

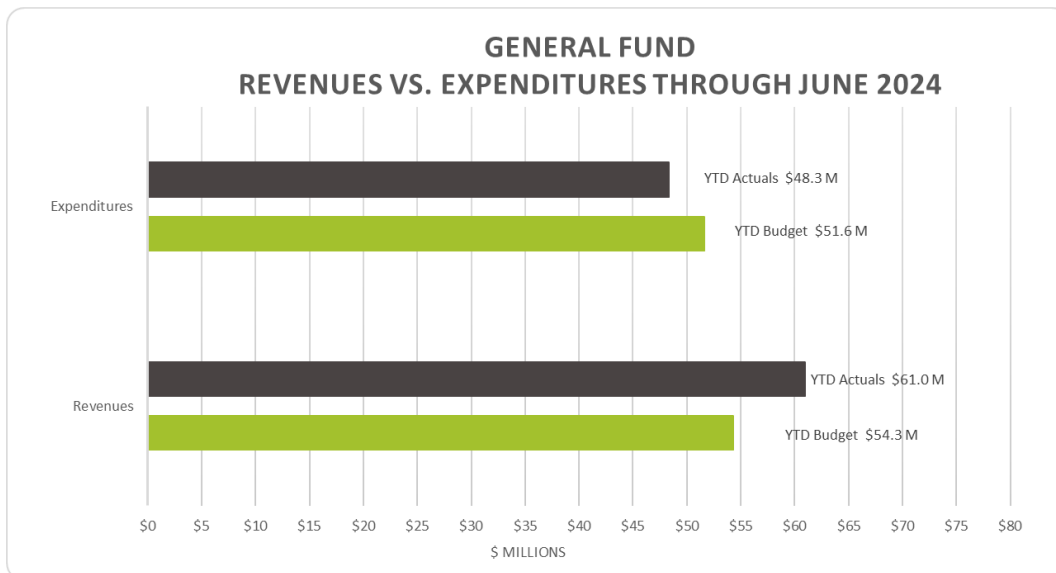
This report provides an overview of the City’s overall cash-basis financial position for the fiscal period ending June 30, 2024, reflecting data available as of August 12, 2024. References to budget, actual and prior year amounts reflect year-to-date numbers, unless otherwise stated. Year-to-date budget expectations are generally based on the two prior years of data.

General Fund Overview

The City has entered 2024 on the heels of a solid financial performance in 2023 and is currently in the midst of developing the biennial budget for the fiscal years of 2025-2026. General Fund revenues have generally exceeded budget expectations and largely recovered from the impact of COVID-19. With the adoption of Ordinance #6937 in April 2024, the annual budget consists of \$106.0 million in revenues and \$104.0 million in expenditures - a planned increase in General Fund balance of \$2.0 million.

Through the second quarter of 2024, the General Fund outperformed revenue expectations. Comparing year-to-date 2024 revenues versus year-to-date 2023 revenues, the City collected \$5.8 million or 10.5% more. A large contributor to this outcome was Business and Occupation (B&O) tax revenue; through the second quarter the City collected \$6.5 million in B&O taxes, which includes back dated collections. However, the City anticipates that B&O revenues will decline from a high point of \$10.6 million in 2023, as payments related to prior periods decrease. The City also implemented a new photo enforcement program during the second half of 2023, which generated \$1.4 million of new revenue through the second quarter of 2024. Mitigating the increases in General Fund revenues, the City also saw increased expenditures from the same period last year by \$4.8 million or 11.1%. This is due to planned increases in overhead costs, professional services (citywide projects and improvements), and insurance premiums.

Overall, General Fund revenues collected through Q2-2024 totaled \$61.0 million as compared to the year-to-date budget of \$54.3 million, and were \$6.6 million, or **12.2% above** budget expectations. General Fund expenditures through Q2-2024 totaled \$48.3 million compared to the year-to-date budget of \$51.6 million; resulting in a \$3.3 million or **6.3% underspend**.



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

- Business and Occupation Tax: Revenues collected throughout Q2-2024 totaled \$6.5 million, exceeding the year-to-date budget by \$3.0 million. Some of this favorable variance is due to the collection of tax obligations incurred in prior years, which is not expected to continue at the same level in the future. **[page 8]**
- Fines and Penalties: Collections through the second quarter of 2024 were \$2.1 million in total and \$1.64 million favorable to budget. Higher than expected revenues from a new photo enforcement program implemented by the City during the second quarter of 2023 contributed \$1.7 million toward the favorable variance. Other non-court fines and penalties are \$289,000 favorable versus budget expectations, mainly due to interest and penalties on B&O tax collection. Civil penalties and criminal costs had an unfavorable variance. **[pages 18-19]**
- Retail Sales Tax: The sales tax report for distributions through June 2024 (provided as an attachment to this report) reflects amounts remitted to the City of Auburn based on sales between November 2023 and April 2024. Collections totaled \$11.0 million, a 1.3% decrease from last year driven by lower collections particularly in the construction and manufacturing sectors. However, compared to the year-to-date budget, sales tax has a favorable variance of \$975,000 or 9.7%. **[pages 6-8]**
- Intergovernmental revenue: Q2-2024 revenues collected totaled \$3.6 million, which was \$486,600 favorable to the year-to-date budget. The variance is mainly due to the timing of collections from state and interlocal grants covering prior-year projects. Furthermore, the City anticipates the collection of the approved MIT compact request during the second half of the year. **[pages 14-15]**
- Utility Tax: Revenues collected through Q2-2024 totaled \$8.1 million and were \$897,400 higher than budget expectations. Collection of backdated utility taxes from solid waste haulers provided roughly 57.1% of the favorable variance. Likewise, City utility interfund taxes provide a favorable variance to budget of \$265,000, mainly due to higher solid waste tax collections resulting from a combination of increased service levels and increased rates. **[pages 9-10]**

Expenditures: Most departments operated within their year-to-date budgets through the second quarter of 2024, with some variances due to the timing of professional services payments, as well as expenses related to projects facilitated by ARPA funding. Overall, the favorable variance to the year-to-date expense budget is \$3.3 million. Contributing to the favorable variance was a savings in salaries and benefits expenses of roughly \$1.7 million; as of the compilation of this report, there were 35 vacant regular full-time positions in the City. Services and charges, however, were above budget expectations through the second quarter by roughly \$440,000. This is partially due to the timing of spend on projects in-progress within 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. In the prior year, we noted that the City's cash and investment balances had increased significantly, due to increased interest rates and yields to maturity for the City's investment accounts. In 2024, the maturation of certain investments means the enterprise funds which previously saw significant year-over-year increases in interest earnings are continuing to see higher interest income, albeit at a lower growth rate. Through Q2-2024, total interest earnings for the City's enterprise funds increased \$281,000 from Q2-2023 to Q2-2024.

The **Water Utility Fund** ended Q2-2024 with operating income of \$2.2 million, an increase of \$196,000 compared to the same period last year. This variance is due primarily to increased water sales (+\$543,000) and interest earnings (+\$96,000), offset by an increase of \$433,000 in operating expenditures. Water fund revenues exhibit strong seasonality due to the nature of water demand; we expect revenues to be lower in Q1, gradually increase in Q2 and hit the peak in Q3 when the weather is typically the warmest. Operating revenues through Q2-2024 were higher than expected compared to our budget projections (+\$842,000), which was driven in part by interest earnings (+\$402,000) over budget expectations. Operating expenditures were lower than budget expectations (-\$539,000) due to lower than anticipated personnel costs and timing differences related to excise tax payments and anticipated professional services contracts. [pages 24-25]

The **Sewer Utility Fund** ended Q2-2024 with operating income approximately \$82,000 higher than Q2-2023, at \$2.1 million. Drivers of this change include increased service charges (+\$311,000) and interest earnings (+\$112,000), offset by increases in operating expenditures (+\$341,000), compared to the prior year. In total, operating revenues for this fund were \$2.3 million higher compared to our budget projections, due to favorable variances in both operating revenues (+\$1.0 million) and operating expenses (-\$1.3 million). [page 25]

The **Stormwater Utility Fund** ended Q2-2024 with operating income of \$1.6 million, which is \$45,000 higher than Q2-2023. Charges for storm service increased \$386,000 compared to the prior year. Additionally, this fund saw an increase in operating expenditures of \$288,000. This fund outperformed budget projections by \$1.1 million through Q2-2024, with favorable variances to budget in operating revenues (+\$1.0 million) and operating expenses (-\$112,000). [page 25-26]

The **Solid Waste Utility Fund** ended Q2-2024 with operating loss of \$470,000, a marginally better position compared to the same period last year. Operating revenues increased \$1.0 million from Q2-2023 to Q2-2024, due primarily to an increase in 2024 solid waste rates adopted in Ordinance #6920. Similarly, operating expenditures increased \$923,000. Generally speaking, it is expected that increases to charges for service in this fund will have corresponding increases in payments to the City's solid waste vendor. [page 26]

