



Fund Performance Report

General Fund

For Quarter Ending
March 31, 2019
Released June 14, 2019

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The United States is currently in the tenth year of economic recovery following the Great Recession and the financial crisis that turned the domestic and global economies upside down from December 2007 to June 2009. This June, the current economic expansion will be tied for the longest in history. After exhibiting a slowing growth trend over the last three quarters of 2018, U.S. Real Gross Domestic Product returned to a healthy rate of 3.1% in the first quarter of 2019. Looking ahead, the economy is expected to expand moderately in 2019 with low inflation, low unemployment and increasing wages driving consumer spending. Some economists warn that certain indicators are hinting at a coming recession.



Internationally, foreign economic conditions are diminishing, with growth slowing in Europe in the midst of geopolitical challenges and China as they feel the impact of the ongoing trade war with the United States. Nevertheless, the U.S. economy remains on track to break the record for expansion longevity following a major contraction.



Local economists expect the Colorado economy to continue to grow in 2019, but at a slower pace than in recent years. Monthly economic data supports this expectation as local economic indicators have become more erratic. On a positive note, the tight labor market is pushing up wages which keeps consumer spending at a healthy level. The area's low unemployment rate could pose a risk to future economic growth as the ability for businesses to attract and retain a skilled workforce becomes more of a challenge.



Local outlook surveys indicate the state business sentiment is for continued growth. According to a report published by Manpower, Inc., 35% of Denver-area companies plan to hire during the second quarter of 2019, which is up from 22% over the first quarter. By contrast, the annual average outlook for 2009 was 11%. The Leeds Business Confidence Index (LCBI) is up from Q1, but remains below Q2 2018. The national economy component of the survey results is the most influential in dragging the results down. This is the only component of the survey below neutral (50).



Building permit activity in Aurora has declined 59.6% relative to 2018 which included an unusually high number of multi-family permits in the first quarter. Most of the year-to-date loss, however, is due to a decrease in new single family permits.



Local Economic Indicators

2019 Qtr 1 Avg % Chg to Prior Qtr Avg	2019 Qtr 1 Avg % Chg to 2018 Qtr 1 Avg
Denver-Aurora MSA Unemployment Rate	
 3.4% (Q1 Avg) 0%	+12.0% 

Consumer Confidence Index (CCI) Mountain Region	
 129.2 (Q1 Avg) -6.9%	-0.3% 

AURORA BUILDING PERMITS New Housing and Commercial Permits	
 92 (Q1 Avg) -18.9%	-59.6% 

Metro Area Home Sales	
 4,389 - 0.9%	+0.5% 

Local Outlook Surveys			
Manpower, Inc. % Companies Hiring			
	Q2 2019 35%	Q1 2019 22%	Q2 2018 31%
LEEDS Business Confidence Index (LCBI) (values above 50 indicate expansion)			
	Q2 2019 52.7	Q1 2019 50.1	Q2 2018 61.3

Revenues (General Fund Sources of Funds)

Total first quarter General Fund revenue, less the capital transfer, was \$3.2 million over budget (4.2%). Better than expected aggregate use taxes, robust sales tax growth, and a large audit all contributed to strong collections.

Sales tax collections through March were \$582,900 (1.2%) over the year-to-date budget, and \$2.5 million (5.3%) over 2018. Industry-level movements within the 'Top Taxpayers' category have played an important role in growth. 'Eating & Drinking Places' has increased substantially between 2018 and 2019, as did the 'Utilities' category. Those increases were dampened by declines in department stores, which were affected by a weaker holiday season. The 'Sport Goods, Hobby, Books, Music' category, along with liquor stores categories were affected by multiple store closings. Sales tax revenue has also benefitted from the passage of HB 19-1240, which required out-of-state retailers to begin collecting sales taxes based on the location of the buyer, whether or not the retailer has a physical presence in Colorado, by May 31, 2019. A number of new, out-of-state retailers were added to the tax base during this period.

Auto Use Tax, starting the year strong at 27.7% growth from January 2017, has since declined but remains up compared to 2018 and the year-to-date budget by 11.5% and 14.2%, respectively. City staff, along with industry experts, are anticipating a decline in this revenue source as consumers shift away from large expenses when recession worries loom, although this has yet to appear.

Audit revenue ended the first quarter \$1.3 million above the year-to-date budget. This is due primarily due to the conclusion of a large, multi-year audit in March. Baseline collections exclusive of large audits are expected to settle somewhat higher as the Audit team reaches optimal staffing levels.

