Actual		2023 vs. Budget	
				Amount	Percentage	Amount	Percentage
General Government	\$ 875,399	\$ 1,116,736	\$ 1,091,757	\$ 216,358	24.7 %	\$ (24,979)	(2.2) %
Public Safety	268,255	227,500	237,189	(31,066)	(11.6) %	9,689	4.3 %
Development Services	374,593	293,200	214,228	(160,365)	(42.8) %	(78,972)	(26.9) %
Culture & Recreation	584,763	463,454	796,244	211,481	36.2 %	332,790	71.8 %
YTD Total	\$ 2,103,010	\$ 2,100,890	\$ 2,339,418	\$ 236,409	11.2 %	\$ 238,529	11.4 %

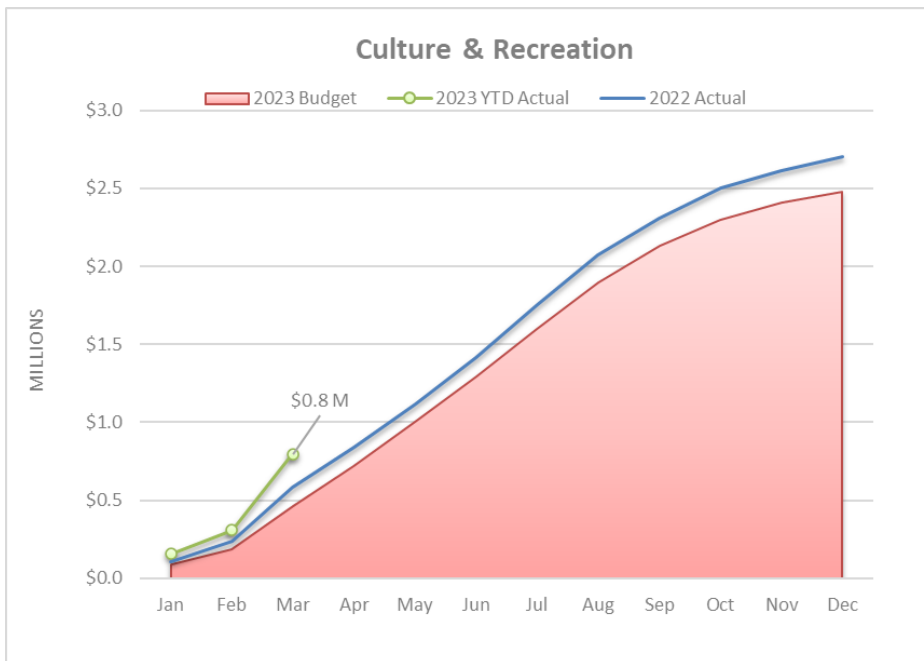
The *General Government* revenue category primarily includes the interfund assessment for support departments (Finance, Human Resources and Legal). Operating costs for these departments are charged to the respective General Fund home department and the portion of those costs that provide citywide benefit are recouped from other funds via interfund charges. General Government revenues also include fees for passport services, reimbursement from cities participating in the South King Housing and Homelessness Partners (SKHHP), as well as transportation projects. The unfavorable variance of \$25,000 to budget is due to the timing of SKHHP revenues, which are received on a reimbursement basis.

*Public safety* revenues mainly consist of revenues for law enforcement services, which are extra duty security services whereby police officers are contracted for, and reimbursement is made by the hiring agency. This category 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 for services rendered. Public safety revenues collected in the first quarter of 2023 totaled \$237,000 and saw a \$31,000 decline from 2022 first quarter totals. However, this is largely attributable to higher-than-average collections in Q1-2022, with Q1-2023 being closer to (but still below) the 5-year average. Despite this, collections were \$9,700 favorable to budget due to higher than expected traffic school and DUI emergency response fees collected.