Internal Service Funds Overview

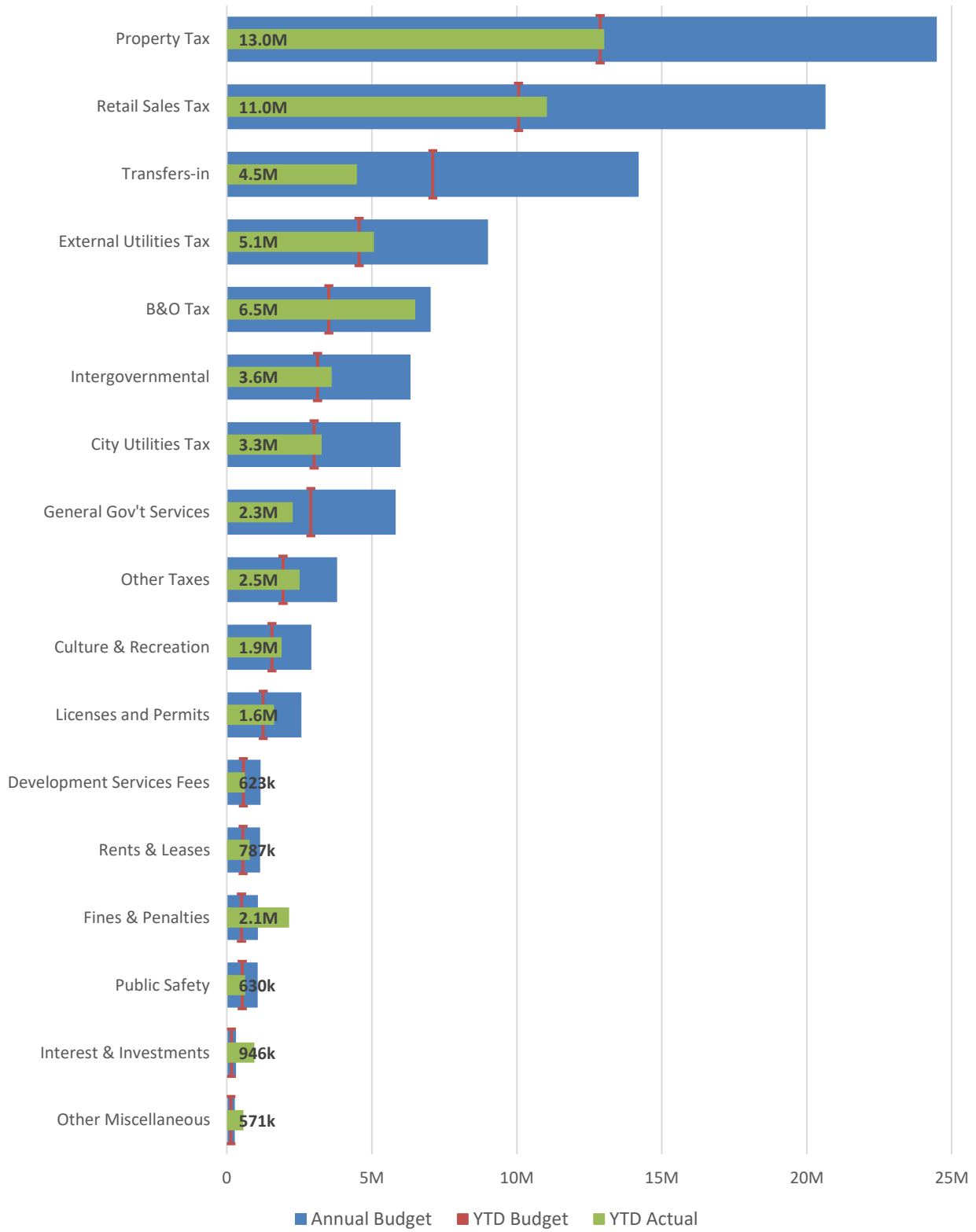
Internal service funds provide services to other City departments and include functions such as Insurance, Worker's Compensation, Facilities, Innovation & Technology, and Equipment Rental. No significant variances were reported in these funds during Q2-2024. [page 26]

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	2024			2024 YTD Budget vs. Actual		2023	2024 YTD Actual vs. 2023 Actual	
	Annual Budget	YTD Budget	YTD Actual	Favorable (Unfavorable) Amount	Percentage	YTD Actual	Favorable (Unfavorable) Amount	Percentage
Operating Revenues								
Property Tax	\$ 24,486,386	\$ 12,873,500	\$ 13,013,003	\$ 139,503	1.1 %	\$ 12,841,702	\$ 171,301	1.3 %
Retail Sales Tax	20,649,700	10,059,200	11,034,366	975,166	9.7 %	11,176,169	(141,803)	(1.3) %
Affordable Housing Sales Tax Credit	177,587	59,600	47,917	(11,683)	(19.6) %	49,055	(1,138)	(2.3) %
Sales Tax - Pierce County Parks	130,000	62,400	65,256	2,856	4.6 %	64,361	895	1.4 %
Criminal Justice Sales Tax	2,478,000	1,174,100	1,471,722	297,622	25.3 %	1,507,826	(36,105)	(2.4) %
Brokered Natural Gas Tax	150,000	92,700	158,200	65,500	70.7 %	222,268	(64,069)	(28.8) %
City Utilities Tax	5,989,667	3,007,800	3,273,192	265,392	8.8 %	2,971,326	301,866	10.2 %
Business & Occupation Tax	7,029,750	3,514,875	6,492,740	2,977,865	84.7 %	5,160,718	1,332,022	25.8 %
Admissions Tax	312,445	170,800	412,521	241,721	141.5 %	178,844	233,677	130.7 %
Electric Tax	4,426,743	2,455,500	2,445,863	(9,637)	(0.4) %	2,310,929	134,934	5.8 %
Natural Gas Tax	1,658,523	917,100	832,703	(84,397)	(9.2) %	962,197	(129,494)	(13.5) %
Cable Franchise Fee	880,889	440,445	386,847	(53,597)	(12.2) %	437,138	(50,291)	(11.5) %
Cable Utility Tax	931,981	465,991	412,496	(53,495)	(11.5) %	465,238	(52,743)	(11.3) %
Cable Franchise Fee - Capital	51,539	25,770	20,167	(5,602)	(21.7) %	27,710	(7,543)	(27.2) %
Telephone Tax	435,847	185,202	386,423	201,221	108.6 %	171,047	215,376	125.9 %
Solid Waste Tax (external)	621,973	70,359	583,042	512,683	728.7 %	102,492	480,550	468.9 %
Leasehold Excise Tax	255,335	222,300	255,613	33,313	15.0 %	236,969	18,644	7.9 %
Gambling Excise Tax	295,300	153,281	94,389	(58,893)	(38.4) %	170,220	(75,831)	(44.5) %
Taxes sub-total	\$ 70,961,665	\$ 35,950,922	\$ 41,386,459	\$ 5,435,537	15.1 %	\$ 39,056,212	\$ 2,330,247	6.0 %
Business License Fees	\$ 461,250	\$ 212,400	\$ 300,660	\$ 88,260	41.6 %	\$ 312,274	\$ (11,614)	(3.7) %
Building Permits	956,698	401,300	571,910	170,610	42.5 %	322,061	249,848	77.6 %
Other Licenses & Permits	1,150,950	637,900	755,392	117,492	18.4 %	714,169	41,223	5.8 %
Intergovernmental (Grants, etc.)	6,336,046	3,124,626	3,611,258	486,631	15.6 %	2,625,012	986,246	37.6 %
Charges for Services:								
General Government Services	5,824,577	2,894,919	2,270,820	(624,099)	(21.6) %	2,225,731	45,089	2.0 %
Public Safety	1,057,000	528,500	630,328	101,828	19.3 %	551,101	79,227	14.4 %
Development Services Fees	1,158,080	567,600	623,247	55,647	9.8 %	530,435	92,812	17.5 %
Culture and Recreation	2,915,485	1,555,117	1,884,830	329,712	21.2 %	1,770,365	114,464	6.5 %
Fines and Penalties	1,071,819	504,159	2,143,975	1,639,816	325.3 %	274,060	1,869,915	682.3 %
Fees/Charges/Fines sub-total	\$ 20,931,905	\$ 10,426,522	\$ 12,792,419	\$ 2,365,898	22.7 %	\$ 9,325,208	\$ 3,467,211	37.2 %
Interest and Investment Earnings	\$ 315,000	\$ 157,500	\$ 945,672	\$ 788,172	500.4 %	\$ 541,990	\$ 403,682	74.5 %
Rents and Leases	1,142,948	557,000	786,591	229,591	41.2 %	617,461	169,130	27.4 %
Contributions and Donations	42,000	9,199	11,919	2,720	29.6 %	4,164	7,756	186.3 %
Other Miscellaneous	208,000	115,664	529,518	413,855	357.8 %	261,987	267,531	102.1 %
Transfers In	14,203,054	7,101,527	4,482,645	(2,618,882)	(36.9) %	5,159,722	(677,077)	(13.1) %
Insurance Recoveries - Capital & Operating	25,000	12,500	29,294	16,794	134.4 %	206,023	(176,729)	(85.8) %
Other Revenues sub-total	\$ 15,936,002	\$ 7,953,390	\$ 6,785,640	\$ (1,167,751)	(14.7) %	\$ 6,791,347	\$ (5,707)	(0.1) %
Total Operating Revenues	\$ 107,829,572	\$ 54,330,834	\$ 60,964,518	\$ 6,633,684	12.2 %	\$ 55,172,766	\$ 5,791,752	10.5 %
Operating Expenditures								
Council & Mayor	\$ 1,459,725	\$ 780,598	\$ 779,722	\$ 877	0.1 %	\$ 758,950	\$ 20,771	2.7 %
Administration	1,325,280	654,223	646,351	7,872	1.2 %	606,555	39,796	6.6 %
Human Resources	2,539,839	1,255,696	1,305,416	(49,720)	(4.0) %	1,126,516	178,900	15.9 %
Municipal Court & Probation	3,040,544	479,372	580,136	(100,764)	(21.0) %	537,758	42,378	7.9 %
Finance	5,763,940	2,813,754	2,450,280	363,474	12.9 %	2,253,537	196,743	8.7 %
City Attorney	4,613,393	2,191,574	2,296,015	(104,441)	(4.8) %	2,846,334	(550,319)	(19.3) %
Community Development	9,964,941	4,438,027	3,430,300	1,007,727	22.7 %	3,664,325	(234,025)	(6.4) %
Human Services	4,031,582	2,026,183	1,272,496	753,687	37.2 %	-	1,272,496	N/A
Office of Equity	950,808	479,273	447,395	31,878	6.7 %	205,390	242,006	117.8 %
Jail - SCORE	5,700,000	2,850,000	2,432,988	417,012	14.6 %	2,519,519	(86,531)	(3.4) %
Police	37,730,886	19,231,002	18,071,151	1,159,851	6.0 %	16,447,457	1,623,695	9.9 %
Public Works	4,928,495	2,511,431	2,668,438	(157,008)	(6.3) %	2,146,293	522,146	24.3 %
Parks, Arts & Recreation	16,511,485	7,990,842	8,041,914	(51,072)	(0.6) %	7,341,590	700,324	9.5 %
Streets	4,839,339	2,435,261	2,389,086	46,176	1.9 %	1,948,396	440,690	22.6 %
Non-Departmental	9,897,960	1,466,267	1,529,437	(63,170)	(4.3) %	1,101,063	428,374	38.9 %
Total Operating Expenditures	\$ 113,298,217	\$ 51,603,504	\$ 48,341,125	\$ 3,262,379	6.3 %	\$ 43,503,682	\$ 4,837,443	11.1 %

General Fund Revenues Budget Vs Actual



Revenue

The combined total of property, sales/use, utility, business & occupation, gambling, and admissions taxes provides over 70% of all resources supporting general governmental activities. Licenses, charges for services, intergovernmental revenue (grants, state shared revenue, etc.) and fines contribute a further 25% 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.