Due to recent systems changes at the state Department of Revenue, city collections from the Highway Users Tax Fund are significantly higher year-to-date than budget, as delayed county payments, which reduced revenue toward the end of 2018, are now being

caught up.

External charges for services revenue is below historical first-quarter averages due to a payment for ambulance services (~\$140,000) being applied to late 2018 rather than 2019.

2019 Revenue Budget Performance by Type

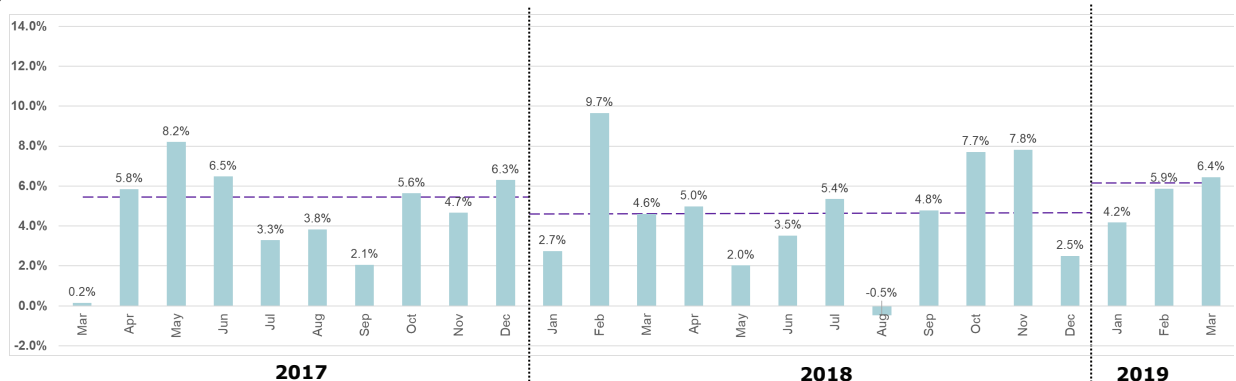
Revenue Category (\$ in thousands)	2019 YTD Actuals	Actuals (Under) / Over Budget	
		\$	%
General Sales Tax	\$48,804.8	\$582.9	1.2%
Capital Related Use Tax	6,478.7	292.2	4.7%
Auto Use Tax	5,151.1	640.2	14.2%
Highway Users Tax	2,256.8	426.0	23.3%
Franchise Fees & Taxes	2,023.9	84.6	4.4%
Audit Revenue	2,205.9	1,316.6	148.1%
External Charges	1,183.2	(250.6)	(17.5%)
All Other Revenue	20,538.3	486.0	2.4%
Total Revenue	\$88,642.8	\$3,577.8	4.2%
Less Capital Transfer	9,178.1	402.4	4.6%
Operating Revenue	\$79,464.7	\$3,175.3	4.2%

Top Taxpayers by Industry Category

Industry Category (\$ in thousands)	Q1 Collections		\$ Variance	% Change
	2019	2018		
Eating & Drinking Places	\$ 7,459.5	\$ 6,511.8	\$ 947.7	14.6%
Discount Stores	5,682.1	5,583.8	98.3	1.8%
Building Materials	2,681.4	2,629.7	51.7	2.0%
Utilities	3,231.1	2,992.2	238.9	8.0%
Telecommunication/Cellular	2,516.7	2,513.0	3.7	0.1%
Auto Dealers and Parts	1,978.9	2,015.8	(36.9)	(1.8%)
Beer, Wine, and Liquor Stores	1,106.4	1,209.9	(103.5)	(8.6%)
Clothing and Clothing Accessories	1,219.3	1,216.5	2.8	0.2%
Electronics/Computers	1,354.7	1,287.4	67.3	5.2%
Department Stores	1,166.8	1,326.8	(160.0)	(12.1%)
Grocery Stores	1,309.0	1,288.9	20.1	1.6%
Sport Goods, Hobby, Books, Music	537.3	698.6	(161.2)	(23.1%)
Furniture and Home Furnishings	493.7	522.5	(28.8)	(5.5%)
Other Top Taxpayers	3,364.7	3,330.6	34.1	1.0%
TOTAL TOP TAXPAYERS	\$34,101.7	\$33,127.6	\$974.1	2.9%
Total of All Other Taxpayers	16,469.9	14,401.3	2,068.6	14.4%
Less Sales Tax Incentives	(1,766.7)	(1,176.0)	(590.7)	50.2%
TOTAL REPORTED SALES TAX	\$48,804.8	\$46,352.9	\$2,452.0	5.3%