*Development services* fee collections consist primarily of plan check fees, facility extension charges, and zoning and subdivision fees. Through Q1-2023, development service fees collected totaled \$214,000 and were \$79,000 unfavorable to budget expectations. Major contributors to this variance were FAC linear charges (fees assessed on projects that require extension of public facilities) as well as plan check fees; both were lower than expected, resulting in an unfavorable variance to budget of \$160,000. Although FAC linear charges are down year-over-year by \$98,000, this is an effect of the revenue regressing to the mean after an exceptional three-year period of high collections from 2020 through 2022. By comparison, 2023’s collections, while lower than 2022, are still well above the previous average collection for the first quarter. On the other hand, plan check fee revenues are well below both the five-year and ten-year average.



Most of the *culture and recreation* revenues are derived from green fees and pro shop sales at the Auburn Golf Course, recreational classes, ticket sales at the Auburn Avenue Theater, senior programs, and special events. Overall, culture and recreation revenues exceeded budget by \$333,000, or 71.8%. Nearly 66% of year-to-date revenues have come from greens fees and recreation classes. Greens fee revenues have increased \$13,000 or 6.4% from the same period last year and are favorable to budget by \$58,000 year-to-date. This is attributable to green fee rates increasing 3%-4% and slightly better weather. The City projects that green fees collections will steadily rise with the upcoming Spring and Summer seasons. Recreation class revenues have increased by \$89,000 or 39.2% from prior year-to-date totals. Likewise, special events increased by \$33,000 or 87.7% from 2022. A portion of the revenue increase over 2022 is attributable to lower revenues caused by COVID-19 restrictions in place during 2022, which have since been removed.



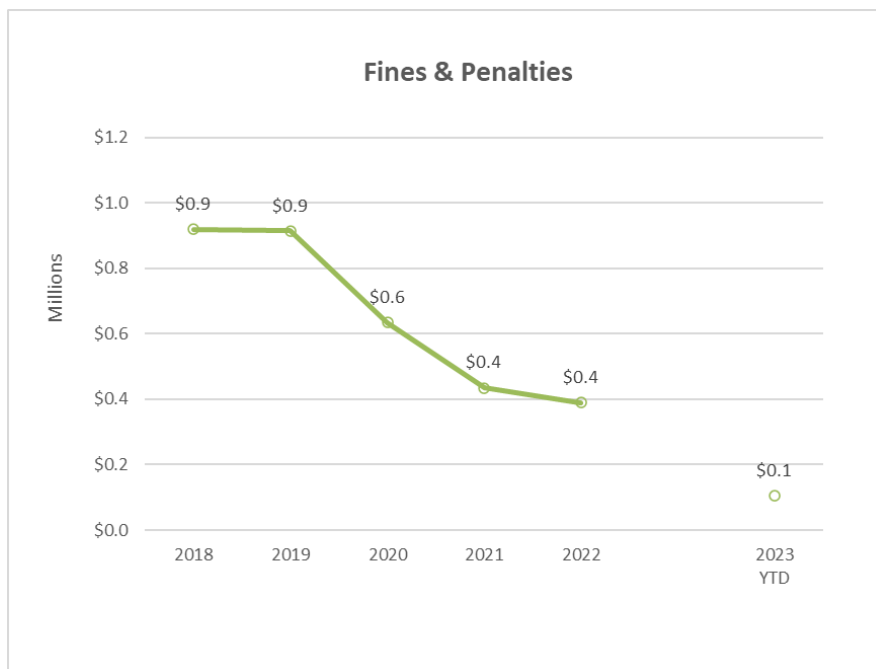


**Fines & Penalties** include civil penalties (such as code compliance fines), parking and traffic infraction penalties, criminal fines (including criminal traffic, criminal non-traffic, and other criminal offenses) as well as non-court fines such as false alarm fines. The table below shows a detailed breakdown of the different types of fines and penalties collected by the City.