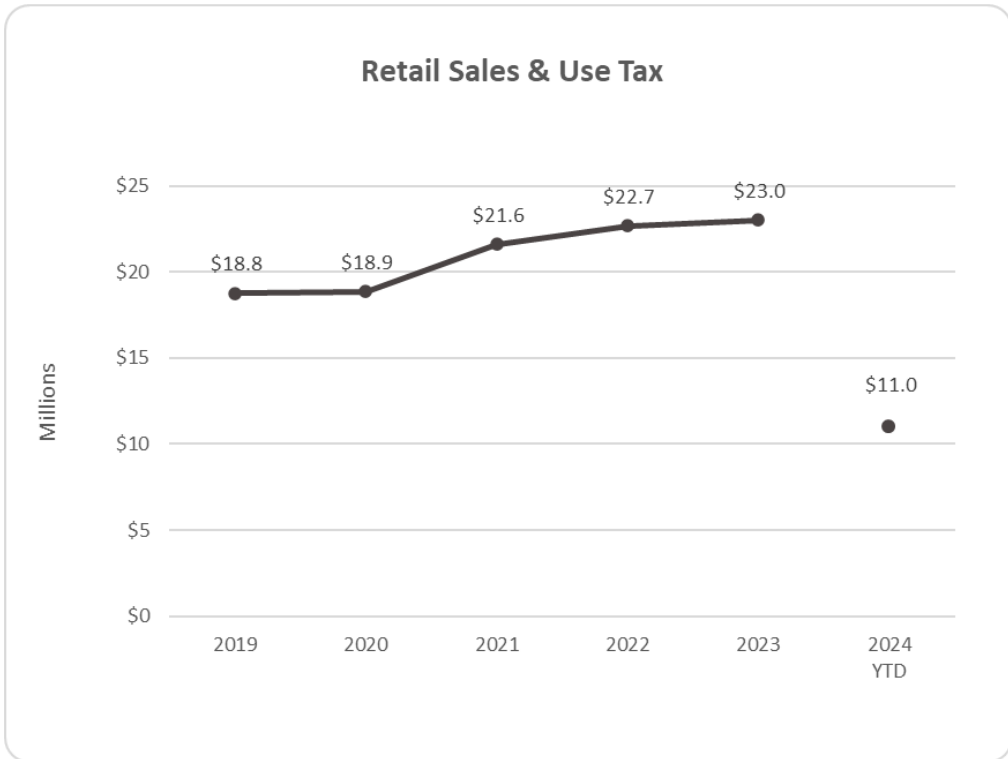
Property Tax collections in the second quarter totaled roughly \$13.0 million, approximately \$139,500 or 1.1% above budget projections. However, as depicted in the graphic below, the majority of property taxes are collected during the months of April and October, coinciding with the due dates for county property tax billings.



Retail Sales Tax collections through Q2-2024 totaled \$11.0 million, representing taxes remitted to the City of Auburn based on sales from November 2023 through April 2024. Overall, these revenues decreased slightly by \$142,000, or 1.3%, from Q2-2023 collections due to lower performances in the construction (-\$189,360), manufacturing (-\$129,627), and automotive (-\$29,457) industries. Offsetting the slight decreases, the services (\$131,789) and transportation (\$42,947) industries helped mitigate the year-to-date decrease from prior year totals. In comparison to the year-to-date budget, these revenues are favorable by nearly \$975,000 or 9.7% through the second quarter. Historically, the City collects more sales tax revenues during the second half of the year, mainly due to the upcoming holiday seasons.

The City set an overall budget of \$20.6 million for the fiscal year of 2024; based on year-to-date performance, actual collections may exceed this by year-end. King County estimates¹ that sales tax revenues will have an annual growth of 3.9% from 2023 actuals. Dating back to 2014, the City has seen consistent growth within the sales tax revenue stream by an average of 7.6% year-over-year.

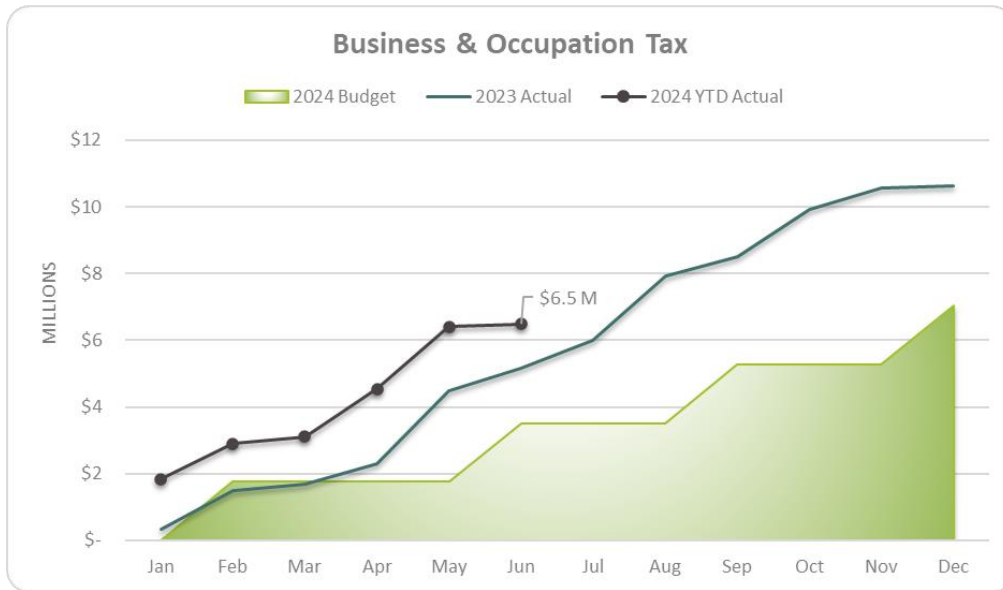
¹ King County, WA. 2024. The Office of Economic and Financial Analysis. <https://kingcounty.gov/en/legacy/independent/forecasting>.



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

Comparison of Retail Sales Tax Collections by Group Through June 2024				
Component Group	2023 YTD Actual	2024 YTD Actual	Change from 2023	
			Amount	Percentage
Construction	\$ 1,426,126	\$ 1,236,766	\$ (189,360)	(13.3) %
Manufacturing	278,890	149,263	(129,627)	(46.5) %
Transportation & Warehousing	117,422	160,368	42,947	36.6 %
Wholesale Trade	825,585	837,152	11,568	1.4 %
Automotive	2,399,616	2,370,159	(29,457)	(1.2) %
Retail Trade	3,265,511	3,254,196	(11,315)	(0.3) %
Services	2,697,575	2,829,364	131,789	4.9 %
Miscellaneous	165,492	197,099	31,607	19.1 %
YTD Total	\$ 11,176,215	\$ 11,034,366	\$ (141,849)	(1.3) %

Business & Occupation (B&O) Taxes were implemented by the City at the beginning of 2022. These taxes are collected from businesses based on either the value of gross receipts or square footage of occupied warehousing space, subject to certain constraints. While the City receives collections throughout the year, B&O taxes are generally received on a quarterly basis. By reconciling against the State’s Business Licensing System, the City was able to identify taxes collectable from prior periods, significantly contributing to the performance of this revenue. Overall collection throughout the second quarter of the year totaled \$6.5 million versus a budgeted amount of \$3.5 million. Current 2024 collections outpace 2023 collections through the same period by \$1.3 million (25.8%), although recovery of back taxes is anticipated to decrease over time.



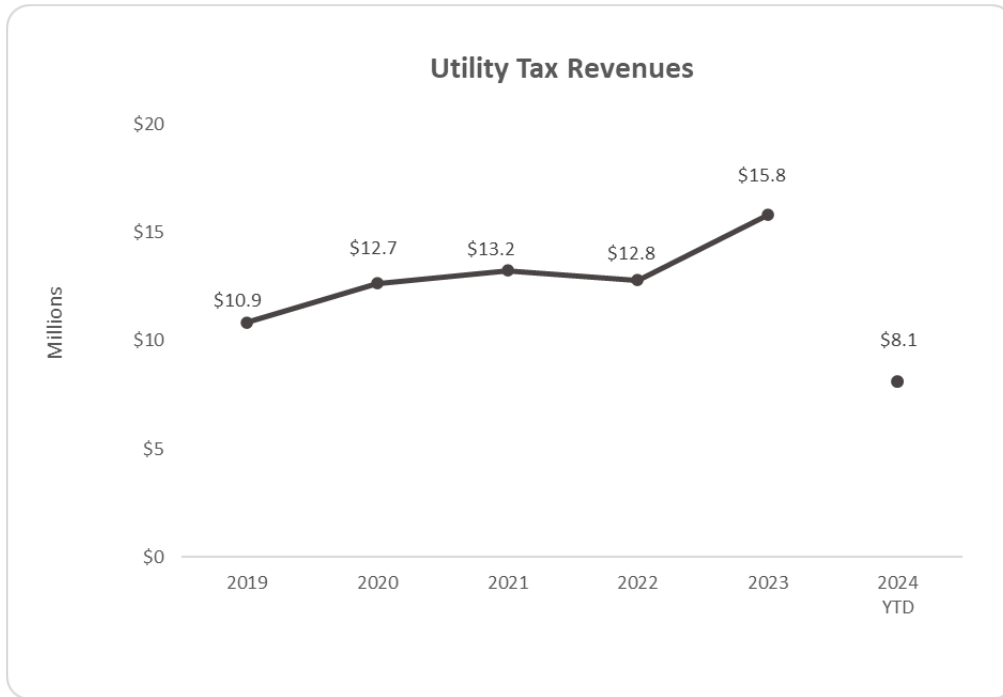
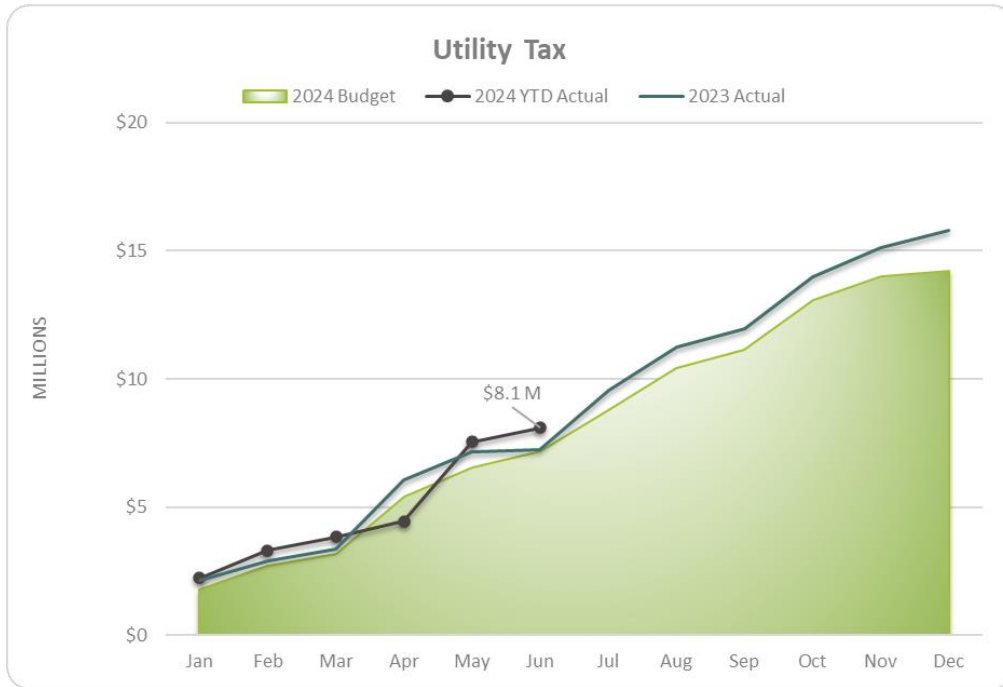
Utility Taxes consist of an 11.5% tax on the gross revenues of water, sewer, storm drainage and solid waste utilities and a 6.0% tax on electric, natural gas, and telephone utilities operating within the City. Of those utilities taxed at 11.5%, the General Fund receives 9.0% while the remaining 2.5% is dedicated to funding City streets projects. The utilities taxed at 6.0% contribute 5.0% to the General Fund and 1.0% to City streets projects.