**Sales Tax Chart, %
Change from Same
Month in Prior Year**

— : Avg annual
% growth



Expenditures (General Fund Uses of Funds)

Total General Fund operating expenditures through March 2019 are \$507,700 (0.7%) lower than budget, predominately associated with savings in the personal services category as shown on the *2019 Expenditure Budget Performance* chart. Higher than expected construction-related revenues have increased the transfer out to the Capital Projects Fund, resulting in General Fund uses that are slightly under budget.

Personal services expenditures are \$977,200 under the year-to-date budget plan. The city's budget assumes a certain level of position vacancies. During good economic times with low unemployment rates, increased turnover often leads to higher than budgeted savings in employee salaries and benefits. Part of these savings are at times used to temporarily backfill vacant positions or allow overtime expenditures to occur. Year-to-date salary and benefit savings also offset overages in special pay that are largely related to leave payouts and acting pay in the Fire, Police, and Public Works departments.

Several significant snow events in the first quarter of 2019 have also caused the city to spend more than average on snow removal personnel and materials. The resulting overages in overtime and temporary compensation as well as operating supplies have additionally offset the savings generated by position vacancies. As snow accumulation is difficult to predict, snow removal related savings may occur during the early 2019/2020 winter season and offset some or all of the year-to-date overages.

Colder temperatures in the first quarter of 2019 compared to the same period in 2018 have also pushed natural gas expenditures slightly over budget year-to-date as shown on the *2019 Citywide Utilities* table. All other utility categories have remained below budget year-to-date, resulting in total year-to-date budget savings of \$232,700 in this class.

Interfund charges are \$288,600 over the year-to-date budget, largely attributable to increased vehicle repair costs in the Fire and Police Departments in the first quarter. The timing and cost of vehicle maintenance is not entirely predictable and quarterly variations from the budget are common.

All other operating expenditures are under the year-to-date budget by \$119,200. See page 6 for detail expenditure performance by category.

2019 Expenditure Budget Performance

Expenditure Category (\$ in thousands)	2019 YTD Budget	Actuals Under/ (Over) Budget	
		\$	%
Personal Services	\$54,632.5	\$977.2	1.8%
Temp Compensation	494.0	(232.7)	(47.1%)
Professional/Technical	2,682.7	85.4	3.2%
Operating Supplies	5,184.2	(300.1)	(5.8%)
Utilities	1,748.6	232.7	13.3%
Fleet/Risk Interfund	3,872.4	(288.6)	(7.5%)
Debt/Equip Purchases	980.1	33.8	3.4%
Total Operating Exp.	\$69,594.6	\$507.7	0.7%
Capital Rev Transfer	8,781.2	(396.9)	(4.5%)
Other Transfers Out	2,204.1	0.0	0.0%
Total Uses of Funds	\$80,579.9	\$110.8	0.1%

2019 Personnel Expenditures

Personnel Category (\$ in thousands)	YTD Mar Budget	YTD Mar Actuals	Actuals Under/(Over) Budget
Regular Employee Salary & Benefits	\$52,902.0	\$50,937.0	\$1,965.0
Special Pay	598.1	1,080.0	(481.9)
Overtime Compensation	1,132.4	1,638.3	(505.9)
Temporary Compensation	494.0	726.7	(232.7)
Total Salary & Other Compensation	\$55,126.5	\$54,381.9	\$744.6

General Fund Vacancies	Q1
Career Service FTE	41.25

2019 Citywide Utilities

Utility (\$ in thousands)	YTD Mar Budget	YTD Mar Actuals	Actuals Under/(Over) Projection
Electricity	\$398.5	\$361.5	\$36.9
Natural Gas	133.2	150.6	(17.4)
Non-Routine Maint	194.9	144.0	50.9
Street Lights-XCEL	780.8	710.1	70.7
Traffic Lights, Signs	49.1	22.4	26.6
Water/Sewer	175.1	127.3	47.8
Other Utilities	17.1	0.0	17.1
Total Mar YTD	\$1,748.6	\$1,515.9	\$232.7

General Fund | Fund Summary

The General Fund is the operating fund for the City of Aurora. It accounts for receipts, appropriations, and expenditures unless separate fund reporting is required. For an overview of

the General Fund budget, including a breakdown of uses and departments, see page 8.