Fines & Penalties by Type Through March 2023							
Month	2022	2023	2023	2023 vs. 2022 Actual		2023 vs. Budget	
	YTD Actual	YTD Budget	YTD Actual	Amount	Percentage	Amount	Percentage
Civil Penalties	\$ 165	\$ 2,500	\$ 210	\$ 45	27.3 %	\$ (2,290)	(91.6) %
Civil Infraction Penalties	31,417	32,300	37,218	5,801	18.5 %	4,918	15.2 %
Redflex Photo Enforcement	295	700	1,067	772	262.2 %	367	N/A %
Parking Infractions	26,666	22,200	20,004	(6,663)	(25.0) %	(2,196)	(9.9) %
Criminal Traffic Misdemeanor	9,195	14,100	9,232	37	0.4 %	(4,868)	(34.5) %
Criminal Non-Traffic Fines	11,887	14,000	15,226	3,339	28.1 %	1,226	8.8 %
Criminal Costs	8,469	10,500	4,226	(4,243)	(50.1) %	(6,274)	(59.8) %
Non-Court Fines & Penalties	8,221	20,600	16,635	8,415	102.4 %	(3,965)	(19.2) %
YTD Total	\$ 96,314	\$ 116,900	\$ 103,818	\$ 7,504	7.8 %	\$ (13,082)	(11.2) %

Total revenues collected through March 2023 totaled \$104,000 as compared to a budget of \$116,900 and were 11.2% below budget expectations primarily due to lower-than-budgeted collections in criminal costs. Civil infraction penalties (typically traffic violations) and a renewed photo enforcement contract help mitigate these unfavorable variances.

Municipal Court fines and penalties account for 82% of the budgeted revenue in this category, and comprise approximately 72% of the under collection. As shown in the graph below, annual collections of fines and penalties are experiencing a decreasing trend. The City contracts with the King County Court to operate its municipal court services and the number of hearings, judgements, and collections activity began decreasing in 2019 and has continued to dramatically decrease since that time. Initially, the decreasing fines collected via the Court was partially offset by an increase in false alarm fees.



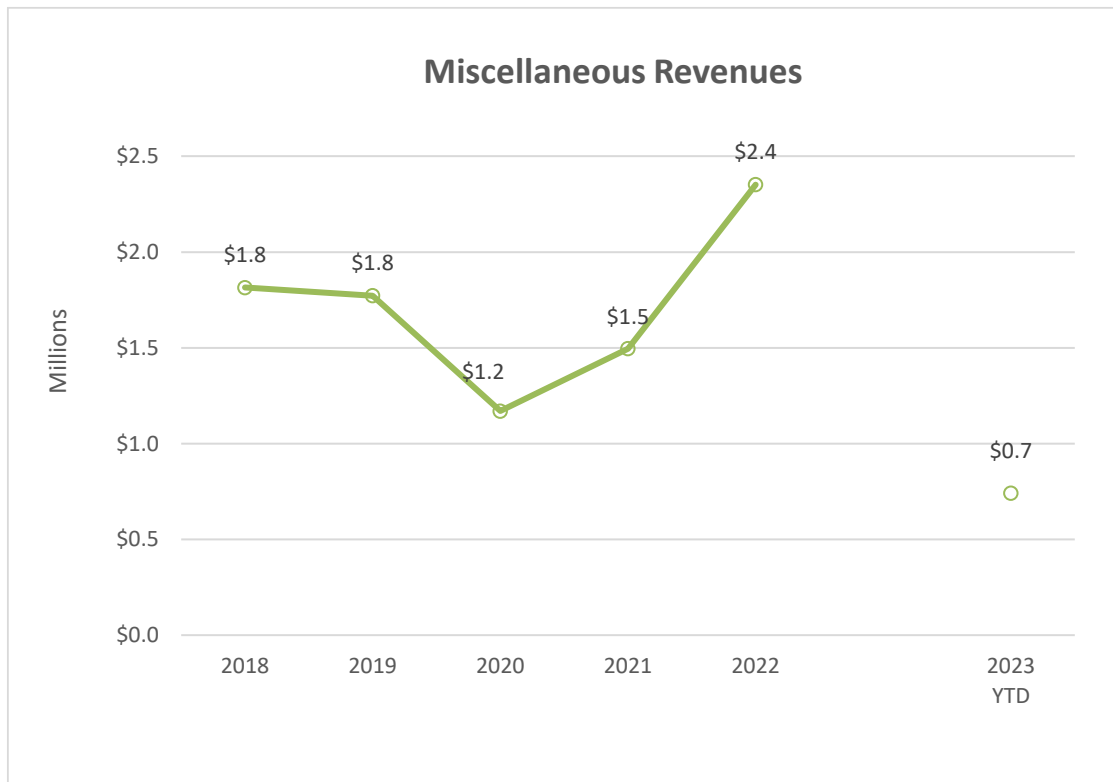
**Miscellaneous Revenues** consist of investment earnings, income from facility rentals, revenue collected for golf cart rentals at the Auburn Golf Course, contributions and donations, and other income including the quarterly purchasing card (P-card) rebate monies. A breakdown of the most significant miscellaneous revenue categories are listed in the table below.