Overall, utility taxes increased by \$886,000 or 12.3% from Q2-2023 and are \$897,400 favorable to budget. Roughly 70% of the utility taxes collected by the City are represented by the city interfund utility taxes and electric utility taxes. These two revenue sources accounted for \$5.7 million of the collected \$8.1 million throughout the second quarter of 2024.

Furthermore, telephone taxes have increased from Q2-2023 by \$215,250 and was mainly due to the timing of collections from prior year activity. Telephone taxes are collected in arrears on a quarterly basis which causes the timing variance from prior year and quarters. A portion of the overall favorable variance comes within the external utility taxes category due to the City collecting backdated utility taxes from solid waste haulers. The City anticipates this level of collection to slow as more utility taxes become current.

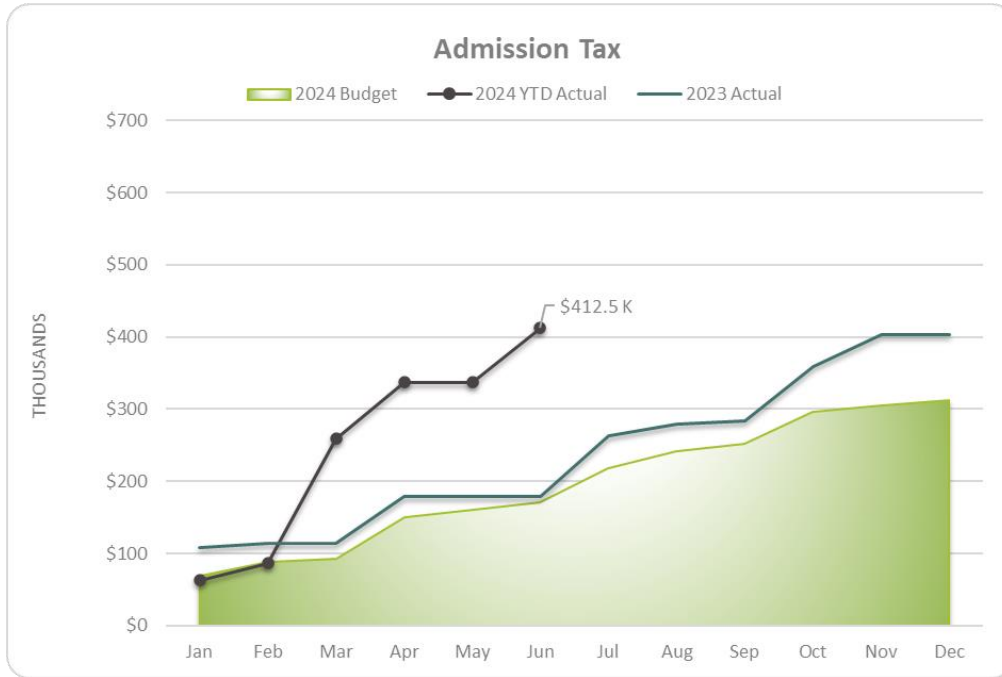
The table and graphics below demonstrate the various utility tax revenues and show actual revenues compared to budget. Note that these amounts represent only the General Fund portion of revenues, and do not contain those revenues allocated for funding City streets projects.

Utility Tax by Type (General Fund Portion) Through June 2024								
Revenue	2024			Favorable (Unfavorable)		2023	2024 YTD Actual vs. 2023 Actual	
	Annual Budget	YTD Budget	YTD Actual	Amount	Percentage	YTD Actual	Amount	Percentage
City Interfund Utility Taxes	\$ 5,989,667	\$ 3,007,800	\$ 3,273,192	\$ 265,392	8.8%	\$ 2,971,326	\$ 301,866	10.2%
Electric	4,426,743	2,455,500	2,445,863	(9,637)	-0.4%	2,310,929	134,934	5.8%
Natural Gas	1,658,523	917,100	832,703	(84,397)	-9.2%	962,197	(129,494)	-13.5%
Telephone	435,847	185,202	386,423	201,221	108.6%	171,047	215,376	125.9%
External Utility Taxes	621,973	70,359	583,042	512,683	728.7%	102,492	480,550	468.9%
Brokered Natural Gas	150,000	92,700	158,200	65,500	70.7%	222,268	(64,069)	-28.8%
Cable	931,981	465,991	412,496	(53,495)	-11.5%	465,238	(52,742)	-11.3%
Total	\$ 14,214,734	\$ 7,194,652	\$ 8,091,918	\$ 897,266	12.5%	\$ 7,205,498	\$ 886,420	12.3%



Note: 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%. The significant jump from 2022 (\$12.8 million) to 2023 (\$15.4 million) is largely due to higher service revenue following a rate increase effective in 2023, combined with higher service usage and the collection of B&O taxes on businesses that provide utility services.

An **Admission Tax** of 5.0% is placed on charges for general admission, season tickets, cover charges, etc. which are generally collected on a quarterly basis. Admission tax revenues of approximately \$412,500 collected through June 2024 were significantly higher (130.7%) than Q2-2023, and favorable variance to budget by \$241,700. The large increase in collections in March was due to a one-time payment as part of an agreement. Controlling for this non-recurring payment, admission taxes are still reporting a favorable variance to budget by roughly \$135,000.



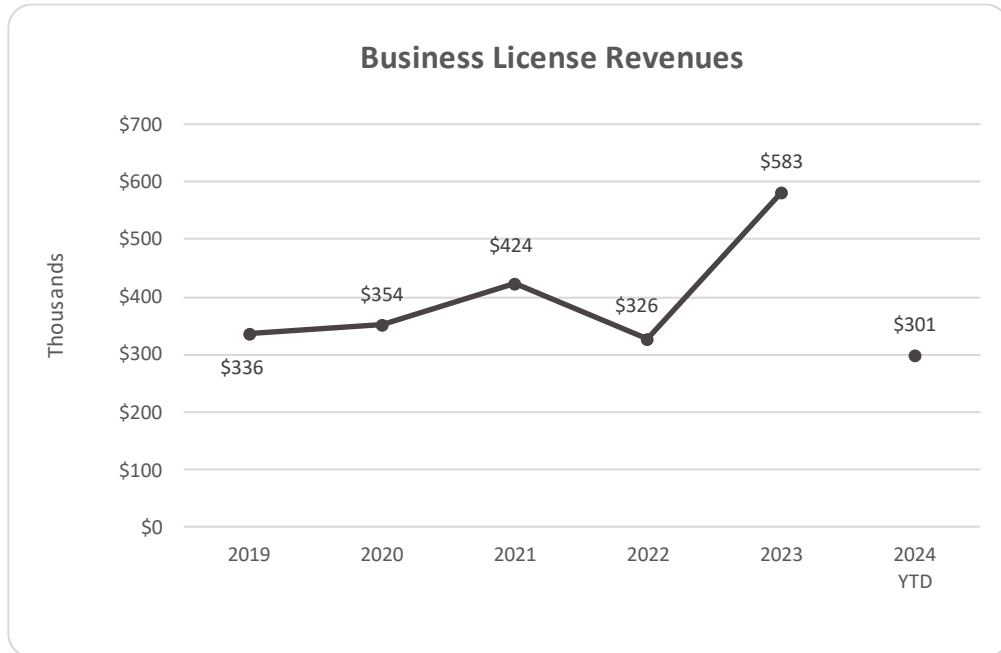
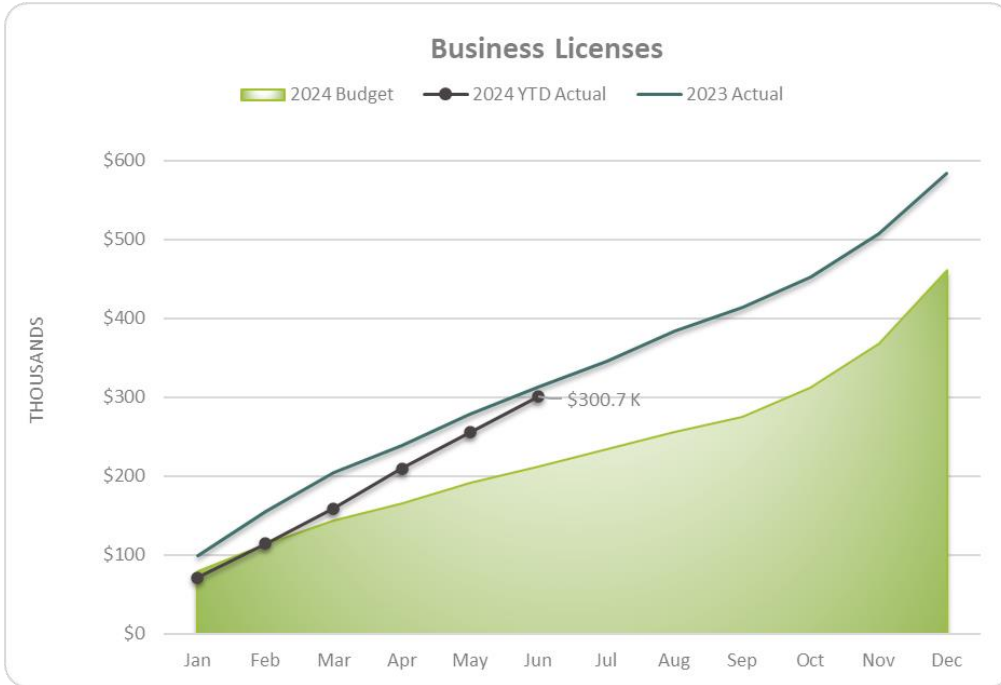
Gambling Tax applies to all card games, punch board games, pull tabs, bingo games, raffles and amusement games played within City limits. The majority of gambling tax revenues are collected from amusement games (56.4%) and card games (29.0%). At \$94,400 through the second quarter, collections are \$76,000 lower than 2023 year-to-date totals and report a \$59,000, or 38.4%, unfavorable variance to budget. The primary driver for the unfavorable variance minimal collections for card games, although the City believes this may be mitigated by higher collections later in the year. Gambling tax revenues historically have high volatility both month-over-month and year-over-year: excluding 2021 (due to COVID-19 restrictions), recent revenues through the first half of the year average about \$150,000 but have been as high as \$201,500 (2019) and as low as \$76,000 (2020). Lower performance in gambling taxes combined with lower retail sales tax collections potentially indicates a decrease in disposable cash in the area.