Revenues (Sources of Funds)	2019 Budget	YTD Actual thru Mar 2019	2019 Year-to-Date Sources Over/(Under)				March 2019 Actual	March Variance Over/(Under)	
			2018	2019 Budget	% Chg vs 2018	% Chg vs Budget		2018	2019 Budget
Sales Tax - General	\$194,392,489	\$48,804,845	\$2,451,978	\$582,861	5.3%	1.2%	13,545,024	820,023	306,904
Use Tax - Capital Related	22,805,340	6,478,747	(931,213)	292,158	(12.6%)	4.7%	1,935,331	(462,389)	222,528
Use Tax - Automobile	19,672,218	5,151,109	529,860	640,210	11.5%	14.2%	1,632,092	248,407	214,497
Property Tax	36,826,663	12,760,591	220,372	0	1.8%	0.0%	12,292,513	463,376	0
Franchise Fees & Taxes	15,115,321	2,023,871	87,833	84,574	4.5%	4.4%	978,362	78,063	121,032
Highway User's Fees & Taxes	12,369,477	2,256,841	317,444	425,965	16.4%	23.3%	1,084,985	118,107	233,484
Other Auto Related (SOT, MV Fees)	4,060,290	737,106	76,579	62,629	11.6%	9.3%	399,829	61,591	80,372
Audit Revenue	3,557,000	2,205,877	(698,923)	1,316,626	(24.1%)	148.1%	1,535,477	(614,257)	1,239,060
Other Taxes	13,485,654	2,423,113	85,887	75,515	3.7%	3.2%	955,356	109,586	75,125
Other Intergovernmental Fees & Taxes	2,969,694	178,947	230,249	37,216	(448.8%)	26.3%	66,639	(67,518)	(2,099)
Business Licenses & Other Permits	2,962,192	573,649	46,938	27,286	8.9%	5.0%	206,212	16,734	(24,233)
Fines & Forfeitures	4,925,981	1,133,487	(79,297)	(11,764)	(6.5%)	(1.0%)	465,490	(886)	(13,288)
Internal Charges for Services	7,567,293	1,940,114	111,782	108,551	6.1%	5.9%	720,846	135,750	110,325
External Charges for Services	6,114,181	1,183,244	(280,307)	(250,575)	(19.2%)	(17.5%)	548,259	(609)	40,099
Other General Fund Revenue	3,074,564	791,246	281,768	186,533	55.3%	30.8%	357,085	164,781	148,754
Total General Fund Revenue	\$349,898,357	\$88,642,787	\$2,450,952	\$3,577,785	2.8%	4.2%	36,723,500	1,070,759	\$2,752,561
Transfers In from Other Funds	2,156,909	0	0	0	n/a	n/a	0	0	0
Total Sources of Funds	\$352,055,266	\$88,642,787	\$ 2,450,952	\$3,577,785	2.8%	4.2%	\$36,723,500	\$ 1,070,759	\$2,752,561
General Fund Operating Revenue ¹	\$316,162,376	\$79,464,675	\$2,784,966	\$3,175,339	3.6%	4.2%			

Expenditures (Uses of Funds)	2019 Budget	YTD Actual thru Mar 2019	2019 Year-to-Date Uses Under/(Over)			
			2018	2019 Budget	% Chg vs 2018	% Chg vs Budget
Personal Services	230,025,319	\$53,655,256	(\$1,422,616)	\$977,237	(2.7%)	1.8%
Temporary Compensation	2,581,827	726,664	(21,926)	(232,663)	(3.1%)	(47.1%)
Professional & Technical Services	17,551,031	2,597,358	762,494	85,389	22.7%	3.2%
Operating Supplies/Other	20,947,753	5,484,349	(1,109,231)	(300,133)	(25.4%)	(5.8%)
Utilities	12,045,026	1,515,928	(53,503)	232,659	(3.7%)	13.3%
Interfund Charges	16,081,166	4,160,997	(339,240)	(288,575)	(8.9%)	(7.5%)
Capital Purchases (Equip, Vehicles, Other)	9,195,124	946,356	(493,866)	33,773	(109.1%)	3.4%
General Fund Operating Expenditures	\$308,427,246	\$69,086,909	(\$2,677,887)	\$507,687	(4.0%)	0.7%
Capital Related Revenue Transfer Out ²	33,735,981	9,178,112	334,014	(402,447)	3.5%	(4.6%)
All Other Transfers Out to Other Funds	25,698,369	2,204,063	(35,717)	0	(1.6%)	0.0%
Total Uses of Funds	\$367,861,596	\$80,469,084	(\$2,379,591)	\$105,241	(3.0%)	0.1%
Less Carryforward Budget	(4,001,554)					
Increase/(Use) of Available Funds³	(\$11,804,776)					

See page 9 for glossary and detailed data description for each column.