Miscellaneous Revenues by Type Through March 2023							
Month	2022 YTD Actual	2023 YTD Budget	2023 YTD Actual	2023 vs. 2022 Actual		2023 vs. Budget	
				Amount	Percentage	Amount	Percentage
Interest & Investments	\$ 89,509	\$ 91,675	\$ 248,841	\$ 159,332	178.0 %	\$ 157,166	171.4 %
Rents & Leases	303,178	371,000	300,463	(2,714)	(0.9) %	(70,537)	(19.0) %
Contributions & Donations	3,821	5,250	434	(3,387)	(88.6) %	(4,816)	(91.7) %
Other Miscellaneous Revenue	280,254	63,127	192,895	(87,359)	(31.2) %	129,768	205.6 %
YTD Total	\$ 676,761	\$ 531,052	\$ 742,633	\$ 65,872	9.7 %	\$ 211,581	39.8 %

Revenues collected YTD 2023 in this category totaled \$743,000 and were \$212,000 favorable to budget. The majority of the favorable variance to budget was in the interest and investments category, with the City receiving nearly 70% of the annual budgeted amount in the first quarter.

The “other” miscellaneous revenue category, while \$87,000 less than the same timeframe last year, was nonetheless favorable to the 2023 budget by \$130,000. This category includes \$52,100 in revenue related to a national opioid settlement distribution program.

The rents and leases category includes prepayments for facility rentals. Although these revenue collections are on par with last year, they are below budget projections year-to-date.



**OTHER FUNDS**

**Real Estate Excise Tax (REET)** revenues are taxes on the sale of both commercial properties and single-family residences. These collections are received into the Capital Improvement Projects Fund and used for governmental capital projects.

REET revenues collected year-to-date in 2023 total \$796,000 which is \$239,000 or 30.0% favorable to budget expectations. However, as reflected in the table below, REET revenues collected were significantly lower (43.6%) than in 2022. Higher borrowing rates and slower housing markets contribute to the decreased revenues during this period. However, the City anticipates continued growth in REET revenues as property values on new and existing homes increase.



Shown in the table below, REET collections have been lower in each month of 2023 than their counterparts in 2022. In context, 2022 saw the highest first-quarter collection of REET revenue since 2015; lower REET collections in 2023 represent a cooling market after a period of increasing interest rates and historic inflation.

Real Estate Excise Tax Revenues							
Through March 2023							
Month	2022 YTD Actual	2023 YTD Budget	2023 YTD Actual	2023 vs. 2022 Actual		2023 vs. Budget	
				Amount	Percentage	Amount	Percentage
1	\$ 235,988	\$ 185,700	\$ 231,316	\$ (4,672)	(2.0) %	\$ 45,616	19.7 %
2	320,851	185,700	229,810	(91,041)	(28.4) %	44,110	19.2 %
3	855,713	185,700	335,109	(520,604)	(60.8) %	149,409	44.6 %
4	530,857	185,700					
5	710,134	185,700					
6	479,225	185,700					
7	331,971	185,700					
8	497,294	185,700					
9	587,492	185,700					
10	316,404	185,700					
11	202,461	185,700					
12	191,104	185,600					
YTD Total	\$ 1,412,552	\$ 557,100	\$ 796,235	\$ (616,317)	-43.6%	\$ 239,135	30.0%



**American Rescue Plan Act (ARPA) Fund**

In March 2021, the American Rescue Plan Act (ARPA) was signed into law, with the intent of mitigating the economic impacts related to COVID-19. Through ARPA’s State and Local Government Fiscal Recovery Fund program, the City was allocated \$14.75 million in funding. Council approved the City’s acceptance of ARPA funds in Resolution #5608, and the general spending categories of those funds (as determined by a Council ad hoc committee) in Ordinance #6832.