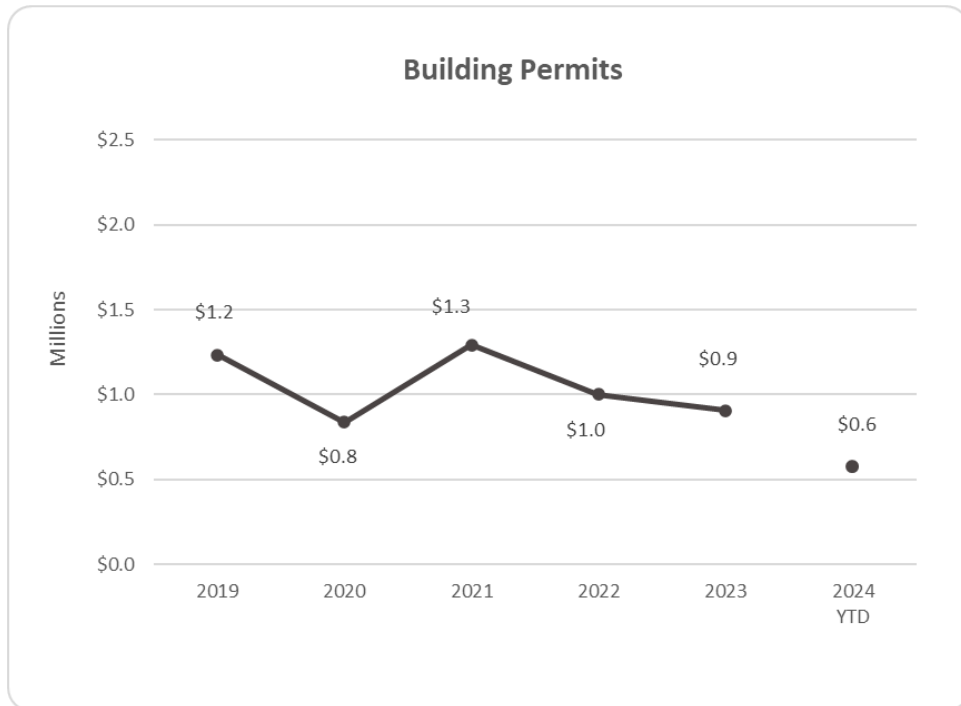
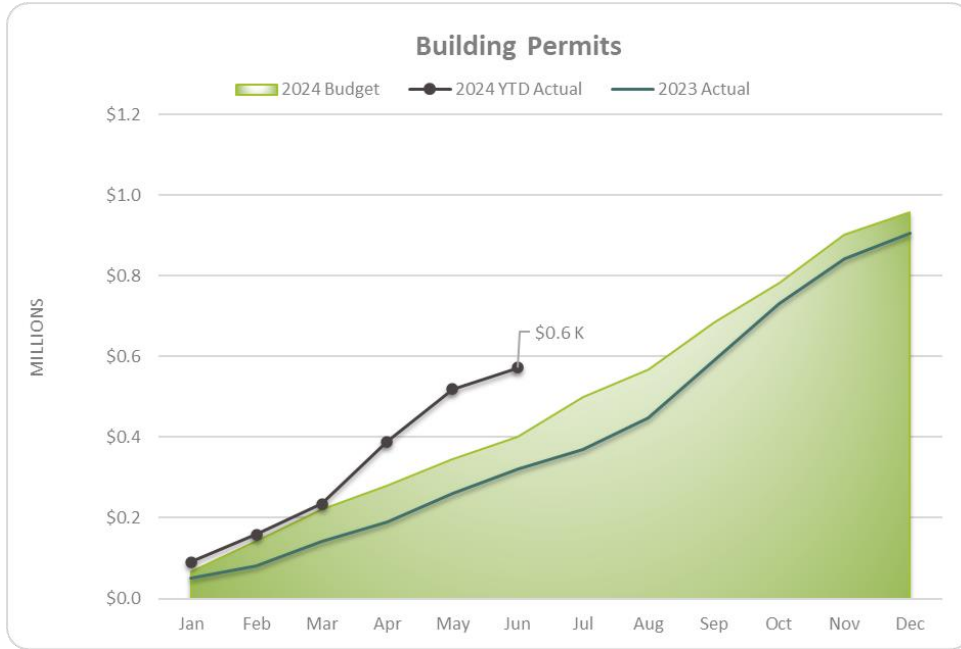
Licenses and Permits include business licenses, building permits, plumbing, electric and other licenses and permit fees. Building permit fees (approximately 60%) and business licenses (approximately 15%) typically comprise most of the budgeted revenue in this category.

The annual **Business License** renewal fee for each business located within the City is \$103, with the renewal cycle for each business beginning on the date the business was originally granted a license. Until September 2022 businesses had been on a calendar year renewal cycle, with most revenue being collected in November and December.

The updated renewal cycle has smoothed revenue collection throughout the year, which can be seen in the chart below as a relatively linear progression of year-to-date collections totaling \$300,700, compared to \$312,250 in Q2-2023, a 3.7% decrease. Historically business license collections have been a highly volatile revenue source, though collections in 2024 are projected to be comparable to 2023 totals due to increased discovery through B&O tax collections and use of the State’s Business Licensing System.

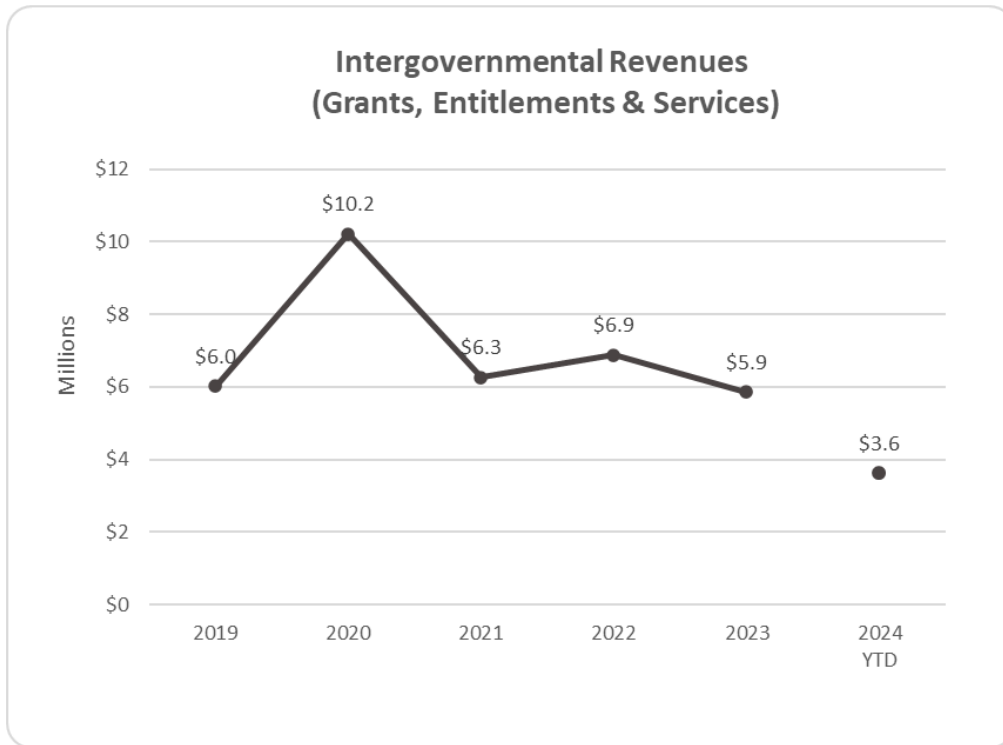


Building Permit revenues collected through June 2024 totaled \$572,000. Building permits are approximately \$250,000 higher than 2023 collections year-to-date and holds a favorable variance against the budget of \$170,600 (+42.5%). A large contributing factor for this favorable variance is the increased valuation of construction permits on mixed use and subdivision builds, which coincides with marginal gains noted in plan check fees mentioned later in this report. The number of permits submitted through the second quarter have also increased by 50.3% over the same period last year, representing an increased workload of construction throughout the City. This increase is mainly from one large project within City limits.



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 Q2-2024 totaled \$3.6 million and were \$986,250 favorable to budget expectations. Much of this favorable variance is due to the collection of state and interlocal grant reimbursements for projects like the police body-worn camera program. Revenues received in 2024 for Muckleshoot Casino services represent the final payment of the 2023 compact request, resulting in an unfavorable variance of \$64,500. However, the 2024 compact request has been approved, and recent trending of this revenue suggests that the City will receive 75% of the 2024 request amount in 2024, and the remaining 25% in 2025.

Intergovernmental Revenues (Grants, Entitlements & Services)							
Through June 2024							
Revenue	2023	2024	2024	2024 vs. 2023 Actual		2024 vs. Budget	
	YTD Actual	YTD Budget	YTD Actual	Amount	% Change	Amount	% Change
Federal Grants	\$ -	\$ 24,250	\$ 40,418	\$ 40,418		\$ 16,168	66.7 %
State Grants	9,402	353,900	534,897	525,495	5589.4 %	180,997	51.1 %
Interlocal Grants	46,322	30,900	281,149	234,827	506.9 %	250,249	809.9 %
Muckleshoot Casino Services	539,508	856,322	791,885	252,377	46.8 %	(64,437)	(7.5) %
One-Time Allocation (SB 5092)	-	-	-	-		-	
State Shared Revenues:							
Streamlined Sales Tax	400,063	287,991	320,051	(80,013)	(20.0) %	32,060	11.1 %
Motor Vehicle Fuel Tax	538,743	581,600	523,420	(15,324)	(2.8) %	(58,180)	(10.0) %
Criminal Justice - High Crime	141,748	144,548	141,570	(177)	(0.1) %	(2,978)	(2.1) %
Criminal Justice - Population	15,524	10,000	16,393	869	5.6 %	6,393	63.9 %
Criminal Justice - Special Prog.	54,917	41,200	75,643	20,726	37.7 %	34,443	83.6 %
Marijuana Excise Tax	114,012	87,761	116,499	2,487	2.2 %	28,738	32.7 %
State DUI	217	6,195	4,833	4,617	2129.3 %	(1,362)	(22.0) %
Fire Insurance Tax	114,235	91,000	119,516	5,281	4.6 %	28,516	31.3 %
Liquor Excise	311,060	252,752	309,733	(1,327)	(0.4) %	56,980	22.5 %
Liquor Profit	339,263	356,208	335,253	(4,010)	(1.2) %	(20,955)	(5.9) %
Total State Shared:	2,029,781	1,859,255	1,962,910	(66,871)	(3.3) %	103,655	5.6 %
YTD Total	\$ 2,625,012	\$ 3,124,626	\$ 3,611,258	\$ 986,246	37.6 %	\$ 486,631	15.6 %



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.