- Operating revenue excludes transfers into the General Fund from other funds and accounts for the transfer out of construction related use tax to the Capital Projects Fund (CPF).
- The transfer to the CPF is calculated in December and transferred out of the General Fund. For the purposes of this report, an effective transfer using current revenue collections has been calculated and included as an actual.
- The 2019 Adopted Budget includes the planned use of \$10.6 million in funds available primarily associated with one-time expenditures on new equipment, including two fire apparatus, new street maintenance equipment

related to the northeast area of the city and new library equipment. In the 2018 Spring Supplemental process, an additional \$1.2 million was added with no offsetting revenue, bringing the total planned use of funds available up to \$11.8 million. Supplemental appropriation of \$454,200 is associated with the elimination of the photo red light program and the related movement of 4.0 civil FTEs from the Designated Revenue Fund to the General Fund.



Appendices



General Fund Overview

Fund Description

The General Fund is the operating fund for the City of Aurora. It accounts for receipts, appropriations, and expenditures unless separate fund reporting is required.

Sources of Funds

Sources of funds include nearly all taxes and other resources traditionally associated with City operations. Revenues and expenditures from the 0.25% voter-approved sales tax for the police officer staffing mandate are included in this fund. Other sources include transfers in from other funds.

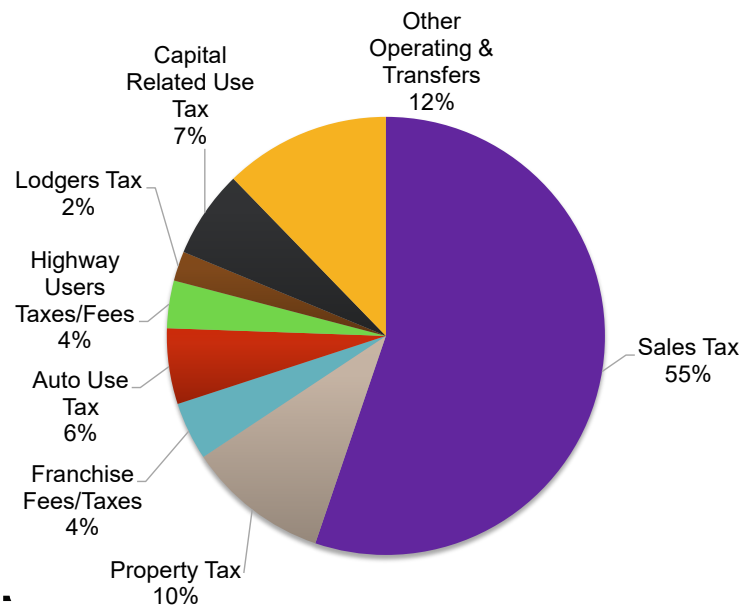
Retail sales remain the backbone of Aurora's General Fund, accounting for 55.0% of total revenue. Use tax is a companion tax to sales tax and is associated with purchases of commodities and equipment. Two-thirds of all General Fund revenue is dependent on purchases when use tax revenues (e.g. building materials use tax, automobile use tax, and equipment use tax) are included.