The City’s plan for using ARPA funding is to mitigate the cost of providing public safety services throughout the City. Since receiving the funding, the City has been able to offset \$6.5 million in public safety expenditures, as shown in the table below and reported to the Department of the Treasury.

<b>ARPA FUNDING STATUS</b>	
Total ARPA Funding Received	14,751,232
ARPA Funding Used to Mitigate Public Safety Costs	6,545,198
ARPA Funding Remaining	<b>8,206,034</b>

As a result of the cost mitigation provided by the ARPA funding, the City has been able to allocate General Fund funding toward projects approved by the Council ad hoc committee. As of March 31, 2023, the City has been able to spend \$386,000 year-to-date and \$3.0 million since 2021 on the following projects:

Title	Budget	2023 Lifetime Spend		
		Q1 Spend	(includes this quarter)	Remaining
<b>Completed Projects</b>	<b>1,450,000</b>	-	1,450,000	-
Utility Assistance Program	525,000	-	218,601	306,399
Body Cameras	650,000	4,091	550,325	99,675
Vaccination Incentive Program	47,500	-	34,980	12,520
Human Services Grants includes admin	1,000,000	16,782	16,782	983,218
Dykstra Foot Bridge	500,000	-	10,357	489,643
Minor Improvements to Qualifying Neighborhood Parks	150,000	19,603	19,603	130,397
Limited Term Employee (LTE): Grants Coordinator	420,000	23,352	118,729	301,271
Paving Gravel Roads	636,866	628	3,463	633,403
Translation Services	75,000	1,216	1,216	73,784
Auburn Way South Median Landscape Replanting/Irrigation	50,000	-	40,187	9,814
Auburn Way South Roundabout	150,000	29	29	149,971
Emergency Housing Voucher Program	2,000,000	14,200	14,200	1,985,800
Encampment Cleanup	500,000	147,405	147,405	352,595
Broadband grants to hardest hit communities	180,000	125,266	137,818	42,182
Community violence intervention programs (drone, SPIDR Tech)	250,000	-	207,831	42,169
Signing bonuses for lateral hires	200,000	33,080	65,670	134,330
<b>Other Projects (not started)</b>	<b>5,966,866</b>	-	-	5,966,866
<b>Total:</b>	<b>14,751,232</b>	<b>385,651</b>	<b>3,037,196</b>	<b>11,714,036</b>

The *Neighborhood Parks Improvement* project will be able to make minor improvements in qualifying neighborhood parks. Numerous parks in our low income census tracts are in need of modernization that will assist in getting these community members outdoors and experiencing a better quality of life. To date this project has spent \$19,603 which provided new fencing around Forest Villa Tot Lot. The City plans to start building a new playground in the near future.

The *Encampment Cleanup* project is a service contract that began in 2023 and provides continued cleanup of garbage and debris related to encampments and other illegal dumping on City-owned properties and rights of way (ROW). To date, the project has spent \$147,405 with \$352,595 remaining.

Beginning in 2023, the *Clean and Sober Housing Program* is budgeted at \$2 million over the life of the program. This program is to assist residents of Auburn who are experiencing homelessness and drug addiction who are willing to enroll in and complete inpatient treatment. The program will cover the costs of clean and sober housing of participants for up to three years if the participant follows the clean and sober housing agreement. Total project spend through Q1-2023 is \$14,200.