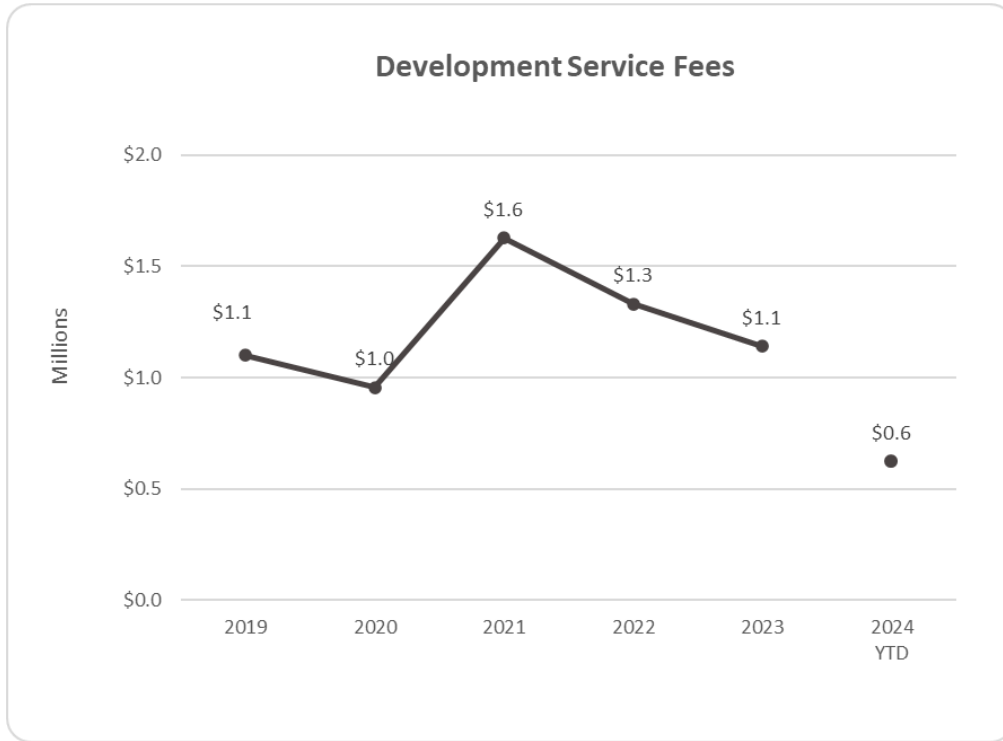
Charges for Services consist of general governmental service charges, public safety charges, development service fees, and culture and recreation fees. Total charges for services collected through June 2024 totaled \$5.4 million and were \$137,000, or 2.5%, less than expected to date. This was mainly due to general government revenues (specifically SKHHP reimbursements) being lower than anticipated due to the timing of projects associated with these reimbursements.

Charges for Services by Type Through June 2024								
Revenue	2024			Favorable (Unfavorable)		2023	2024 YTD Actual vs. 2023 Actual	
	Annual Budget	YTD Budget	YTD Actual	Amount	Percentage	YTD Actual	Amount	Percentage
General Government	\$ 5,824,577	\$ 2,894,919	\$ 2,270,820	\$ (624,099)	-21.6%	\$ 2,225,731	\$ 45,089	2.0%
Public Safety	1,057,000	528,500	630,328	101,828	19.3%	551,101	79,227	14.4%
Development Services	1,158,080	567,600	623,247	55,647	9.8%	530,435	92,812	17.5%
Culture & Recreation	2,915,485	1,555,117	1,884,830	329,712	21.2%	1,770,365	114,464	6.5%
Total	\$ 10,955,142	\$ 5,546,136	\$ 5,409,225	\$ (136,911)	-2.5%	\$ 5,077,632	\$ 331,593	6.5%

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 for expenses related to South King Housing and Homelessness Partners (SKHHP), as well as transportation projects. The unfavorable variance of \$624,000 to budget is due to the timing of SKHHP revenues, which are received on a reimbursement basis. Based on current schedules, most of the budgeted expenses are for projects expected to occur during the second half of the year and will be reimbursed at that time.

Public safety revenues mainly consist of collections 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 second quarter of 2024 totaled \$630,250 and saw a \$80,000 increase from 2023 second quarter totals. This is largely attributable to higher-than-expected DUI emergency response fees collected, even though collections are roughly \$60,000 less than prior year. Law enforcement service revenue is higher than 2023 totals year-to-date by \$143,000 due to timing of collections on private security services and holds a favorable variance to budget by \$70,500.

Development services fee collections consist primarily of plan check fees, facility extension charges, and zoning and subdivision fees. Through Q2-2024, development service fees collected totaled \$623,200 and were \$56,000 favorable to budget expectations. Major contributors to this variance were plan check fees, where construction documents require review per Section 106.3 of the Construction Administrative Code (+\$60,000) and zoning and subdivision (+\$21,000). Although facility extension fees (assessed on projects that require extension of public facilities) are higher year-over-year by \$75,000 to date, there exists an unfavorable variance to budget of \$12,000. 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, while the first half of the year collections in 2024 are lower than the same period in 2020 through 2022, they are still higher than any other through the second quarter collections dating back to 2009.



Most *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, this category of revenues outperformed budget expectations by \$330,000, or 21.2%. Nearly 80% of the year-to-date revenues have come from the Auburn Golf Course and recreation classes. Green fee revenues have increased by \$53,750 or 6.9% from the same period last year but are unfavorable to budget by \$15,000 year-to-date. The City projects that green fees collections will steadily rise with the upcoming summer season.

Recreation class revenues have generally remained consistent from prior year-to-date totals and reported \$490,000 in collections. Ticket sales for performances held at local school venues (previously held at the Auburn Avenue Theater) have decreased by \$14,500 or 20.2% from prior year totals but carry a favorable variance to budget by \$36,000. This is mainly due to the Performing Arts Center decreasing to two shows year-to-date in 2024 compared to three shows in 2023. Since 2021, culture and recreation revenues have increased by roughly 8% each year, and the City anticipates the same in 2024 with upcoming favorable weather for the golf course and recreational classes.

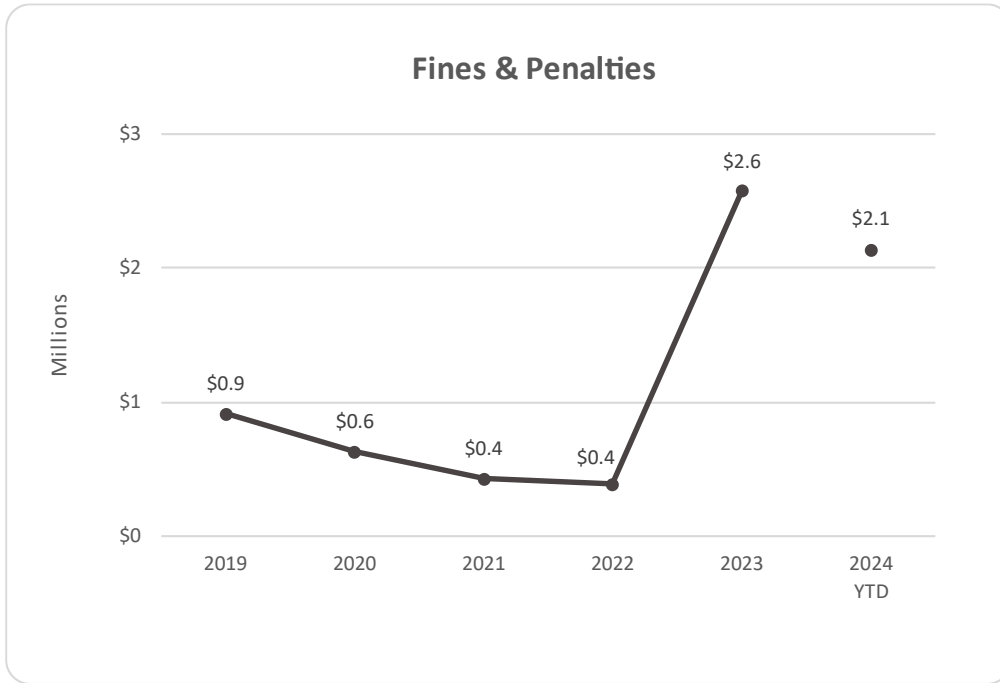


Fines & Penalties include civil penalties (such as code compliance fines), parking and traffic infraction penalties, criminal fines (including criminal traffic, criminal non-traffic, and other criminal offenses) as well as non-court fines such as false alarm fines. The table below shows a detailed breakdown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

Fines & Penalties by Type Through June 2024								
Revenue	2024			Favorable (Unfavorable)		2023 YTD Actual	2024 YTD Actual vs. 2023 Actual	
	Annual Budget	YTD Budget	YTD Actual	Amount	Percentage		Amount	Percentage
Civil Penalties	\$ 10,000	\$ 6,106	\$ 984	\$ (5,122)	-83.9%	\$ 393	\$ 591	150.5%
Civil Infraction Penalties	138,313	64,800	86,912	22,112	34.1%	74,035	12,877	17.4%
Photo Enforcement	3,000	1,800	157	(1,643)	-91.3%	1,067	(910)	-85.3%
Parking Infractions	733,506	366,753	1,705,544	1,338,791	365.0%	98,844	1,606,700	1625.5%
Criminal Traffic Misdemeanor	40,000	20,300	16,909	(3,391)	-16.7%	13,812	3,097	22.4%
Criminal Non-Traffic Fines	41,000	21,600	34,415	12,815	59.3%	28,080	6,336	22.6%
Criminal Costs	30,000	18,100	5,235	(12,865)	-71.1%	7,580	(2,345)	-30.9%
Non-Court Fines & Penalties	76,000	4,700	293,819	289,119	6151.5%	50,249	243,570	484.7%
Total	\$ 1,071,819	\$ 504,159	\$ 2,143,975	\$ 1,639,816	325.3%	\$ 274,060	\$ 1,869,915	682.3%

Total revenues collected through June 2024 totaled \$2.1 million as compared to a budget of \$504,000 and were 682.3% above budget expectations. This is primarily due to collections of the photo enforcement program implemented in 2023, which are classified as parking infractions. Furthermore, the City received an influx of non-court fines & penalties through the first half of the year due to back-pay of B&O taxes.