Uses of Funds

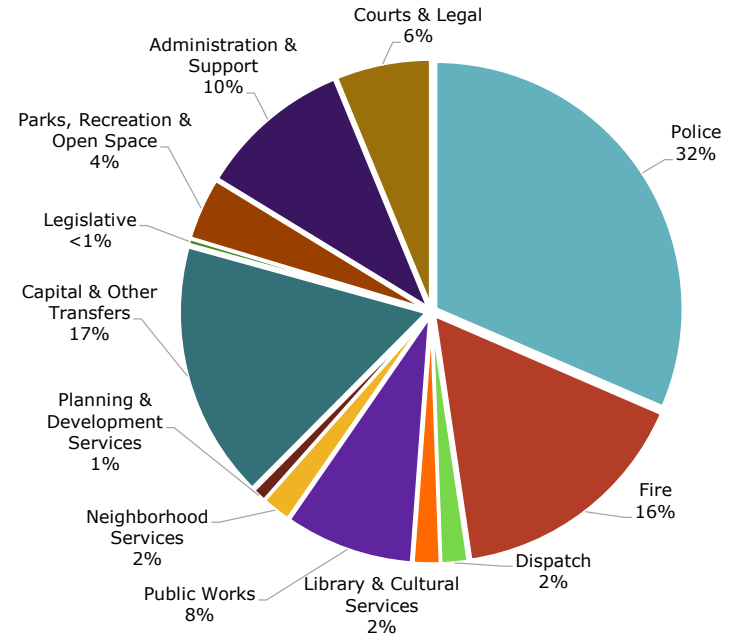
Uses of funds mainly result from expenditures incurred by the departments included in the General Fund. The majority of general services, programs and activities for the citizens of Aurora are supported by this fund, as well as the City Council and the internal administrative management functions. Other uses include transfers out to other funds, such as the transfer to the Capital Projects Fund.

Public safety functions, including Fire, Dispatch, Police, and Court Administration account for 56.0% of total General Fund appropriations in 2019.

2019 General Fund Revenue (Sources)



2019 General Fund Appropriations (Uses)



General Fund Departments

<ul style="list-style-type: none">City AttorneyCivil Service CommissionCourt AdministrationFinanceFire	<ul style="list-style-type: none">General ManagementHuman ResourcesInformation TechnologyJudicialLibrary & Cultural ServicesMayor & City Council	<ul style="list-style-type: none">Neighborhood ServicesNon-Departmental (snow removal, transfers, contingencies)Parks, Recreation & Open Space	<ul style="list-style-type: none">Planning & Development ServicesPolice (including Dispatch)Public DefenderPublic Works
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Accrual Basis: Transactions are recorded as they occur, regardless of the timing of related cash flows.

Actuals: Transactions recorded in the accounting system on a cash basis. Certain revenue sources are recorded on the accrual basis instead of the cash basis. Accrual basis revenue sources will show zero collections for January, and in some cases February, and two or three months of receipts recorded in December.

Budget/Working Budget: This is the sum of the Adopted Budget plus supplemental appropriations and carry forwards of encumbrance balances from the prior year. In the case of capital budgets, the working budget includes all unspent balances of funds appropriated for the life of the project.

Cash Basis: Transactions are recorded in accordance with cash flow regardless of economic transaction timing.

Encumbrances: The legal commitment of appropriated funds to purchase an item or service in the future. An encumbrance is recorded when a purchase order is recorded. The encumbrance is reduced as cash payments are made against the purchase order. If there is an encumbered balance at the end of any given year, the balance will carryforward and be added to the next year's working budget to cover the cash outlay in that year.

Spending Plan/Budget Plan/Revenue Plan: For current month and year-to-date comparison purposes, the 2017 budget and revenue assumptions have been projected monthly, or calendarized. Various methods were used in the process including: historical seasonality, known payment schedules, payroll and benefit calendars, and the straight line basis (1/12th per month).

Variance: Used to describe the difference or resulting percentage change in comparative data. Bracketed variances indicate an unfavorable result.

Column Descriptions

Sources of Funds: All revenue received from external/internal sources and interfund transfers into the fund.

Uses of Funds: All departmental expenditures incurred and interfund transfers out of the fund.

2019 Budget: The 2019 Working Budget.

2019 Projection: A detailed cash basis estimate prepared mid-year for use in current year budget balancing and as the basis for the subsequent budget year estimates.

YTD Actual thru the Current Month: The year-to-date actual sources and uses of funds on a cash basis.



Year-to-Date / Current Month Variance:

- Over/(Under) - Current year sources under the prior year or budgeted sources are unfavorable, indicated by brackets.
- Under/(Over) - Current year uses over the prior year or budgeted uses are unfavorable, indicated by brackets.
- 2018 - The \$ difference between 2019 year-to-date / current month actuals compared to the 2018 actuals for the same timeframe.
- Budget - The \$ difference between the 2019 year-to-date / current month actuals through the current month compared to the 2018 year-to-date budget spending plan for the same timeframe.
- Percent Chg vs 2018 - The percentage change between 2019 year-to-date actuals through the current month and the 2018 actuals through the same month.
- Percent Chg vs Budget - The percentage change between the 2019 year-to-date actuals and the year-to-date budget spending plan.