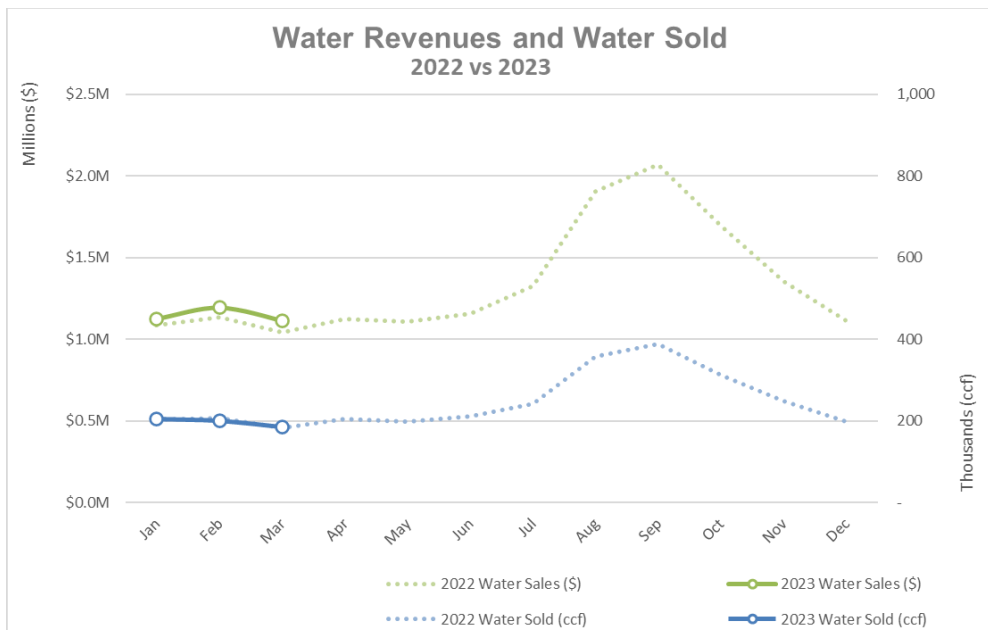
The *Broadband Network to Hardest Hit Communities* project allows the City to expand the City’s broadband network capabilities for all residents, visitors, and city employees to utilize. The IT department have acquired all necessary hardware and software related to the broadband/Wi-Fi replacement and expansion. Total spent in Q1-2023 was \$125,266 bringing the accumulated project total to \$137,818. All replacement of existing hardware has been completed. The expansion is estimated to begin in late 2023.

**Utility Enterprise Funds**

Utility activities are divided between operating funds and capital sub-funds. 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.

Through March 2023, the **Water Utility** had operating income of \$948,000 (operating revenues less operating expenditures), approximately \$91,000 above the same period as last year. Water Fund operating revenues were \$317,000 or 9.4% higher than Q1-2022; the majority of this variance was due to higher revenues from water sales and interest earnings. Operating expenditures also increased by \$226,000 mainly due to an increase in personnel costs and interfund operating rentals.

Billable water consumption through March 2023 totaled 590,000 hundred cubic feet (ccf), equivalent to consumption volume in Q1-2022. Slight decreases in multifamily, manufacturing and wholesale consumption were offset by increases in commercial, school and other consumption.



Through the first quarter of 2023, the **Sewer Utility** finished with operating income of \$989,000 as compared to \$417,000 in the same period last year. Operating revenues were up \$208,000 or 8.8% from the same period last year due to stronger performance in charges for City sewer service and higher interest earnings. Interest earnings went from \$3,000 in Q1-2022 to \$127,000 in Q1-2023 due to higher cash and investment balance and higher interest rates.

Operating expenses were down \$363,000 due to decreased in expense related to interfund utility taxes. As discussed on pages 7-8, the City is no longer charging this tax on the pass-through King County Metro revenue. This, combined with lower interfund charges, more than offset increases in personnel costs and supplies, resulting in overall lower expenses compared to last year.

Through March 2023, the **Stormwater Utility** had operating income of \$920,000 compared with \$756,000 in the same period last year. Operating revenues were up \$366,000 compared to same period last year due to charges for City storm service and interest earnings. Interest earnings increased from \$3,900 in Q1-2022 to \$159,000 in Q1-2023. As most Stormwater Utility charges are based on a flat rate, there are not typically significant fluctuations in this revenue.

Operating expenditures in the Stormwater Utility were up \$201,000 this quarter compared to the same quarter of last year. This increase was mainly due to higher service charges and supplies.

#### **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).