The City contracts with the King County Court to operate its municipal court services. The number of hearings, judgments, and collections activity began decreasing in 2019 and has continued to decline since that time. Although the graph below shows a large spike in revenue in 2023 and strong performance in 2024, this is almost entirely due to photo enforcement and B&O-related collections. Excluding these sources, the remaining court-related collections have declined to \$202,500, approximately one-third of their second quarter average for the period of 2015-2019 prior to contracting with King County.



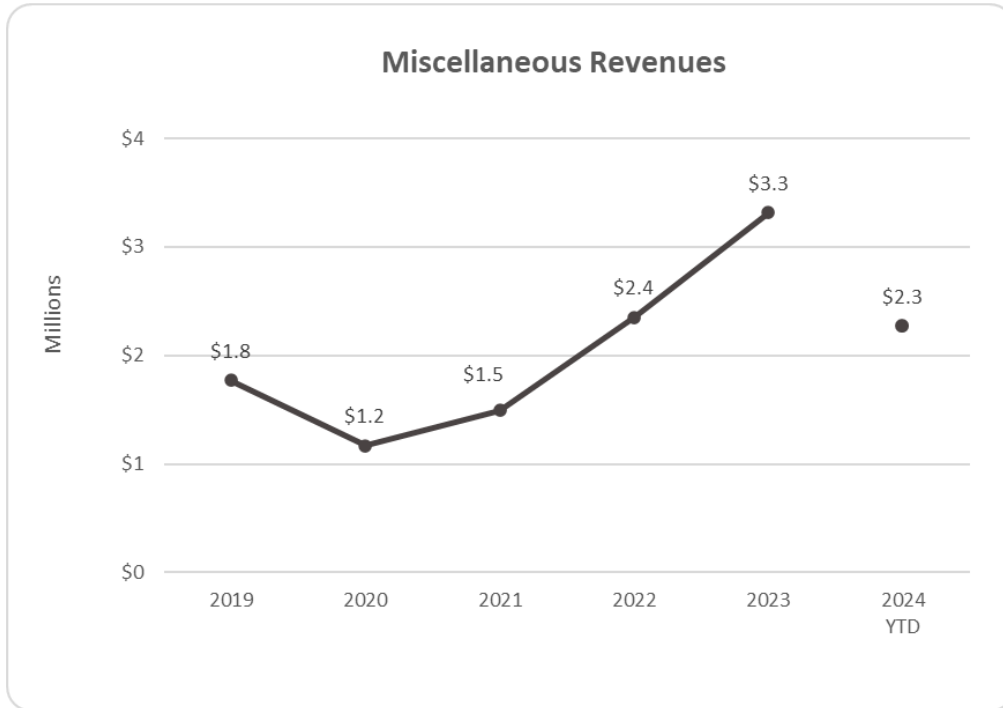
Miscellaneous Revenues consist of investment earnings, income from facility rentals, revenue collected for golf cart rentals at the Auburn Golf Course, contributions and donations, and other income including the quarterly purchasing card (P-card) rebate monies. A breakdown of the most significant miscellaneous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

Revenue	2024			Favorable (Unfavorable)		2023	2024 YTD Actual vs. 2023 Actual	
	Annual Budget	YTD Budget	YTD Actual	Amount	Percentage	YTD Actual	Amount	Percentage
Interest & Investments	\$ 315,000	\$ 157,500	\$ 945,672	\$ 788,172	500.4%	\$ 541,990	\$ 403,682	74.5%
Rents & Leases	1,142,948	557,000	786,591	229,591	41.2%	617,461	169,130	27.4%
Contributions & Donations	42,000	9,199	11,919	2,720	29.6%	4,164	7,756	186.3%
Other Miscellaneous Revenue	208,000	115,664	529,518	413,855	357.8%	261,987	267,531	102.1%
Total	\$ 1,707,948	\$ 839,363	\$ 2,273,701	\$ 1,434,338	170.9%	\$ 1,425,602	\$ 848,099	59.5%

Revenues collected year-to-date 2024 in this category totaled \$2.3 million and were \$1.4 million or 170.9% favorable to budget. Of the favorable variance to budget, 55.0% was comprised of interest and investment collections, far exceeding budget expectations due to higher-than-expected interest rates and the timing of investment maturities. The City has multiple investments maturing during the second half of the year which will impact revenue collections during that timeframe also.

The rents and leases category includes payments for facility rentals, golf cart rentals, and restaurant lease at the golf course. Rents and leases were favorable by \$230,000 against year-to-date budget expectations, with a temporary easement of City property mainly contributing to the revenues exceeding expectations. Golf carts and other rentals were also favorable to expectations by \$16,000, resulting in general favorable balance of budget to actual for the category. The rents and leases category revenues are generally exhibit seasonality, with the peak being in the spring and summer months.

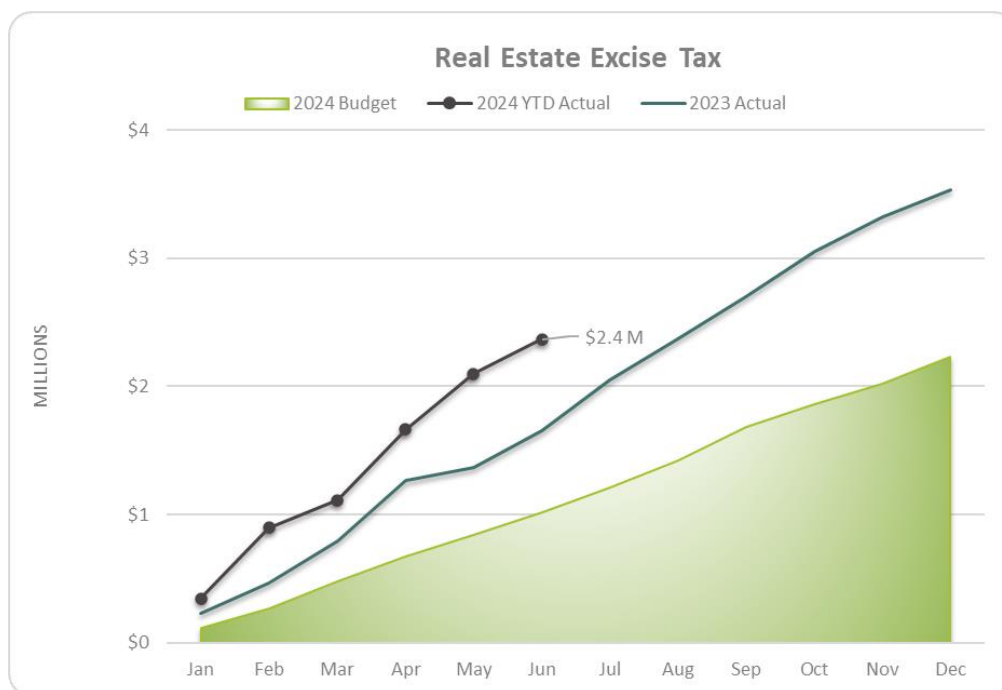
The “Other Miscellaneous Revenue” sub-category reported \$267,500 more than the same timeframe last year and was favorable to the year-to-date budget by \$414,000. This category includes \$194,750 in revenue related to a national opioid settlement distribution program.



OTHER FUNDS

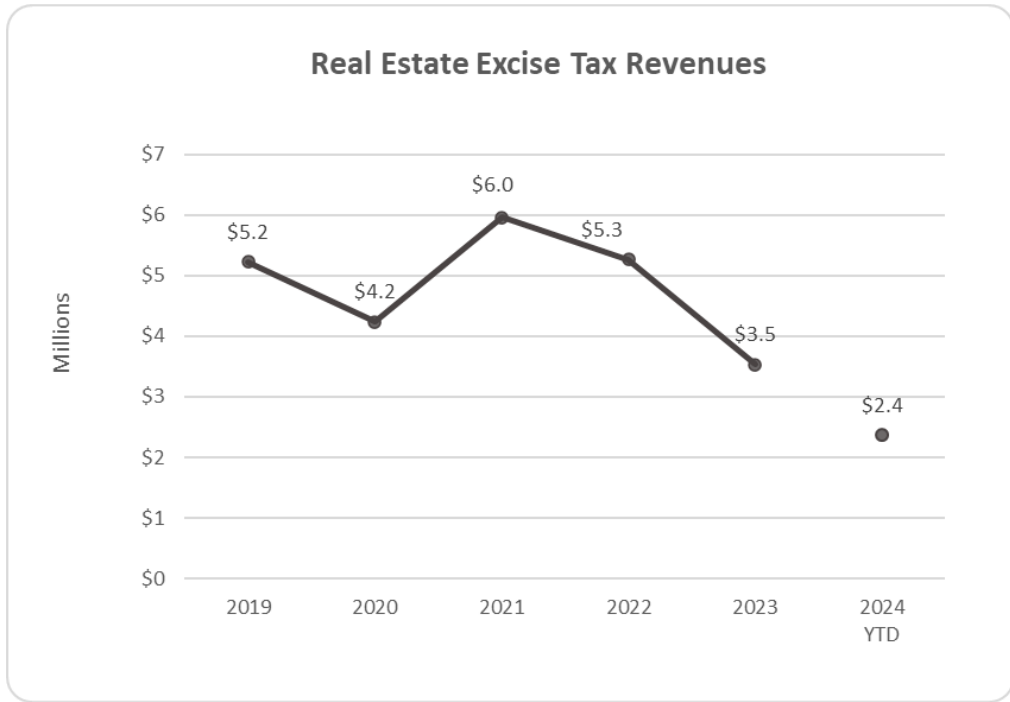
Real Estate Excise Tax (REET) revenues are taxes on the sale of both commercial properties and single-family residences. These collections are receipted into the Capital Improvement Projects Fund and used for governmental capital projects.

REET revenues collected year-to-date in 2024 total \$2.4 million which is \$1.4 million or 57.2% favorable to budget expectations. According to King County assessed valuations of property taxes, the City has increased in property value by 2.3%. Accompanied with lower interest rates currently, the current climate for real estate sales are favorable for citizens within the State of Washington.



Year-to-date REET collections in 2024 are significantly outpacing those of last year, and have only been exceeded in the last ten years by 2015 and 2022 year-to-date collections. This is a sign of recovery after two years of declining annual REET revenues. Collections peaked in 2021 following two years of historic low interest rates maintained by the Federal Reserve in response to COVID-19. However, interest rates were increased throughout 2022 and 2023 to address severe inflation, cooling the market and lowering REET collections in those years. To date, the federal funds rate remains at the level set in 2023, although with an expected reduction later this year, REET collections appear to be improving. Generally, REET revenues have reflected the overall market volatility in recent years, with a standard deviation of \$960,000 or 28.4% in annual collections over the time period of 2017 to 2023.