Finance Department Indicators (for the month ending 3/31/19)

Accounts Payable

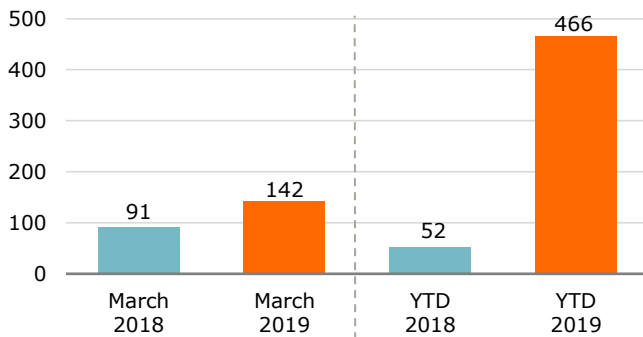
By making payments within the standard 30 days or less, the city can capture vendor discount terms, avoid penalties and interest charges and save taxpayer money. The majority of invoices have terms that range from 30 to 90 days. Once departmental processing is complete and any issues are resolved, Accounting Services then processes the payment within 5 working days.

Target: 30 Days for 85% of Vendor Payments		
	88% (Mar)	86% (YTD) 

Business Licensing

In response to the Wayfair decision, the Colorado Department of Revenue has implemented changes in sales tax collection regulations. As a result, record numbers of license applications were received during the first quarter of 2019 as businesses choose to voluntarily register with home rule cities. Normally, net activity over the first quarter is very low as annual filers with closed businesses follow up to close licenses.

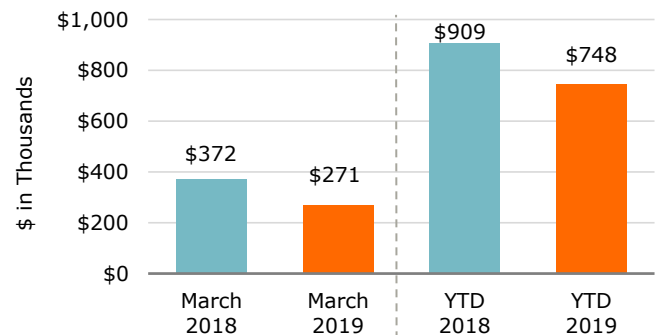
Business License Activity (Net)



Delinquent Tax Collections

Year-to-date collections are slightly lower than last year as staff adjusts to a new software system. The new software also reports some items differently and may be part of the reason for the reduced revenues which will sort out over time. However, delinquent revenue collections have been on average pace in recent months.

Delinquent Tax Collections (\$ in Thou.)



Investments

The city continues to take advantage of higher yields with investments in the Municipal, Corporate, and Government sectors. So far in 2019 the weighted average yield is 2.15%, which is up from 1.30% for 2017 and 1.10% for 2015.

The portfolio balance has increased in both held positions and cash balances, primarily due to growth in sales and use tax revenue in the General Fund, as well as increased Water sales and development fees held in cash balances to fund future water capital projects.

February	2017	2018	2019
Cash & investment portfolio	\$401.0 M	\$488.8 M	\$ 557.7 M
Weighted avg. yield	1.30%	1.63%	2.15%
Duration (months)	19.2	18.0	15.2

Financing Transactions Over Previous 12 Months

Pending transactions for 2019 include Aurora Municipal Center 2009A COPs refinancing (\$72 million), 2019 Heavy Fleet (\$3.4 million) and in 2020, Southeast Rec Center (\$30 million).

Purpose	Amount	Closed	Rate	Term (yrs.)	Lender/ Banker
Wastewater 2018B*	Up to \$28 M	12/18	Float	3/10.5	PNC
Wastewater 2018A	\$2.0 M	12/18	3.04%	10.5	PNC
Wastewater Interfund	\$16.0 M	12/18	2.50%	8	Water
PROS Internal Lease	\$0.07 M	9/18	2.50%	4.5	ACLIC
Police Internal Lease	\$0.36 M	9/18	2.50%	6.5	ACLIC
2018 Heavy Fleet	\$1.75 M	8/18	3.13%	6.7	Vectra
Hogan Parkway	\$19.0 M	7/18	3.10%	8.5	Vectra

* Undrawn construction line of credit, floating rate 3yrs, fixed rate next 7.5 years



City of Aurora

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