Real Estate Excise Tax Revenues Through June 2024								
Revenue	2024			Favorable (Unfavorable)		2023	2024 YTD Actual vs. 2023 Actual	
	Annual Budget	YTD Budget	YTD Actual	Amount	Percentage	YTD Actual	Amount	Percentage
Real Estate Excise Tax	\$ 2,228,300	\$ 1,015,017	\$ 2,369,365	\$ 713,344	57.2%	\$ 1,656,021	\$ 713,344	43.1%
Total	\$ 2,228,300	\$ 1,015,017	\$ 2,369,365	\$ 713,344	57.2%	\$ 1,656,021	\$ 713,344	43.1%



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 all \$14.8 million in public safety expenditures, as shown in the table below and reported to the Department of the Treasury.

ARPA FUNDING STATUS	
Total ARPA Funding Received	14,751,231
ARPA Funding Used to Mitigate Public Safety Costs	14,751,231
ARPA Funding Remaining	-

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 June 30, 2024, the City has been able to spend \$641,960 year-to-date and \$5.0 million since 2021 on the following projects:

Title	Budget	2024		Lifetime Spend (includes this quarter)	Remaining
		Q2 Spend			
Completed Projects	1,630,000	-		1,853,949	-
Body Cameras	586,400	-		550,325	36,075
Vaccination Incentive Program	47,500	-		34,980	12,520
Neighborhood Street Light Program	1,300,000	1,294		92,289	1,207,711
Human Services Grants Includes Admin	1,000,000	-		445,882	554,118
Dykstra Foot Bridge	400,000	-		10,357	389,643
Minor Improvements to Qualifying Neighborhood Parks	100,000	70,778		100,000	-
Limited Term Employee (LTE): Grants Coordinator	420,000	-		118,729	301,271
Paving Gravel Roads	636,866	-		23,539	613,327
Translation Services	75,000	-		1,685	73,315
Auburn Way South Median Landscape Replanting/Irrigation	50,000	-		40,187	9,814
Auburn Way South Roundabout	150,000	809		1,598	148,402
Emergency Housing Voucher Program	2,000,000	77,828		433,581	1,566,419
Encampment Cleanup	500,000	4,231		450,278	49,722
Downtown Sidewalk Replacement on Main Street and B Street Plaza Surface Replacement	1,343,266	14,276		341,469	1,001,797
Community Violence Intervention Programs (Drone, SPIDR Tech)	313,600	-		248,227	65,373
Arts Culture Center Renovations	100,000	-		-	100,000
Auburn Ave Theater Demolition	300,000	197		22,384	277,616
Signing Bonuses for Police Lateral Hires	200,000	10,949		175,196	24,804
Other Projects (not started)	2,880,000	-		-	2,874,652
Total:	14,751,231	180,362		5,036,426	9,714,807

The project *Minor Improvements to Qualifying Neighborhood Parks* made improvements to Forest Villa Tot Lot, replacing the perimeter fencing and installing a new playground. This park is located in a low-income census tract and was in need of modernization that will assist in getting surrounding community members outdoors and experiencing a better quality of life. A total of \$100,000 was spent on the improvements. This project was completed during the second quarter and will no longer be called out in future reports.

The *Encampment Cleanup* project funds two service contracts that began in 2023; one contract provides continued cleanup of garbage and debris related to encampments and other illegal dumping on City-owned properties and rights-of-way (ROW), while the secondary contract focuses specifically on encampment trash cleanup. To date, the project has spent \$450,278 and cleaned up 390 tons of litter and debris.

Beginning in 2023, the *Emergency Housing Voucher Program* is budgeted at \$2 million over the life of the program. This program assists 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. Life-to-date project spend is \$433,581, with \$77,828 occurring in Q2-2024.

Beginning in 2024, the *Auburn Avenue Theater Demolition* project is budgeted at \$300,000. The project will demolish the existing Auburn Avenue Theater building, provide support to the shared wall with the adjacent building, and disconnect existing utilities. The project design is complete, and the design team is finalizing the construction plans and other contract documents for advertisement in July. A proposed in-fund transfer of ARPA funds of \$190,000 would increase the total budget to \$490,000 as the total project estimated costs are \$364,550. The lifetime project cost through Q2-2024 is \$19,947.

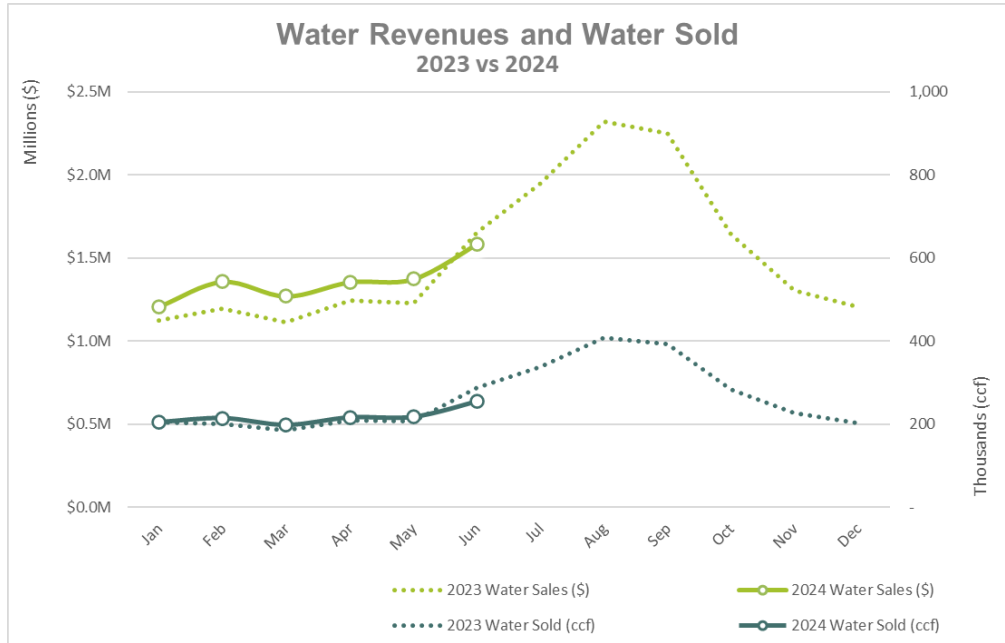
Enterprise Funds

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, which is equivalent to current assets minus current liabilities. This approach isolates those funds available for capital and cash flow needs for daily operations and provides project managers information on the availability of working capital for current and planned projects.

Through June 2024, the **Water Utility Fund** had operating income of \$2.2 million (operating revenues less operating expenditures), approximately \$196,000 higher than the same period last year. Most of this increase is due to higher revenues from water sales due to increased rates and consumption; charges for service revenues were \$8.3 million through Q2-2024 compared to \$7.7 million through Q2-2023. In addition to increased water sales, the fund also saw higher expenses in supplies (+\$47,000) and other service charges (+\$389,000), which includes utility taxes. Utility and excise taxes are proportional to revenue; therefore, when a fund experiences increased revenue growth, it is expected that utility and excise taxes will also increase over the same time period.

Q2-2024 activity is consistent with the seasonality of this revenue stream, where revenues remain relatively low early in the year and then increase in Q2 and Q3 as the weather grows warmer. In total, operating income for this fund was \$1.4 million favorable to budget projections. Operating revenues were \$842,000 higher than expected through Q2-2024, with interest earnings outperforming budget expectations by \$402,000 and charges for service \$439,000 higher than projected. Operating expenditures had a \$539,000 favorable variance to budget, driven by timing differences in monthly excise tax payments (-\$167,000) and public utility payments (-\$142,000), as well as professional service charges (-\$189,000).

Billable water consumption through Q2-2024 totaled 1.3 million ccf (hundred cubic feet), approximately 11,000 ccf or 1.0% higher than consumption volume through Q2-2023. Increases in consumption were seen primarily in commercial and manufacturing customer classes compared to the prior year, while consumption decreased in the school, single-family, irrigation and wholesale customer classes.



Compared to the same period last year, the **Sewer Utility Fund** experienced marginal growth, finishing Q2-2024 with \$2.1 million in operating income, \$82,000 higher than Q2-2023. Operating revenues were up \$424,000 or 8.0% from the same period last year due to stronger performance in charges for City sewer service (+\$311,000) and higher interest earnings (+\$112,000). This performance is in-line with expectations, based on performance through the previous quarter.

Operating expenses increased \$341,000 from the prior year, due primarily to increased personnel costs (+\$53,000), supply costs (+\$42,000), as well as other service charges (+\$235,000), which include utility tax expense.

Through Q2-2024, this fund performed better than budget expectations with a \$1.0 million favorable variance in operating revenues, both in charges for service (+\$643,000) and interest earnings (+\$369,000). Additionally, operating expenditures had a \$1.3 million favorable variance compared to budget expectations, driven primarily by the elimination of utility tax charges on pass-through revenues for King County Metro Sewer service.

The **Stormwater Utility Fund** had operating income of \$1.6 million through Q2-2024, 2.9% higher (+\$45,000) than the same period last year. This is consistent with the historical activity of this fund; as most Stormwater service charges are based on a flat rate, there are not typically seasonal fluctuations in Stormwater revenue. While operating revenues were higher through Q2-2024 compared to Q2-2023 (+\$333,000), operating expenses for this fund were also higher during this same period. Primary drivers for the increase in operating expenditures were increased personnel costs (+\$235,000), other service charges (+\$80,000), and interfund rentals (+\$7,400). These increases were partially offset by underspend in supplies (-\$24,000).

This fund also outperformed budget expectations, with a \$1.0 million favorable to budget variance in operating income, driven by higher than anticipated revenues (+\$808,000) and a favorable to budget variance in operating expenditures (-\$112,000) through Q2-2024.

The **Solid Waste Utility Fund** finished Q2-2024 with an operating loss of \$470,000, a slightly more favorable position compared to the same period last year, which saw an operating loss of \$569,000. Operating revenues increased \$1.0 million, due primarily to increased service rates adopted for 2024. Operating expenditures also increased approximately \$923,000, due to in part to increased utility and excise taxes.

Compared to budget expectations, while operating revenues saw a favorable variance (+\$555,000) due to higher than anticipated charges for service and interest earnings, the fund also saw a \$1.2 million unfavorable variance to budget in operating expenditures. This variance is primarily driven by timing differences of payments to the City's solid waste provider. We expect these timing differences to be resolved by year-end.

Internal Service Funds

Operating expenditures within the **Insurance** Fund represent the premium cost pool that is allocated to other City funds on an annual basis. Historically, the total premium cost was allocated to the other City funds monthly, which resulted in the balance in this fund being paid down gradually over a twelve-month period. In Q2-2024, the full annual cost was paid by City funds rather than being allocated on a monthly basis. As such, there is a timing difference that results in a variance when comparing current period and prior period costs. In all, activity within this fund is consistent with expectations and no other significant activity was reported during Q2-2024.

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.